

CIRCULAR DATED 2 DECEMBER 2021

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular (as defined herein) is issued by China Mining International Limited (the “**Company**”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular with the Notice of EGM (as defined herein) and the proxy form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of EGM and the proxy form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should at once hand this Circular with the Notice of EGM and the proxy form immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee. The Singapore Exchange Securities Trading Limited assumes no responsibility for the contents of this Circular, including the accuracy of any of the statements made, opinions expressed or reports contained in this Circular.

Due to the current COVID-19 situation in Singapore, Shareholders will not be able to attend the extraordinary general meeting to be held on 17 December 2021 (the “**EGM**”) in person. Instead, alternative arrangements have been put in place to allow shareholders of the Company (“**Shareholders**”) to participate at the EGM by: (a) observing and/or listening to the EGM proceedings via “live” audio-visual webcast or “live” audio-only feed; (b) submitting questions in advance of the EGM in relation to any resolution in the Notice of EGM; and/or (c) appointing the Chairman of the EGM as proxy to vote on their behalf at the EGM. Please refer to Section 13 of this Circular and the Notice of EGM dated 2 December 2021, copies of which have been uploaded on SGXNet at <https://www2.sgx.com/securities/company-announcements> and the Company’s website at <http://www.chinamining-international.com/> for further information, including the steps to be taken by Shareholders to participate at the EGM.

Please note that no printed copies of this Circular, the Notice of EGM and the proxy form in respect of the EGM will be despatched to Shareholders.



CHINA MINING INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands on 30 September 2004)
(Company Registration Number: CT-140095)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

- (1) **PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS (AS DEFINED HEREIN) OF THE COMPANY AND ITS SUBSIDIARIES (THE “GROUP”) TO INCLUDE THE NEW AGRICULTURE BUSINESS (AS DEFINED HEREIN), WHICH WOULD RESULT IN A CHANGE IN THE RISK PROFILE OF THE GROUP**
- (2) **PROPOSED ACQUISITION OF 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF FULLY RICH INTERNATIONAL INVESTMENT LIMITED WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 AND A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL RESPECTIVELY (THE “PROPOSED ACQUISITION”)**
- (3) **PROPOSED ISSUANCE OF 162,000,000 CONSIDERATION SHARES AT AN ISSUE PRICE OF S\$0.043 PER CONSIDERATION SHARE PURSUANT TO THE PROPOSED ACQUISITION UNDER SECTION 161 OF THE COMPANIES ACT AND RULE 805(1) OF THE LISTING MANUAL (THE “PROPOSED ISSUANCE OF CONSIDERATION SHARES”)**
- (4) **PROPOSED ISSUANCE OF 136,323,000 CONSIDERATION SHARES TO CHINA FOCUS INTERNATIONAL LIMITED (中置国际有限公司) AS A RESTRICTED PERSON UNDER RULE 804 OF THE LISTING MANUAL (THE “CHINA FOCUS CONSIDERATION SHARES ISSUANCE”)**
- (5) **PROPOSED ISSUANCE OF 25,677,000 CONSIDERATION SHARES TO CHINA FOCUS INTERNATIONAL LIMITED (中置国际有限公司) (AS A NOMINEE OF PROFIT RUN DEVELOPMENTS LIMITED (润辉发展有限公司)) AS A RESTRICTED PERSON UNDER RULE 804 OF THE LISTING MANUAL (THE “PROFIT RUN CONSIDERATION SHARES ISSUANCE”)**

- (6) **PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) BY WAY OF A POLL TO RECEIVE A MANDATORY GENERAL OFFER FROM CHINA FOCUS INTERNATIONAL LIMITED (中置国际有限公司) FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THEM AS A RESULT OF THE PROPOSED ACQUISITION AND THE PROPOSED ISSUANCE OF CONSIDERATION SHARES (THE “PROPOSED WHITEWASH RESOLUTION”)**

*Independent Financial Adviser to the Independent Directors of the Company
in respect of the Proposed Acquisition and the Proposed Whitewash Resolution*



HONG LEONG FINANCE

HONG LEONG FINANCE LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 19610003D)

IMPORTANT DATES AND TIMES

Last date and time to pre-register online to attend the EGM	15 December 2021 at 10 a.m.
Last date and time for lodgement of proxy form	: 15 December 2021 at 10 a.m.
Date and time of the EGM	: 17 December 2021 at 10 a.m.
Place of the EGM	: The EGM will be held by way of electronic means

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

- “associate”** : In the case of a company:
- (a) in relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
 - (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; or
 - (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
- In the case of an individual, means:
- (a) his immediate family;
 - (b) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (c) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.
- “Audit Committee”** : The audit committee of the Board which as at the Latest Practicable Date comprises Mr. Lim Han Boon, Mr. Ning Jincheng and Mr. Chan Siew Wei.
- “Board”** : The board of Directors of the Company for the time being.

DEFINITIONS

“Buyer”	:	The Company.
“CDP”	:	The Central Depository (Pte) Limited.
“China Focus”	:	China Focus International Limited (中置国际有限公司) (Company Registration No.: 626412), a company incorporated in the British Virgin Islands and having its registered address at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
“China Focus Consideration Shares Issuance”	:	The proposed issuance of 136,323,000 Consideration Shares to China Focus as a restricted person under Rule 804 of the Listing Manual;
“Circular”	:	This circular to Shareholders dated 2 December 2021.
“Code”	:	The Singapore Code on Take-overs and Mergers.
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time.
“Company”	:	China Mining International Limited.
“Completion Date”	:	The date on which the Proposed Acquisition is completed.
“Completion”	:	The completion of the Proposed Acquisition.
“Concert Parties”	:	Has the meaning ascribed to it in the Code.
“Concert Party Group”	:	China Focus and its Concert Parties.
“Conditions Precedent”	:	The conditions precedent to completion of the Proposed Acquisition.
“Consideration Shares”	:	The 162,000,000 new Shares deemed fully paid-up to be issued and allotted to China Focus (for itself and as nominee of Profit Run) at an issue price of S\$0.043 per Share and “Consideration Share” shall be construed accordingly.
“Consideration”	:	The consideration in an aggregate amount of S\$6.966 million for the Proposed Acquisition which shall be satisfied in the form of the Consideration Shares.
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total voting rights in the company. The SGX-ST may determine that a person who satisfies this

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- paragraph is not a controlling shareholder; or
- (b) in fact exercises control over a company.
- “Crowe Horwath”** : Has the meaning ascribed to it in Section 3.5 of the Circular;
- “Director(s)”** : The director(s) of the Company for the time being.
- “EGM”** : The extraordinary general meeting of the Company to be held by way of electronic means on 17 December 2021 at 10 a.m., notice of which is given in the Notice of EGM set out on Pages N-1 to N-6 of this Circular.
- “Everbright”** : Everbright Zhengzhou Venture Capital Investment Fund Partnership (Limited Partnership) (光大郑州国投新产业投资基金合伙企业(有限合伙)) (PRC Unified Social Credit Code: 91410000MA3X5YDF8L).
- “Existing Core Business”** : Has the meaning ascribed to it in Section 2.3.3 of this Circular.
- “FY”** : The financial year ended, or as the case may be, ending 31 December.
- “Gongyi”** : Has the meaning ascribed to it in Section 3.2.2(d) of this Circular.
- “Governmental Body”** : Any authority, agency, commission, court, tribunal, minister, ministry, official, or other instrumentality of Singapore, any foreign country or any domestic or foreign state, province, country, city or other political subdivision having jurisdiction over the applicable person or any of such person’s properties.
- “Group”** : The Company and its subsidiaries.
- “HCAC”** : Has the meaning ascribed to it in Section 3.2.2(c) of this Circular.
- “Henan Ecotourism”** : Has the meaning ascribed to it in Footnote 3 of this Circular.
- “Henan Yuxin”** : Has the meaning ascribed to it in Section 2.4.1 of this Circular.
- “HoldCo”** : Has the meaning ascribed to it in Section 1.2 of this Circular.

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- “HSAD”** : Has the meaning ascribed to it in Footnote 3 of this Circular.
- “HY2021”** : Has the meaning ascribed to it in Section 8 of this Circular.
- “IFA Letter”** : The letter dated 2 December 2021 from the IFA addressed to the Independent Directors in respect of the Proposed Acquisition and the Proposed Whitewash Resolution, as set out in **Appendix A** to this Circular.
- “IFA”** : Hong Leong Finance Ltd, the independent financial adviser appointed by the Company pursuant to Rule 921(4)(a) of the Listing Manual, as well as to advise the Independent Directors in respect of the Proposed Acquisition and the Proposed Whitewash Resolution.
- “IFRS”** : The International Financial Reporting Standards, being a set of accounting rules and standards that determine how accounting events should be reported in one’s financial statements.
- “IFRS Adjustments”** : Has the meaning ascribed to it in Section 3.5 of the Circular.
- “Independent Directors”** : The Directors who are considered independent for the purpose of making recommendations to the Independent Shareholders in respect of the Proposed Acquisition and the Proposed Whitewash Resolution, namely Mr. Lim Han Boon, Mr. Ning Jincheng and Mr. Chan Siew Wei.
- “Independent Shareholders”** : The Shareholders who are deemed to be independent for the purposes of the Proposed Acquisition or the Proposed Whitewash Resolution (as the case may be).
- “Interested Person Transaction”** : Has the meaning ascribed to it in the Listing Manual.
- “Interested Person”** : Has the meaning ascribed to it in the Listing Manual.
- “Latest Practicable Date”** : The latest practicable date prior to the publication of this Circular for ascertaining information included herein, being 30 November 2021.
- “Listing Manual”** : The listing manual of the SGX-ST, as amended or modified from time to time.
- “Long Stop Date”** : 31 December 2021 and, to the extent required, the parties may further extend such Long Stop Date to a

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- mutually agreed date.
- “LPS”** : Loss per Share.
- “Major Transaction”** : Has the meaning ascribed to it in the Listing Manual.
- “Mandatory Offer”** : Under Rule 14.1 of the Code, except with the consent of the SIC, where:
- (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.00% or more of the voting rights of a company; or
 - (b) any person who, together with persons acting in concert with him, holds not less than 30.00% but not more than 50.00% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.00% of the voting rights, the mandatory offer to be extended immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.
- “Material Adverse Effect”** : Any event, circumstance, effect, occurrence or state of affairs or any combination thereof (whether existing or occurring on or before the date of the SPA or arising or occurring afterwards) which is, or is reasonably expected to be, individually or in aggregate, materially adverse to the business, operations, assets, liabilities (including contingent liabilities) or financial condition of any Target Group Company or the Target Group as a whole and for the purpose of this definition, **“Target Group”** and **“Target Group Company”** shall include the HoldCo.
- “NAV”** : Net asset value.
- “New Agriculture Business”** : Has the meaning ascribed to it in Section 2.2.1 of this Circular.
- “Nominating Committee”** : The nominating committee of the Board which as at the Latest Practicable Date comprises Mr. Lim Han Boon, Mr. Ning Jincheng and Mr. Guo Yinghui.

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- “Notice of EGM”** : The notice of EGM as set out on Pages N-1 to N-6 of this Circular.
- “NTA”** : Net tangible assets.
- “Ordinary Resolution 1”** : The ordinary resolution to be considered and, if thought fit, passed (with or without any modifications) by the Shareholders at the EGM to authorise the Proposed Business Diversification which would result in a change in the risk profile of the Group.
- “Ordinary Resolution 2”** : The ordinary resolution to be considered and, if thought fit, passed (with or without any modifications) by the Independent Shareholders at the EGM to authorise the Proposed Acquisition which constitutes an Interested Person Transaction under Chapter 9 and a Major Transaction under Chapter 10 of the Listing Manual respectively.
- “Ordinary Resolution 3”** : The ordinary resolution to be considered and, if thought fit, passed (with or without any modifications) by the Independent Shareholders at the EGM to authorise the Proposed Issuance of Consideration Shares under Section 161 of the Companies Act and Rule 805(1) of the Listing Manual.
- “Ordinary Resolution 4”** : The ordinary resolution to be considered and, if thought fit, passed (with or without any modifications) by the Independent Shareholders at the EGM to authorise the China Focus Consideration Shares Issuance under Rule 804 of the Listing Manual.
- “Ordinary Resolution 5”** : The ordinary resolution to be considered and, if thought fit, passed (with or without any modifications) by the Independent Shareholders at the EGM to authorise the Profit Run Consideration Shares Issuance under Rule 804 of the Listing Manual.
- “Ordinary Resolution 6”** : The ordinary resolution to be considered and, if thought fit, passed (with or without any modifications) by the Independent Shareholders at the EGM to authorise the Proposed Whitewash Resolution.
- “Potential New Agriculture Business Project”** : The new project(s) to be undertaken by the Group in connection with the New Agriculture Business.
- “PRC”** : The People’s Republic of China (and for the purpose of this Circular shall exclude the Hong Kong and Macau Special Administrative Regions and Taiwan).

DEFINITIONS

- “Previous Transaction”** : Has the meaning ascribed to it in Section 1.1 of this Circular.
- “Profit Run”** : Profit Run Developments Limited (润辉发展有限公司) (Company Registration No.: 2008825), a company incorporated in the British Virgin Islands and having its registered address at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
- “Profit Run Consideration Shares Issuance”** : The proposed issuance of 25,677,000 Consideration Shares to China Focus (as a nominee of Profit Run) as a restricted person under Rule 804 of the Listing Manual;
- “Proposed Acquisition”** : Has the meaning ascribed to it in Section 1.2 of this Circular.
- “Proposed Business Diversification”** : The proposed expansion of the scope of the Existing Core Business of the Group to include the New Agriculture Business which will result in a change in the risk profile of the Group.
- “Proposed Issuance of Consideration Shares”** : Has the meaning ascribed to it in Section 1.5 of this Circular.
- “Proposed Whitewash Resolution”** : The proposed whitewash resolution for the waiver of the rights of the Independent Shareholders by way of a poll to receive a mandatory general offer from China Focus for all the issued shares in the capital of the Company not already owned or controlled by them as a result of the Proposed Acquisition.
- “RMB”** : Renminbi, being the lawful currency of the PRC.
- “S\$” or “cents”** : Dollars and cents respectively of the currency of Singapore.
- “Sale Shares”** : Has the meaning ascribed to it in Section 1.2 of this Circular.
- “Securities Account”** : Securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent).
- “Sellers”** : Has the meaning ascribed to it in Section 1.2 of this Circular.
- “SFA”** : The Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time.

DEFINITIONS

“ SGX-ST ”	:	Singapore Exchange Securities Trading Limited.
“ Share(s) ”	:	Ordinary share(s) in the capital of the Company.
“ Shareholders ” or “ members ”	:	Registered holders of the Shares, except that where the registered holder is CDP, the term “ Shareholders ” or “ members ” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares.
“ SIC ”	:	Securities Industry Council.
“ Sino-Africa ”	:	Has the meaning ascribed to it in Section 2.1.2 of this Circular.
“ SPA ”	:	The sale and purchase agreement dated 31 March 2021 entered into between the Buyer and the Sellers in relation to the Proposed Acquisition, as amended, modified and supplemented from time to time.
“ Substantial Shareholders ”	:	Shareholders who are beneficial owners of 5.00% or more of Shares.
“ Target ”	:	Has the meaning ascribed to it in Section 1.2 of this Circular.
“ Target Group Company ”	:	Has the meaning ascribed to it in Section 3.2.2 of this Circular and for the purposes of Section 4.3 of this Circular, “ Target Group Company ” shall include the HoldCo.
“ Target Group ”	:	Has the meaning ascribed to it in Section 3.2.2 of this Circular.
“ Target Subsidiaries ”	:	Has the meaning ascribed to it in Section 3.2.2 of this Circular.
“ Valuation Report ”	:	The valuation report dated 23 August 2021 prepared by AP Appraisal Limited and which is set out in Appendix B to this Circular.
“ VWAP ”	:	Volume weighted average price per Share.
“ Whitewash Waiver ”	:	The whitewash waiver granted by the SIC to China Focus on 30 November 2021 waiving the obligation of China Focus to make a general offer for the Company in the event that it incurs an obligation to do so as a

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result of the Proposed Acquisition and the issue and allotment of the Consideration Shares.

“ZNHSBJ”	:	Zhongnong Huasheng (Beijing) Agricultural Development Investment Co., Ltd. (中农华盛(北京)农业发展投资有限公司) (PRC Unified Social Credit Code: 911101085906368681).
“ZNHS Industrial”	:	Has the meaning ascribed to it in Section 3.2.2(b) of this Circular.
“ZRFF”	:	Has the meaning ascribed to it in Section 3.2.2(a) of this Circular.
“%”	:	Per centum or percentage.

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them in Section 81SF of the SFA.

The term “**subsidiary**” shall have the meaning ascribed to it under Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the SFA or the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise stated.

Any discrepancy in the figures included in this Circular, the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise stated, an exchange rate of S\$1.00:RMB4.90 has been applied to the figures included in this Circular.

LETTER TO SHAREHOLDERS

CHINA MINING INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands on 30 September 2004)

(Company Registration Number: CT-140095)

Directors

Mr. Guo Yinghui (Chairman and Executive Director)
Mr. Zhai Kebin (Chief Executive Officer and Executive Director)
Ms. Dong Lingling (Executive Director)
Mr. Lim Han Boon (Independent Director)
Mr. Ning Jincheng (Independent Director)
Mr. Chan Siew Wei (Independent Director)

Registered Office

The Offices of Conyers Trust Company
(Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

2 December 2021

To: The Shareholders of China Mining International Limited

Dear Shareholders,

1. INTRODUCTION

- 1.1. The Board refers to the Company's previous announcements dated 18 July 2018, 23 January 2019 and 11 March 2019 in relation to, *inter alia*, the proposed acquisition of 63.11% of the registered capital of the Target (the "**Previous Transaction**") from ZNHSBJ, and the termination of the sale and purchase agreement in relation to the Previous Transaction due to the parties thereto electing not to extend the long stop date in order to reconsider the acquisition structure.
- 1.2. The Board also refers to the Company's subsequent announcements dated 21 January 2021, 31 March 2021, 21 October 2021, 23 November 2021 and 30 November 2021 in relation to a binding term sheet and the SPA respectively entered into between the Company, China Focus and Profit Run (Profit Run, and together with China Focus, the "**Sellers**") for the proposed acquisition of 100% of the issued and paid-up share capital (the "**Sale Shares**") of Fully Rich International Investment Limited (广富国际投资有限公司) (the "**HoldCo**"), which in turn owns 63.11% of the registered capital of Henan Zhongnong Huasheng Agricultural Science and Technology Co., Ltd. (河南中农华盛农业科技有限公司) (the "**Target**") (the "**Proposed Acquisition**")¹. Accordingly, the acquisition structure under the Previous Transaction has been amended and modified, and the Company now intends to pursue the proposed acquisition of 63.11% of the registered capital of the Target through the Proposed Acquisition. The Proposed Acquisition is in line with the Proposed Business Diversification and will, if successfully implemented, be the Group's first strategic exposure and entry into the agriculture industry (in particular, the New Agriculture Business).

¹ The HoldCo acquired 63.11% of the registered capital of the Target from ZNHSBJ in two tranches, which were completed on 19 June 2019 and 14 July 2020 respectively. Please refer to **Appendix C** to this Circular for further details on the shareholding history of the Target Group.

LETTER TO SHAREHOLDERS

- 1.3. China Focus is an investment holding company incorporated in the British Virgin Islands, and which is wholly-owned by Mr. Guo Yinghui. The directors of China Focus are Mr. Guo Yinghui and Mr. Guo Liang, who is the son of Mr Guo Yinghui.
- 1.4. Profit Run is an investment holding company incorporated in the British Virgin Islands, and which is wholly-owned by a British national in trust for the benefit of Mr. Guo Yinghui. The trust arrangement was entered into in order to present the HoldCo as a foreign-Sino entity. The director of Profit Run is Ms. Li Ye, who is a personal friend of Mr. Guo Yinghui.
- 1.5. The issued and paid-up share capital of the HoldCo is held 84.15% by China Focus and 15.85% by Profit Run. The director of the HoldCo is Ms. Li Ye.
- 1.6. The registered capital of the Target is held 63.11% by the HoldCo and 36.89% by Everbright. The directors of the Target are Mr. Zhang Hua, Mr. Li Junyong and Mr. Ma Degui. The Target Group comprises companies incorporated under the laws of the PRC, and which are principally engaged in the business of growing and selling agricultural produce. In particular, the Target Group is mainly engaged in the planting and cultivation (principally at Xingyang County, Gaoshan Town, Zhengzhou, Henan, the PRC) as well as the sale of the seedlings and fruits of a specific genotype of soft seed pomegranate known as the Heyin Soft Seed Pomegranate and the sale of derivative products.
- 1.7. **Proposed Business Diversification (Ordinary Resolution 1)**
 - 1.7.1. The Group is currently engaged in the Existing Core Business. Following the expiry of the long stop date for the fulfilment of the conditions precedent in the amended and restated conditional sale and purchase agreement entered into by the Company with China Geological Exploration Holdings Limited, Guide True Limited, China Shoushan Wealth Management Group Co., Limited and Violet Enterprises (Canada) Inc. on 30 June 2018 and pursuant to the mutual decision of the parties not to further extend the long stop date, the Group has not been actively undertaking any business activities related to the exploration, mining and trading of mineral resources in the PRC (including mining consultancy business activities) save that it has continued to hold its investment interests in the Thabazimbi Mine as described in Section 2.1.2 of this Circular.
 - 1.7.2. For reasons set out in Section 2.3 of this Circular, the Company is proposing to expand the scope of the Existing Core Business to include the New Agriculture Business. The Proposed Business Diversification will result in a change in the risk profile of the Group.
- 1.8. **Proposed Acquisition (Ordinary Resolution 2)**

China Focus is wholly-owned by Mr. Guo Yinghui. Profit Run is wholly-owned by a British national in trust for the benefit of Mr. Guo Yinghui. Mr. Guo Yinghui is the Chairman of the Board and an Executive Director of the Company, and is also a Controlling Shareholder. China Focus is also a Substantial Shareholder. The Consideration represents approximately 41.84% of the Group's latest audited NTA as at 31 December 2020. In addition, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual exceed 20.00%. Accordingly, the Proposed Acquisition constitutes an Interested Person Transaction under Chapter 9 and a Major Transaction under Chapter 10 of the Listing Manual for which approval from the Independent Shareholders is required.

LETTER TO SHAREHOLDERS

1.9. **Proposed Issuance of Consideration Shares (Ordinary Resolution 3)**

Under the Proposed Acquisition, the aggregate consideration payable for the sale and purchase of the Sale Shares shall be S\$6.966 million. On Completion, the Consideration shall be satisfied in the form of 162,000,000 Consideration Shares to be issued at an issue price of S\$0.043 per Consideration Share to China Focus (for itself and as nominee of Profit Run) (the “**Proposed Issuance of Consideration Shares**”). The Proposed Issuance of Consideration Shares will be undertaken pursuant to a specific mandate, and the Company intends to seek specific approval from the Independent Shareholders for the Proposed Issuance of Consideration Shares pursuant to Section 161 of the Companies Act and Rule 805(1) of the Listing Manual.

1.10. **Proposed Issuance of Consideration Shares to China Focus as a Restricted Person (Ordinary Resolution 4)**

Except in the case of an issue made on a *pro rata* basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Listing Manual, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. As 136,323,000 Consideration Shares are proposed to be issued to China Focus, and China Focus is an associate of a Director, namely, Mr. Guo Yinghui, the Proposed Issuance of Consideration Shares to China Focus requires specific approval from the Independent Shareholders under Rule 804 of the Listing Manual.

1.11. **Proposed Issuance of Consideration Shares to China Focus (as a nominee of Profit Run) as a Restricted Person (Ordinary Resolution 5)**

Except in the case of an issue made on a *pro rata* basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Listing Manual, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. As 25,677,000 Consideration Shares are proposed to be issued to China Focus (as a nominee of Profit Run), and Profit Run is an associate of a Director, namely, Mr. Guo Yinghui, the Proposed Issuance of Consideration Shares to China Focus (as a nominee of Profit Run) requires specific approval from the Independent Shareholders under Rule 804 of the Listing Manual.

1.12. **Proposed Whitewash Resolution (Ordinary Resolution 6)**

1.12.1. On 30 November 2021, the SIC waived the obligation of China Focus to make a general offer for the Company in the event that it incurs an obligation to do so as a result of the Proposed Acquisition and the issue and allotment of the Consideration Shares. Such Whitewash Waiver is subject to, *inter alia*, a majority of the Independent Shareholders holding voting rights in the Company approving at a general meeting, before the issue and allotment of the Consideration Shares, a resolution by way of a poll to waive their rights to receive a general offer from China Focus.

1.12.2. **Independent Shareholders should note that the issue and allotment of the Consideration Shares to China Focus on Completion of the Proposed Acquisition will result in the Concert Party Group holding Shares carrying over 49.00% of the enlarged voting rights**

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in the Company. Therefore, China Focus will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.

Copies of the announcements referred to above are available on the SGX-ST's website at www.sgx.com.

1.13. Conditionality and Inter-Conditionality of the Ordinary Resolutions

1.13.1. Shareholders should note that Ordinary Resolutions 2, 3, 4, 5 and 6 are conditional on Ordinary Resolution 1 as set out in the Notice of EGM. This means that if Ordinary Resolution 1 is not approved, Ordinary Resolutions 2, 3, 4, 5 and 6 will not be duly approved. Ordinary Resolutions 2, 3, 4, 5 and 6 are conditional on Ordinary Resolution 1 as approval for the Proposed Business Diversification (Ordinary Resolution 1) is a Condition Precedent to completion of the Proposed Acquisition (Ordinary Resolution 2), and Ordinary Resolutions 2, 3, 4, 5 and 6 are inter-conditional on each other. However, Ordinary Resolution 1 is not conditional on Ordinary Resolutions 2, 3, 4, 5 and 6. This means that even if Ordinary Resolutions 2, 3, 4, 5 and 6 are not approved, Ordinary Resolution 1 may still be approved by Shareholders.

1.13.2. Shareholders should note that Ordinary Resolutions 2, 3, 4, 5 and 6 as set out in the Notice of EGM are inter-conditional on each other. This means that if any one of Ordinary Resolutions 2, 3, 4, 5 or 6 is not approved, all of Ordinary Resolutions 2, 3, 4, 5 and 6 will not be duly approved. Ordinary Resolutions 2, 3, 4, 5 and 6 are inter-conditional as:

- (a) approval for the Proposed Issuance of Consideration Shares (Ordinary Resolution 3), including the China Focus Consideration Shares Issuance (Ordinary Resolution 4) and the Profit Run Consideration Shares Issuance (Ordinary Resolution 5), and the Proposed Whitewash Resolution (Ordinary Resolution 6), from the Independent Shareholders are Conditions Precedent to completion of the Proposed Acquisition (Ordinary Resolution 2); and
- (b) the Proposed Issuance of Consideration Shares (Ordinary Resolution 3), the China Focus Consideration Shares Issuance (Ordinary Resolution 4) and the Profit Run Consideration Shares Issuance (Ordinary Resolution 5) are being undertaken as consideration for the Proposed Acquisition (Ordinary Resolution 2). If the Proposed Acquisition is not approved, there is no requirement for the Proposed Issuance of Consideration Shares, the China Focus Consideration Shares Issuance and the Profit Run Consideration Shares Issuance; and
- (c) the Proposed Whitewash Resolution (Ordinary Resolution 6) is being undertaken as a result of the shareholding interests of the Concert Party Group increasing from 28.54% to 62.79% on completion of the Proposed Acquisition (Ordinary Resolution 2) and the Proposed Issuance of Consideration Shares (Ordinary Resolution 3), including the China Focus Consideration Shares Issuance (Ordinary Resolution 4) and the Profit Run Consideration Shares Issuance (Ordinary Resolution 5). If the Proposed Acquisition and the Proposed Issuance of Consideration Shares, including the China Focus Consideration Shares Issuance (Ordinary Resolution 4) and the Profit Run Consideration Shares Issuance (Ordinary Resolution 5), are not approved, there is no requirement for the Proposed Whitewash Resolution.

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1.14. No Change in Control under Rule 803

- 1.14.1. Prior to Completion of the Proposed Acquisition, Mr. Guo Yinghui has a direct interest of 10.22% and a deemed interest of 18.32% (aggregate: 28.54%) in the issued and paid-up share capital of the Company and, as at the Latest Practicable Date, is the single largest Shareholder of the Company.
- 1.14.2. On Completion of the Proposed Acquisition, China Focus will have an aggregate direct interest of 53.16% in the enlarged issued and paid-up share capital of the Company, in which Mr. Guo Yinghui will be deemed to be interested. Therefore, on Completion of the Proposed Acquisition, Mr. Guo Yinghui will have a direct interest of 5.32% and a deemed interest of 57.47% (aggregate: 62.79%) in the enlarged issued and paid-up share capital of the Company. Further, Mr. Guo Yinghui will remain as the Chairman of the Board and an Executive Director of the Company after Completion of the Proposed Acquisition.
- 1.14.3. Accordingly, the Proposed Acquisition will not result in a transfer of a controlling interest in the Company under Rule 803 of the Listing Manual.

1.15. EGM

Therefore, the Directors are convening the EGM to be held by way of electronic means on 17 December 2021 at 10 a.m. to seek approval from: (a) the Shareholders for the Proposed Business Diversification; (b) the Independent Shareholders for the Proposed Acquisition; (c) the Independent Shareholders for the Proposed Issuance of Consideration Shares; and (d) the Independent Shareholders for the Proposed Whitewash Resolution. The Notice of EGM is set out on Pages N-1 to N-6 of this Circular.

1.16. Purpose of this Circular

- 1.16.1. The purpose of this Circular is to provide the Shareholders with the relevant information pertaining to, and to seek approval at the EGM from the Shareholders or the Independent Shareholders (as the case may be) for, the Proposed Business Diversification which would result in a change in the risk profile of the Group, the Proposed Acquisition which constitutes an Interested Person Transaction under Chapter 9 and a Major Transaction under Chapter 10 of the Listing Manual respectively, the Proposed Issuance of Consideration Shares and the Proposed Whitewash Resolution.
- 1.16.2. Please note that no printed copies of this Circular, the Notice of EGM and the proxy form in respect of the EGM will be despatched to Shareholders. A copy of this Circular, the Notice of EGM and the proxy form have been uploaded on SGXNET at <https://www2.sgx.com/securities/company-announcements> and the Company's website at <http://www.chinamining-international.com/>. A Shareholder will need an Internet browser and PDF reader to view these documents on SGXNET.

1.17. Appointment of Advisors

- 1.17.1. The Company has appointed Hong Leong Finance Ltd as the IFA pursuant to Rule 921(4)(a) of the Listing Manual, as well as to advise the Independent Directors in respect of the Proposed

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Acquisition and the Proposed Whitewash Resolution.

- 1.17.2. The Company has appointed Morgan Lewis Stamford LLC as its legal adviser as to Singapore law in relation to the Proposed Acquisition.
- 1.17.3. The Company has appointed Henan Zhengfangyuan Law Firm (河南正方圆律师事务所) as its legal adviser as to PRC law to conduct legal due diligence on the Target Group Companies. The scope of the legal due diligence covered, *inter alia*, the due incorporation of the Target Group Companies, the equity capital structure of the Target Group Companies, including the validity and legality of the 63.11% equity interest in the Target held by the HoldCo, the corporate governance and organizational governance structure of the Target Group Companies, the licensing requirements and compliance with applicable laws in respect of the Target Group Companies, the land circulation arrangements applicable to the Target Group Companies, the ownership of assets and intellectual property rights by the Target Group Companies, the material contracts of the Target Group Companies and the material litigation or arbitration proceedings involving the Target Group Companies. The due diligence was performed based on the corporate records maintained, and statutory filings made, by the Target Group Companies. There were no material adverse findings arising from the legal due diligence conducted on the Target Group Companies. No legal due diligence was conducted on the Sellers.

2. THE PROPOSED BUSINESS DIVERSIFICATION

2.1. Existing Core Business

- 2.1.1. The Group is principally engaged in the Existing Core Business and its market capitalisation as at the Latest Practicable Date is approximately S\$7.04 million. Based on the Group's latest audited consolidated financial statements for FY2020, the Group has a NAV of approximately RMB81.58 million (approximately S\$16.65 million) as at 31 December 2020 and experienced a net loss of approximately RMB15.7 million (approximately S\$3.20 million) for FY2020.
- 2.1.2. As at the Latest Practicable Date, the principal activities of the Group and its associated companies are as follows:

Subsidiaries

Name of Company	Principal Activities	Country of Incorporation/ Place of Business	Beneficial Equity held by the Group (%)
<i><u>Held by the Company</u></i>			
Elegant Jade Enterprises Limited ("Elegant Jade")	Investment Holding	British Virgin Islands	100
Nice Rhythms Limited	Investment Holding	British Virgin Islands	100
China Mining Singapore Pte. Ltd.	Mining Consultancy and Investment Holding	Singapore	100
<i><u>Held by Elegant Jade</u></i>			
Zhengzhou Shengderun Mining Co., Ltd.	Dormant	PRC	100
Xinxiang Huilong Real Estate Co., Ltd.	Property Development and Investment Holding	PRC	100
Henan Sunshine Elegant Jade Real	Investment Holding	PRC	100

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Estate Co., Ltd. Zhengzhou Kunchang Properties Co., Ltd.	Property Development and Investment Holding	PRC	100
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Associated companies

Name of Company	Principal Activities	Country of Incorporation/ Place of Business	Beneficial Equity held by the Group (%)
<i><u>Held by the Company</u></i>			
Sino Feng Mining International S.à.r.l. (“ Sino Feng Mining ”)	Investment Holding	Luxembourg	40.15
<i><u>Held by Sino Feng Mining</u></i>			
Huixin Mining International Pty Limited (“ Huixing Mining ”)	Investment Holding	South Africa	100
<i><u>Held by Huixing Mining</u></i>			
Aero Wind Properties Pty Limited (“ Aero Wind ”) ⁽¹⁾	Investment Holding	South Africa	40.00

Note:

- (1) Aero Wind holds a mining right granted by the relevant South African authority in respect of an iron ore mine located in Thabazimbi District, Limpopo Province, South Africa (the “**Thabazimbi Mine**”). For practical and accounting purposes, the Thabazimbi Mine is deemed an investment of the Group. The Thabazimbi Mine is 100% owned by Aero Wind, which is in turn held 34% by Thabazimbi Iron Ore (Asia) Holding Pte Ltd (“**TIOA**”), 40% by Huixing Mining and 26% by Tsimbi Investment Company (Pty) Ltd (“**TIC**”). TIC is an indigenous South African investor, and the Company is given to understand that TIOA is a party acting in concert with Sino-Africa Mining International Limited (“**Sino-Africa**”). Sino-Africa holds 59.85% of Sino Feng Mining.

2.2. The New Agriculture Business

2.2.1. The Group is proposing to expand the scope of the Existing Core Business to include the following businesses, as and when appropriate opportunities arise (the “**New Agriculture Business**”):

- (a) undertaking and investing in activities related to agricultural cultivation and production, and the agriculture industry generally;
- (b) trading, distributing, importing and exporting agriculture products and agriculture-related products;
- (c) engaging in and investing into agricultural research and development;
- (d) renting, acquiring and/or developing land for agriculture or agriculture-related purposes;
- (e) expanding its business in the agriculture industry organically or through potential acquisitions and joint ventures with parties who can provide synergistic value to the New Agriculture Business; and
- (f) investing in shares or interests in any entity which is engaged in the New Agriculture Business.

2.2.2. The Group does not plan to restrict the New Agriculture Business to any specific geographical market as each project and investment will be evaluated and assessed by the Board on its

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individual merits.

- 2.2.3. The Group may also explore joint ventures and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the New Agriculture Business as and when the opportunity arises. The decision on whether a project or investment should be undertaken by the Group on its own or in collaboration with third parties will be made by the Board after taking into consideration various factors such as the nature and scale of the project or investment, the amount of investment required, the risks associated with the project or investment, the nature of expertise required, the period of time which is required to complete the project or investment and the prevailing conditions of the agriculture industry.
- 2.2.4. While the Group was also previously engaged in the business of exploration and mining in the PRC, following the expiry of the long stop date for the fulfilment of the conditions precedent in the amended and restated conditional sale and purchase agreement entered into by the Company with China Geological Exploration Holdings Limited, Guide True Limited, China Shoushan Wealth Management Group Co., Limited and Violet Enterprises (Canada) Inc. on 30 June 2018 and pursuant to the mutual decision of the parties not to further extend the long stop date, the Group has not been actively undertaking any business activities related to the exploration, mining and trading of mineral resources in the PRC (including mining consultancy business activities) save that it has continued to hold its investment interests in the Thabazimbi Mine as described in Section 2.1.2 of this Circular.

2.3. **Rationale for the Proposed Business Diversification**

The Group is proposing to expand the scope of the Existing Core Business to include the New Agriculture Business for the following reasons:

2.3.1. Opportunity to participate in the growth prospects of the agricultural industry

The Board believes that growing income and more urbanised populations across the globe have contributed to a demand for a more varied and nutritionally balanced diet. Coupled with growing concerns over food safety and escalating demands for high-quality food products, the Board is of the view that there is potential for growth in the agriculture industry. Accordingly, the Group intends to expand its business scope to undertake the above business line to capture opportunities in the agricultural market and simultaneously add productive value to land spaces.

2.3.2. Diversified returns and long-term growth

The Proposed Business Diversification is part of the corporate strategy of the Group to benefit the Shareholders through diversified returns and long-term growth. The Directors believe that the Proposed Business Diversification will reduce the Group's reliance on the Existing Core Business and provide the Group with new revenue streams, thereby improving its prospects.

2.3.3. Market challenges for the Existing Core Business

The Existing Core Business has been facing challenging market conditions such as pricing pressure from customers and rising operational costs, which has in turn limited the Group's growth and financial performance in recent years. While the Group remains focused on enhancing its operational efficiency to improve the profitability of the Existing Core Business,

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the Proposed Business Diversification may potentially offer the Group new business and growth opportunities.

The existing core business of the Group comprises: (i) the business of property development; (ii) the business of general financial investment; and (iii) the business of holding investment interests in the Thabazimbi Mine (the “**Existing Core Business**”).

In relation to the business of property development, the key challenge faced by the Group is the massive capital outlay requirements for the purchase of land and/or the forging joint ventures with a view to undertaking property development activities. In addition, the sustained austerity cooling measures implemented by the PRC government have been, and are expected to continue to be, relatively effective in reining in property prices in non-tier one cities where the Group focuses its property development activities.

In relation to the business of general financial investment, this has yielded pockets of short-term cash flow to supplement the working capital needs of the Group.

In relation to the business of holding investment interests in the Thabazimbi Mine, the Group was mainly challenged by the massive capital outlay requirements required to develop the Thabazimbi Mine. Further, in addition to the long gestation period required for mine development and extraction, the fluctuations in the prices of soft iron ore also heightened the risks associated with such business. In order to manage the Group’s risk exposure, a shareholders’ agreement dated 30 April 2017 was entered into with Sino-Africa pursuant to which it was mutually agreed that the Group would not be required to contribute additional funding for the purposes of making or realising an investment in, or funding any other requirements of, the Thabazimbi Mine, and that the Group would relinquish its right to exercise control, joint control or significant influence over its investment in the Thabazimbi Mine. Accordingly, the Group’s future plans in respect of the Thabazimbi Mine would depend on Sino-Africa’s strategic direction and future plans for the Thabazimbi Mine. As at the Latest Practicable Date, the Group is given to understand that Sino-Africa intends to prepare the Thabazimbi Mine for disposal within the medium term for profit. As at the Latest Practicable Date, the Thabazimbi Mine has completed the exploration phase and is awaiting the issuance of the mining licence from the relevant South African authorities before the mining phase can commence. The issuance of the mining licence is dependent on the payment of a rehabilitation deposit in the amount of South African Rand 10,091,000 (approximately RMB5.03 million), as well as the provision of a mining program and survey plan. However, the Group is given to understand that due to the ongoing and escalating COVID-19 pandemic in South Africa, Sino-Africa has yet to pay the rehabilitation deposit and as at the Latest Practicable Date, activities at the Thabazimbi Mine have been temporarily halted.

Following the expiry of the long stop date for the fulfilment of the conditions precedent in the amended and restated conditional sale and purchase agreement entered into by the Company with China Geological Exploration Holdings Limited, Guide True Limited, China Shoushan Wealth Management Group Co., Limited and Violet Enterprises (Canada) Inc. on 30 June 2018 and pursuant to the mutual decision of the parties not to further extend the long stop date, the Group has not been actively undertaking any business activities related to the exploration, mining and trading of mineral resources in the PRC (including mining consultancy business activities) save that it has continued to hold its investment interests in the Thabazimbi Mine as described in Section 2.1.2 of this Circular.

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2.3.4. Shareholders' approval (re: Practice Note 10.1 of the Listing Manual)

Pursuant to Rule 1014 of the Listing Manual, a Major Transaction must be made conditional upon approval by shareholders at a general meeting. Nonetheless, pursuant to Practice Note 10.1 of the Listing Manual, an acquisition that is regarded to be in, or in connection with, the ordinary course of an issuer's business, is not subject to the requirements under Chapter 10 of the Listing Manual (except for Part VIII on very substantial acquisitions or reverse takeovers). An acquisition can be regarded to be in, or in connection with, the ordinary course of an issuer's business, if the asset to be acquired is part of the issuer's existing principal business and the acquisition does not change the issuer's risk profile.

Upon the approval by the Shareholders of the Proposed Business Diversification, any acquisition which is in, or in connection with, the New Agriculture Business, may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "transaction" under Chapter 10 of the Listing Manual. Accordingly, the Group may possibly, in its ordinary course of business, enter into transactions relating to the New Agriculture Business which do not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek the Shareholders' approval as and when potential transactions relating to the New Agriculture Business arise, even where they cross the threshold of a Major Transaction. This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company.

For the avoidance of doubt, and notwithstanding the Proposed Business Diversification:

- (a) where an acquisition of assets (whether or not the acquisition is deemed in the ordinary course of business of the Company) is one where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual is 100% or more, or is one which will result in the change of control of the Company, the transaction is classified as a very substantial acquisition or reverse takeover and would be subject to Rule 1015 of the Listing Manual and would be subject to approval of the Shareholders;
- (b) Practice Note 10.1 of the Listing Manual will apply and Shareholders' approval would be required for any transaction (which falls within the definition as set out in Rule 1002(1) of the Listing Manual) which changes the risk profile of the Company; and
- (c) where any transaction constitutes an Interested Person Transaction, Chapter 9 of the Listing Manual will apply to such a transaction and the Company will comply with the provisions of Chapter 9 of the Listing Manual.

Pursuant to Rule 1005 of the Listing Manual, separate transactions completed within the last 12 months may also be aggregated and treated as if they were one transaction in determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004 of the Listing Manual. The Company will be required to comply with any applicable and prevailing provisions of the Listing Manual as amended or modified from time to time.

2.4. **Managing the New Agriculture Business**

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- 2.4.1. Even though the Existing Core Business is different from the New Agriculture Business, the Board recognises that the relevant experience and expertise required can be acquired and developed by the Group over time as it progresses in the New Agriculture Business. Upon Completion of the Proposed Acquisition, the Board and senior management of the Group will comprise individuals with varied qualifications and experience who will provide the strategic vision and policy for the New Agriculture Business. With effect from 1 June 2021, Mr. Guan Qingsheng was appointed as the general manager of the Target.² Mr. Guan Qingsheng graduated from Henan Agricultural University in 1983 with a Bachelor of Agriculture and also obtained a Master of Management in 1990. He is currently a lecturer at the faculty. He is also the Deputy Chairman of a branch of the Henan Provincial Agriculture and Resources Committee of the China Democratic National Construction Association (中国民主建国会河南省委员会下属农业与资源委员会分会). His previous experiences include project management with Henan Yuxin International Co., Ltd. (“**Henan Yuxin**”), where he participated in the investigation and analysis of various agricultural projects. He was also the deputy general manager of Henan Yellow River Forestry Co., Ltd., and the general manager of Yellow River Agriculture Company, both under “Henan Yuxin International Co., Ltd.”, where he was involved in numerous agricultural projects. Henan Yuxin is a company under the purview of the Henan Provincial Government which targets Singapore for foreign direct investments. Prior to 2018, Henan Yuxin was a conglomerate engaged in multiple lines of business, including but not limited to forestry and agriculture cultivation which is similar to the activities to be undertaken under the New Agriculture Business. Since 2018, Henan Yuxin has remained dormant subsequent to an internal corporate reorganization exercise directed by its shareholders.
- 2.4.2. As and when the New Agriculture Business expands, the Group will, as necessary, employ new employees with the relevant expertise and experiences to satisfy the managerial and technical aspects of projects undertaken for the New Agriculture Business. The Nominating Committee and the Board will review the suitability of any proposed appointee to the management team as and when a potential candidate has been identified by the Company.
- 2.4.3. In making decisions relating to the New Agriculture Business, the Board and the senior management of the Group will seek the advice of reputable external consultants and experts where necessary and appropriate. The Group intends to engage in the New Agriculture Business incrementally; it will monitor developments and progress in the New Agriculture Business and take the necessary steps to identify suitable candidates both from within the Group as well as externally to manage the New Agriculture Business to take it forward as and when required. In addition, the Group will evaluate the manpower and expertise required for the New Agriculture Business and will, as and when required, hire suitably qualified personnel, external consultants, external industry experts and professionals for the New Agriculture Business.
- 2.4.4. The Group may foster partnerships with various third parties in the relevant industries to assist

² In the Company’s announcement dated 31 March 2021, it was stated that with effect from the Completion Date, Ms. Zhang Xiaoying will be appointed to the Board as an executive director of the Company and that Ms. Zhang Xiaoying will enter into a service agreement with the Target prior to the Completion of the Proposed Acquisition for the renewal of her continued appointment with the Target. As Ms. Zhang Xiaoying stepped down from her position for personal reasons, Mr. Guan Qingsheng was appointed as the general manager of the Target with effect from 1 June 2021. Mr. Guan Qingsheng will not be appointed to the Board.

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it in undertaking the New Agriculture Business more effectively and efficiently as the Group seeks to build its expertise and capabilities in this field. Such partnerships may be done either on a case by case basis or on a term basis. Where necessary, work may be outsourced to reputable third parties who have expertise in the relevant area in relation to the projects concerned. In selecting its partners, the Group will take into account the specific expertise and competencies required for the project in question and the experience, historical track record and financial standing of the party concerned.

2.5. Funding Requirements

The Group intends to fund the New Agriculture Business through a combination of, *inter alia*, internal sources of funds, financial institution borrowings and/or fundraising via capital markets as and when necessary and deemed appropriate. The Group will adopt an overall funding strategy that is aimed at ensuring any projects undertaken in connection with the New Agriculture Business will have the necessary funds available in accordance with the relevant timelines and requirements of each project. The Group will also determine the amount of financial institution borrowings it requires, having regard to its overall funding strategy. The Group will only commence on a project if it has, or is confident of raising, the necessary funds in line with the Group's overall funding strategy.

2.6. Risk Factors relating to the Proposed Business Diversification

Shareholders should note that the Proposed Business Diversification will change the risk profile of the Group. Shareholders should carefully consider and evaluate each of the following risk factors and all of the other information set out in this Circular in relation to the Proposed Business Diversification.

Some of the risk factors stated below relate principally to the agriculture industry. Other risk factors relate principally to general economic and political considerations. To the best of the Directors' knowledge and belief, all the key risk factors which are material to the Shareholders when making an informed decision on the Proposed Business Diversification have been set out below.

If any of the risk factors stated below develops into actual events, the business, financial condition or results of operations of the Group may be materially and adversely affected. The risk factors discussed below also include forward-looking statements. Shareholders should note that the actual results of the Company and the Group may differ substantially from those discussed in these forward-looking statements. Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

The risk factors stated below are not intended to be exhaustive. There may be considerations that are not known to the Group or currently not deemed material and as such, have not been included below.

Shareholders should consider the risk factors in light of your own investment objectives and financial circumstances and should seek professional advice from your accountants, stockbrokers, bank managers, solicitors or other professional advisers if you have any doubt about the actions you should take.

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2.6.1. Risks relating specifically to the New Agriculture Business and the agriculture industry

The Group has no prior track record and operating experience in the New Agriculture Business

The Group does not have a prior track record in the carrying out or implementation of the New Agriculture Business. There is no assurance that the Group's foray into the New Agriculture Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the capital and start-up costs, as well as the operating costs, arising from the New Agriculture Business. The New Agriculture Business may require high capital commitments and may expose the Group to unforeseen liabilities or risks associated with its entry into new markets or new businesses.

The New Agriculture Business also involves business risks including the financial costs of setting up new operations, capital investment and maintaining working capital requirements. If the Group does not derive sufficient revenue from, or does not manage the costs of the New Agriculture Business effectively, the overall financial condition and profitability of the Group may be adversely affected. The Group will also be exposed to the risks associated with a different competitive landscape and a different operating environment. In addition, the Group's future plans with regard to the New Agriculture Business may not be profitable, may not achieve sales levels and profitability that justify the investments made or it may take a long period of time before the Group realises any return. For example, the New Agriculture Business may entail financial and operational risks, including but not limited to, diversion of management attention, difficulty in recruiting suitable personnel and the difficulty in securing suitable land sites.

Further, such future plans and new initiatives could be capital intensive. Start-up requirements for agricultural production can be extremely costly. This could also result in potentially dilutive issuances of equity securities, the incurrence of capital commitments, debt and contingent liabilities as well as increased operating expenses, all of which may materially and adversely affect the business of the Group. The Group will face significant financial risks before it can realise any benefits from its future investments in the New Agriculture Business.

Current management may not have the expertise to ensure success

As the New Agriculture Business is in a new area of business to the Group, the Group will face the usual risks, uncertainties and problems associated with the entry into any new business which it has no prior track record in. These risks, uncertainties and problems include, among other things, the inability to find the right joint venture, strategic or other business partnerships, the inability to manage expanding operations and costs, failure to attract and retain customers, difficulty in establishing a database of suppliers, failure to provide the results, level of revenue and margins the Group is expecting and failure to identify, attract, retain and motivate qualified personnel.

In addition, the Group's current management may not have the relevant expertise to ensure success in these areas. While the New Agriculture Business will be spearheaded by Mr. Guan Qingsheng and the Group intends to hire new employees, partners and/or consultants where necessary to undertake projects for the New Agriculture Business, the Group may face difficulties in its recruitment due to the specialised nature of the New Agriculture Business. If

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the Group is unable to attract and retain a sufficient number of suitably skilled and qualified personnel, the Group's business, results of operations and financial conditions will be materially adversely affected.

The New Agriculture Business requires substantial capital expenditure and investment cost

The New Agriculture Business may require a substantial capital expenditure in the initial stages before it reaches a revenue producing stage. The Group intends to finance the New Agriculture Business using funds generated internally from its own operations or by raising funds through debt or equity. However, the Group may not be able to generate any positive cash flow from the New Agriculture Business immediately, and any cash flow deficit may have a negative impact on the working capital and financial position of the Group. Furthermore, as such business activities may need time to generate profits, to the extent that the Group is unable to generate sufficient profits from the business to cover its operating costs, the Group will suffer an adverse effect on its financial performance, financial condition and operating cash flow.

The Group may be exposed to unfavourable climate conditions or extreme weather conditions

Agricultural output will be dependent upon the climate conditions in the geographic regions where the agriculture operations are located. In the event that such geographic regions are subject to drastic changes in climate and/or extreme weather conditions, including but not limited to droughts, floods, and high winds, agricultural output and actual revenue may turn out to be significantly lower than expected. The Group may be unable to mitigate the impact of climate changes or environmental conditions on its results of operations. If climate changes and/or environmental conditions result in conditions that make it difficult or not feasible to conduct the New Agriculture Business, the Group's results of operations and financial conditions could be materially and adversely affected.

The Group may be exposed to losses from natural disasters, the uncontrolled outbreak of any serious plant diseases or other unforeseen events

The occurrence of natural or other catastrophes or other acts of God such as earthquakes, landslides, severe weather conditions (such as the recent deadly floods experienced in the Henan Province in July 2021 after torrential rainfall), new strains of plant diseases, bacterial infections in plants and the presence of agricultural pests in the Group's areas of operation may materially and adversely disrupt crop production and the Group's operations, and in turn affect the revenue of the Group. The Group's operations or the operations of its customers, suppliers and/or service providers may be disrupted by explosions, acts of terrorism, power outages, system failures or other unforeseen events. These factors, which are not within the Group's control, may potentially have significant effects on its operations and production facilities.

The New Agriculture Business is dependent on logistics and transportation and any failures or slowdowns may have an adverse effect on the Group's business

Multiple forms of transportation may be used in the New Agriculture Business to bring products to the market. Disruption to the timely supply of these services or increases in the cost of these services for any reason, including availability or cost of fuel, regulations affecting the industry,

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service failures by third-party logistics service providers, availability of various modes of transportation, or natural disasters (which may impact the transportation infrastructure or demand for transportation services), could have an adverse effect on the Group's ability to serve its customers, and could have a material adverse effect on its financial performance.

Damage or disruption to distribution capabilities due to weather, natural disaster, fire, terrorism, pandemics, strikes or other reasons could impair the Group's ability to sell its products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect business and results of operations.

In the event that the Group has distribution centres which are managed by third parties, activity at these distribution centres could be disrupted by a number of factors, including, labour issues, failure to meet customer standards, bankruptcy or other financial issues affecting the third party providers, or other matters affecting any such third party's ability to service the Group's customers effectively. Any disruption of these distribution centres could adversely affect the Group's business.

The Group may not be able to obtain adequate insurance for the New Agriculture Business

The Group may not be able to maintain insurance at levels of risk coverage or policy limits that the Group deems adequate for the New Agriculture Business. Substantial claims made under the Group's policies could cause premiums to increase, which in turn increases its cost of operations. Any future damages caused by or to the Group or its assets that are not covered by insurance, in excess of policy limits or are subject to substantial deductibles, or are contested by the insurance companies may adversely affect the business, financial performance, financial condition and operating cash flow of the Group.

The Group is subject to various government regulations in the New Agriculture Business

The agriculture industry is subject to various laws and government regulations. In particular, regulatory approvals may be required for, amongst other things, agricultural production, and the import and export of agricultural related products. Some of these laws and regulations are at times ambiguous, and their interpretations and applications can be inconsistent or uncertain, making compliance with them challenging, which may be potentially detrimental to the Group.

If the Group fails to obtain the relevant approvals or comply with the applicable laws and regulations, the Group may be subject to penalties, have its licences or approvals revoked, or lose its right to undertake agricultural production. In the event that any of the above events materialise, the Group's business, financial condition, results of operations and prospects may be adversely affected.

Further, any changes in applicable laws and regulations could result in higher compliance costs and adversely affect the operations of the Group. There is no assurance that any changes in the applicable laws and regulations will not have an adverse effect on the financial performance and financial condition of the Group.

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The Group is dependent on its ability to identify and secure suitable sites at commercially acceptable prices to undertake its projects for the New Agriculture Business

Agricultural production is severely dependent on the availability of suitable land sites. The Group's future revenue growth is therefore dependent on its ability to continue identifying and securing suitable land sites at commercially acceptable prices. If it is not successful in securing suitable land sites, its future revenue growth may be limited or adversely affected.

The Group may not be able to compete successfully in the agricultural industry

The Group intends to enter into the agriculture industry where it will compete with other players. Competitors can enter this industry at any time and there can be no assurance that competitors will not enter or increase their presence in this industry. Some of the Group's competitors may have longer operating histories, larger customer bases, stronger relationships with customers and suppliers and more advanced machinery and equipment. In the event that the Group is unable to provide competitive pricing and quality products and services on a timely basis, it may lose its customers and market share to competitors, which would materially and adversely affect its financial performance.

The Group's performance will be subject to macro-economic risks confronted by New Agriculture Business

The New Agriculture Business may be affected by many factors beyond the Group's control. The fluctuating, volatile, and uncertain nature of any of the following factors (several of which are further elaborated below) that affect the economy or property market, whether globally or in any country in which the Group operates in, may adversely affect the business and test the Group's resilience to confront them:

- (a) economic, political, and social conditions;
- (b) natural disasters, terrorism, and war;
- (c) disease outbreaks and pandemics (e.g. COVID-19);
- (d) legal and regulatory changes;
- (e) liquidity and risk aversion;
- (f) equity, debt, property, commodity, and other financial markets;
- (g) interest rates and foreign currency exchange rates;
- (h) inflation and consumer demand; and
- (i) investor confidence levels.

The New Agriculture Business is susceptible to the vagaries of the global financial markets. In

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the event of a global financial slowdown, crisis or global pandemic, apart from potential lower sales, the business, results of operations and financial condition of the New Agriculture Business may be materially and adversely affected if key suppliers which the New Agriculture Business relies on are unable to provide the materials or services needed on a timely basis or on terms that the Group finds acceptable. A global economic downturn could adversely affect the Group's ability to obtain short-term and long-term financing. It could also result in an increase in the cost of the Group's bank borrowings and affect the Group's ability to borrow. The inability to access capital efficiently, on time, or at all, as a result of possible economic difficulties may materially and adversely affect the business, results of operations and financial condition of the New Agriculture Business.

In the instance of the recent COVID-19 outbreak, there may be significant disruptions in the New Agriculture Business due to the control orders imposed by the government in view of any outbreak of any contagious disease. In addition, consumer sentiments may be adversely affected and the willingness of customers to purchase the Group's products may be reduced.

There can be no assurance that the spread of COVID-19 will be contained in the near term and the duration of the COVID-19 outbreak and its effects cannot be determined with certainty at present. As such, in the event that the containment of COVID-19 is not improved in the near term resulting in a global economy recession, this may have a protracted negative impact on the New Agriculture Business. This may lead to a fall in demand for the Group's products and/or an impact on the Group's ability to operate the New Agriculture Business, which could in turn have a material and adverse impact on the Group's business, results of operations, financial condition and prospects.

The New Agriculture Business will face risks in relation to interest rate movements in particular as a result of the debts intended to be undertaken to finance the New Agriculture Business. Changes in interest rates will affect the Group's interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. This could in turn have a material and adverse effect on the Group's net profits.

2.6.2. Risks facing the Group on an overall basis as a result of the Proposed Business Diversification

The Group may be faced with limited availability of funds and is subject to financing risks

The Group requires financial resources to fund working capital requirements and to support the future growth of the New Agriculture Business. There can be no assurance that the Group will be able to generate sufficient funds internally from its own operations, or secure adequate external financing, either on a short-term or a long-term basis, or obtain such financing on terms which are favourable to the Group. Factors that could affect the Group's ability to procure financing include market disruption risks which may adversely affect the liquidity, interest rates and the availability of funding sources. In the event that the Group is unable to secure sufficient financial resources for the New Agriculture Business, its business, financial performance, financial condition and operating cash flow may be adversely affected.

The Group's ability to borrow from banks or capital markets may be adversely affected by a financial crisis

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The Group's ability to borrow from banks or the capital markets to meet its financial requirements is dependent on favourable market conditions. Any market slowdown may adversely impact the Group's ability to borrow from banks or capital markets and may significantly increase the costs of such borrowing. If sufficient sources of financing are not available in future for these or other reasons, the Group's business, financial condition, results of operations and prospects may be adversely affected.

The Group will be subject to foreign currency exchange risks

As RMB is the functional currency of the Group, when the Group transacts in currencies other than RMB, there is an exchange risk exposure inherent in its operations as a result of currency movements. Fluctuations in currency exchange rates may affect the price of imported consumables, and consequently, the overall revenue and cash flow position of the Group.

There may be adverse changes in the political, economic, regulatory or social conditions in the countries that the Group intends to expand its business

The future growth of the New Agriculture Business will be affected by the political, economic, regulatory and social conditions in each of the countries that the Group intends to expand its business. The Group's overseas operations will be subject to the laws, regulations and policies of those jurisdictions, including routine and special audits by the local tax authorities. Any economic downturn or changes in policies implemented by the governments in these countries, currency and interest rate fluctuations, capital controls or capital restrictions, labour laws, changes in duties and taxation and limitations on imports and exports may materially and adversely affect the Group's operations, financial performance and future growth.

Wars, unsettled political conditions, social unrest, riots, terrorist attacks and government actions such as possible seizure and import or export restrictions in countries where the Group and its suppliers and customers may operate will materially and adversely affect the business of the Group and its suppliers and customers as well as impact the ability of the Group's customers to meet their payment obligations to the Group. Such events would also increase the insurance premium for the Group's operations. In the event that any of the above events materialise, the Group's business, financial performance and financial condition would be adversely affected.

There is no assurance that the Group's future plans for the New Agriculture Business will be successful

Any expansion plans in relation to the New Agriculture Business will involve significant capital investments as well as additional working capital requirements. Such expansion plans may also divert the management's attention and expose its business to unforeseen risks associated with entering into new markets. There is no assurance that such expansion plans will be commercially successful or that the Group's profitability will increase or that the Group will not incur losses due to a potential increase in the Group's operating costs incurred to finance the growth and expansion. If the Group fails to achieve a sufficient level of revenue or if the Group's expansion plans result in performance problems with an acquired company, potential dilutive issuance of equity securities or the incurrence of debt, contingent liabilities, possible impairment charges related to goodwill or other intangible assets or any other unanticipated events or circumstances, the Group's future financial condition and performance will be materially and

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adversely affected.

The Group is exposed to risks associated with acquisitions, joint ventures and strategic alliances

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the New Agriculture Business may involve acquisitions, joint ventures or strategic alliances with third parties in overseas market that the Group intends to focus on. There is no assurance that such acquisitions, joint ventures, strategic alliances or the joint management of such enterprises will be successful. Participation in joint ventures, strategic alliances, acquisitions or other investment opportunities involves numerous risks, including the possible diversion of management attention and loss of capital or other investments deployed in such ventures, alliances, acquisitions or opportunities. Furthermore, the Group may rely on its joint venture partners at the initial stage of its foray into the New Agriculture Business and there is a risk that any of the joint venture partners may fail to perform by not possessing the adequate experience or skill set expected of them or experience financial or other difficulties which may affect their ability to carry out their contractual obligations, thus resulting in additional costs to the Group. In such cases, the Group's financial performance may be adversely affected.

The Group is subject to risks inherent in investing in entities which it does not control

The Group may make investments into entities that are not the Group's subsidiaries and over which the Group does not have majority control. There is no assurance that the Group will be able to influence the management, operation and performance of these entities through its voting rights, in a manner which would be favourable to the Group, or at all. If all or any of these entities were to perform poorly, the Group's overall business, financial condition, results of operations and prospects may be adversely affected.

The Group may be subject to legal proceedings arising from the operation of the New Agriculture Business

The Group may be involved from time to time in disputes arising from the operation of the New Agriculture Business. These disputes may lead to legal and other proceedings, and may cause the Group to suffer additional costs and delays. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject the Group to administrative proceedings and unfavourable decrees that result in financial losses and delay the completion of the Group's projects. Any project delays arising from the above will adversely affect the Group's business and financial performance.

The Group is exposed to a range of economic risks relating to the New Agriculture Business in the countries in which the Group may operate

The performance of the New Agriculture Business depends largely on the economic situation and the performance of the agriculture industry, and is dependent on the continued expansion of the economies of the countries in which the Group may operate. There is no assurance that the agriculture industry in each of the countries in which the Group may operate will continue to grow, and the agriculture industry in each of these countries may be adversely affected by political, economic, regulatory, social or diplomatic developments affecting the respective agriculture industries generally. In addition, changes in inflation, interest rates, taxation or any

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adverse developments in the supply, demand and prices of agriculture products in the agriculture industry may have an adverse effect on the New Agriculture Business.

The Group is subject to the general risk of doing business overseas

The Group does not plan to restrict the New Agriculture Business to any specific geographical market as each project and investment will be evaluated and assessed by the Board on its individual merits. As such, the Group may be subject to the general risk of doing business overseas. These general risks include unexpected changes in regulatory requirements, difficulty in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainty regarding legal liability or enforcement of legal rights, tariffs and other trade barriers, variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any of which could materially affect the overseas operations of the Group. These risks, if materialised, may adversely affect the Group's business and financial condition. In addition, if the governments of the countries in which the Group operates tighten or otherwise adversely change their laws and regulations relating to the repatriation of their local currencies, it may affect the ability of the Group's overseas operations to repatriate profits to the Group and, accordingly, the cash flow of the Group may be adversely affected.

2.7. Internal Control and Risk Management

The Board recognises the importance of internal control and risk management for the smooth running of the Group's business, including the New Agriculture Business. In order to better manage the Group's external and internal risks resulting from the Proposed Business Diversification, the Group will implement a set of operations and compliance procedures as follows:

- (a) the Board will review each Potential New Agriculture Business Project prior to entering into any agreement;
- (b) in evaluating Potential New Agriculture Business Projects, the Board will conduct risk and returns assessments and where the need arises, engage and consult professionals before a business decision is taken;
- (c) the Board will also assess and consider, *inter alia*, the following factors: (i) the internal rate of returns, cash flow and financial models of the Potential New Agriculture Business Project; (ii) whether the Group has sufficient internal resources to invest in the Potential New Agriculture Business Project and the gearing ratios of the Group as a result of the Potential New Agriculture Business Project; and (iii) whether the management team has the relevant experience and expertise to manage the Potential New Agriculture Business Project and whether any lack of such experience can be supplemented by professional advisors; and (iv) whether the Potential New Agriculture Business Project will be able to generate revenue for the Group and optimise returns to the Shareholders.

Additionally, the functions of the Audit Committee will be expanded to include: (i) reviewing the adequacy and effectiveness of the Group's internal control procedures addressing financial, operational and compliance risks relating to the New Agriculture Business with the management

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and the external and internal auditors of the Group; and (ii) reviewing Potential New Agriculture Business Projects which are proposed to be undertaken in new jurisdictions. The Company will also engage the relevant professionals to determine the requisite licensing, permit or regulatory approval requirements in respect of each Potential New Agriculture Business Project.

The Board will also periodically review the internal control and risk management systems of the Group to ensure that there are sufficient guidelines and procedures in place to monitor its operations. The scope of the annual internal audit will be extended to include the review and evaluation of specific matters arising from the New Agriculture Business. The Board, together with the Audit Committee, will also opine on an annual basis whether there are adequate controls within the Group addressing material financial, operational and compliance risks relating to the New Agriculture Business as at the end of each financial year.

In addition, upon the successful completion of the Proposed Acquisition, the Company will recruit a suitably qualified person to put in place controls and procedures to ensure that the relevant standards, laws, regulations and/or permits required for the operation of the New Agriculture Business are complied with.

2.8. Disclosure of the Financial Results of the New Agriculture Business

The New Agriculture Business will be accounted for as a new business segment in the Group's financial statements in line with the International Financial Reporting Standards and accordingly, the Group will disclose the financial results of the New Agriculture Business with the Group's financial statements. The financial results of the New Agriculture Business together with the Group's segmented financial statements will be announced annually and half-yearly pursuant to the requirements as set out in Chapter 7 of the Listing Manual.

3. THE SELLERS AND THE TARGET GROUP

3.1. Information on the Sellers

3.1.1. China Focus is an investment holding company incorporated in the British Virgin Islands, and which is wholly-owned by Mr. Guo Yinghui. The directors of China Focus are Mr. Guo Yinghui and Mr. Guo Liang, who is the son of Mr Guo Yinghui. It is the legal and beneficial owner of 84.15% of the issued and paid-up share capital of the HoldCo.

3.1.2. Profit Run is an investment holding company incorporated in the British Virgin Islands, and which is wholly-owned by a British national in trust for the benefit of Mr. Guo Yinghui. The trust arrangement was entered into in order to present the HoldCo as a foreign-Sino entity. The director of Profit Run is Ms. Li Ye, who is a personal friend of Mr. Guo Yinghui. It is the legal and beneficial owner of 15.85% of the issued and paid-up share capital of the HoldCo.

3.1.3. Accordingly, Mr. Guo Yinghui is the legal and/or beneficial owner of 100% of both the Sellers. He is also the Chairman of the Board and an Executive Director of the Company, and is also a Controlling Shareholder. His wife, Mdm. Feng Li, is also a Controlling Shareholder. China Focus is also a Substantial Shareholder. Accordingly, the Sellers are Interested Persons for the purpose of the Proposed Acquisition.

3.2. Information on the HoldCo and the Target Group

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3.2.1. The HoldCo is an investment holding company incorporated under Hong Kong laws on 27 October 2014. It is the legal and beneficial owner of 63.11% of the registered capital of the Target. The remaining 36.89% of the registered capital of the Target is held by Everbright. Everbright is a private equity investment fund and was established in Zhengzhou, Henan, the PRC on 18 December 2015. Its executive partner is Everbright Deschamps Investment Management (Shenzhen) Co., Ltd. (光大德尚投资管理(深圳)有限公司) (“**Everbright Deschamps**”), which is held 40% by Mr. Han Peng Fei, 40% by Everbright Industrial Capital Management Co., Ltd. (光大实业资本管理有限公司) and 20% by Shanghai Jianxi Investment Centre (Limited Partnership) (上海建熙投资中心(有限合伙)). The directors of Everbright Deschamps are Mr. Zhao Jun, Mr. Meng Xiangge, Mr. Yang Jiansheng, Mr. Yang Lu and Mr. Fan Lei.

3.2.2. The Target is a company incorporated under the laws of the PRC on 27 August 2013, and is principally engaged in the business of growing and selling agricultural produce. The Target holds 100% of the registered capital of the following companies incorporated in the PRC (collectively, the “**Target Subsidiaries**”):³

- (a) Zhengzhou Rundong Fruit Forest Co., Ltd. (郑州润东果林有限公司), which is principally engaged in the business of growing and selling agricultural produce (“**ZRFF**”);
- (b) Henan Zhongnong Huasheng Industrial Co., Ltd. (河南中农华盛实业有限公司), which is principally engaged in the business of processing, packaging and refrigerating agricultural produce (“**ZNHS Industrial**”);
- (c) Henan Central Agriculture and Commerce Co., Ltd. (河南中之农商贸有限公司), which is principally engaged in the business of selling agricultural produce (“**HCAC**”); and
- (d) Gongyi Zhongnong Huasheng Agricultural Science and Technology Co., Ltd. (巩义中农华盛农业科技有限公司), which is principally engaged in the business of growing and selling agricultural produce (“**Gongyi**”),

(the Target and the Target Subsidiaries collectively, the “**Target Group**” and each, a “**Target Group Company**”).

The shareholding history of the Target Group is set out in **Appendix C** to this Circular. The corporate particulars of the HoldCo and the Target Group, including date of incorporation, shareholders, directors and capital structure, are set out in **Appendix D** to this Circular. The

³ As announced by the Company on 18 July 2018 in relation to the Previous Transaction, the Target had four wholly-owned subsidiaries: (a) HCAC; (b) ZRFF; (c) Gongyi; and (d) Henan Zhongnong Huasheng Ecotourism Co., Ltd. (“**Henan Ecotourism**”). ZNHS Industrial was incorporated as a wholly-owned subsidiary of the Target on 26 April 2019. Henan Ecotourism is principally engaged in the business of ecotourism through developing ecotourism hospitality facilities and attractions. Pursuant to an internal restructuring exercise undertaken in 2020 by the Target Group, 100% of Henan Ecotourism was acquired by Henan Shengguang Agricultural Development Co., Ltd. (河南盛光农业发展有限公司) (“**HSAD**”) (which is 63.11% owned by ZNHSBJ and 36.89% beneficially owned by Everbright, and ZNHSBJ is 100% owned by Beijing Lianchu Investment Group Co., Ltd. (北京联储投资集团有限公司) which is in turn 90% owned by Mr. Guo Yinghui and 10% by Mr. Zhang Hua) in order to streamline the business of the Target Group and to enable it to focus on the agriculture industry. ZNHSBJ is an investment holding company.

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shareholding structure of the HoldCo and the Target Group is set out in **Appendix E** to this Circular.

3.3. Business of the Target Group

3.3.1. Planting and Cultivation of the Heyin Soft Seed Pomegranate

The Target Group is mainly engaged in the planting and cultivation (principally at Xingyang County, Gaoshan Town, Zhengzhou, Henan, the PRC) as well as the sale of the seedlings and fruits of a specific genotype of soft seed pomegranate known as the Heyin Soft Seed Pomegranate and the sale of derivative products. The Heyin Soft Seed Pomegranate is a geographical indication product, and best cultivated in regions at or around a geographical longitude of approximately 35° north. A geographical indication product is a product that has a specific geographical origin and possesses qualities or a reputation that are due to that origin. Having reviewed publicly available information, the Board believes that pomegranates have anti-oxidant properties and are a good source of vitamins, especially vitamin A, C and E, and that pomegranates have several health benefits including maintaining effective and healthy blood circulation, reducing inflammation and reducing the risk of coronary diseases. In 2017 and 2020, the Heyin Soft Seed Pomegranate was designated as a national agricultural product and in 2020, the Target was recognised as a main producer of the Heyin Soft Seed Pomegranate.

3.3.2. Distribution Channels

The Target Group has established distribution channels in the PRC through partnerships with major fruit distributors, including but not limited to DOLE (都乐) and Joy Wing Mau (鑫荣懋), and through distribution platforms including but not limited to Tmall (天猫), JD.com (京东), RT-Mart (大润发), Carrefour (家乐福) and Walmart (沃尔玛), as well as through the establishment of distribution centres in, amongst others, Beijing, Shanghai, Guangzhou, Zhengzhou, Wuhan, Changsha, Nanjing, Shenyang and Xi'an. The Target Group markets its products under the following trademarks which have been registered with the Trademark Office of the State Administration for Industry and Commerce of the PRC: “子满堂” for premium grade products, and “果蔚”, “玛拉卡” and “WSCA中农华盛” for its other products.

3.3.3. Patents

The Target Group has also applied for and obtained patents in respect of three new utility application models, namely, a type of grafted pomegranate fast cutting surface method, a type of fruit tree ridging machine and a type of detachable multi-functional grass cutting machine. It has also obtained an invention model patent in respect of a type of multifunctional weeding rotary tiller. Such patents are each stated at cost at less than RMB100,000 in the consolidated financial statements of the Target Group for FY2020. The benefits of using the above described models are as follows:

- (a) **Grafted pomegranate fast cutting surface method**. The most suitable grafting method for pomegranate grafting seedlings is splicing. Nevertheless, the technical standards of splicing are high and it takes a long time to train the workers to master it. This patented model is easier to master, with lesser operational difficulty and higher

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processing efficiency, which can effectively meet the requirements of pomegranate breeding and cultivation. It is a relatively lower cost model that can create strong and durable pomegranate structures, and thus is very suitable for large-scale pomegranate seedling breeding and cultivation. It can greatly improve the standardisation of scion production of fruit trees, the pomegranate graft survival rate and the seedling quality;

- (b) **Fruit tree ridging machine**. It can save on labour costs and mitigates the problem of manpower shortage. It reduces the damage caused by the ridges to the fruit trees and greatly improves worker efficiency. Compared with other artificial ridges, it is also able to prepare the irrigation canals at a relatively faster speed to ensure the best timing for irrigation. This equipment requires relatively low cost to manufacture and is relatively durable;
- (c) **Detachable multi-functional weeding rotary tiller**. This is suited for removing tall weeds (growing to a height of 40-50 centimetres), and can be attached to the side of a grass cutting machine or other agricultural equipment to remove weeds around fruit trees without causing damage to the fruit trees, thereby efficiently completing the weeding process with agility; and
- (d) **Multifunctional weeding rotary tiller**. This is suited for removing tall weeds (growing to a height of 40-50 centimetres) growing around fruit trees by tilling the area between two vertical rows of fruit trees which also increases the efficiency of the weeding process.

3.3.4. Research Collaborations

The Target Group has also entered into agriculture research collaborations with various research institutes, including Henan Agricultural University (河南农业大学) and the Zhengzhou Fruit Research Institute of the Chinese Academy of Agricultural Sciences (中国农业科学院郑州果树研究所). In 2013, the Target Group established the Zhengzhou Soft Seed Pomegranate Engineering Technology Centre (郑州市软籽石榴工程技术中心) at the municipal level, which was upgraded to the Henan Soft Seed Pomegranate Engineering Technology Research Centre (河南省软籽石榴工程技术研究中心) at the provincial level in 2015. This upgrade of the technology research centre to the provincial level resulted in a larger scale and scope of research, which enabled an enhancement of the technological development and brand factor of the pomegranates cultivated and sold by the Target Group, thereby heightening its market competitiveness.

3.3.5. Land Circulation Arrangements

For the purpose of cultivating its agriculture products, the Target Group has entered into several land circulation arrangements with the local farming communities (represented by their respective local committees) who hold the relevant land contractual management rights, as described below:

Target Group Company	Location	Area	Rental	Expiry/ Renewal of the Land Contractual	Expiry/ Renewal of Land Circulation	Designated Purpose
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				Management Right Granted to the Local Farming Communities	Arrangement	
Target	Xingyang County, Gaoshan Town, Zhengzhou, Henan, the PRC Xingyang County, Sishui Town, Zhengzhou, Henan, the PRC	8566.59 mu	Based on the local minimum purchase price of wheat ⁽¹⁾ issued by the National Development and Reform Commission of the PRC for the current year	2028 with an automatic extension for up to 30 years (assuming there are no changes to the relevant national policies) ⁽²⁾	2028 Assuming that the land contractual management right granted to the local farming communities are extended, the Target Group has a right of first refusal vis-à-vis the renewal of the land circulation arrangement and such renewal will be subject to terms and conditions mutually agreed between the parties.	Agriculture, forestry, fruit tree planting, animal husbandry, aquaculture and operation of supporting facilities Cultivation of the Heyin Soft Seed Pomegranate
ZRFF	Xingyang County, Gaoshan Town, Gaocun Village, Zhengzhou, Henan, the PRC	305.16 mu	Based on the local minimum purchase price of wheat ⁽¹⁾ issued by the National Development and Reform Commission of the PRC for the current year	2028 with an automatic extension for up to 30 years (assuming there are no changes to the relevant national policies) ⁽²⁾	2028 Assuming that the land contractual management right granted to the local farming communities are extended, the Target Group has a right of first refusal vis-à-vis the renewal of the land circulation arrangement and such renewal will be subject to terms and conditions	Agriculture, forestry, fruit tree planting, animal husbandry, aquaculture and operation of supporting facilities Cultivation of the Heyin Soft Seed Pomegranate

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					mutually agreed between the parties.	
Gongyi	Gongyi County, Heluo Town, Zhengzhou, Henan, the PRC	713.55 mu	Based on the local minimum purchase price of wheat ⁽¹⁾ issued by the National Development and Reform Commission of the PRC for the current year	2028 with an automatic extension for up to 30 years (assuming there are no changes to the relevant national policies) ⁽²⁾	2028 Assuming that the land contractual management right granted to the local farming communities are extended, the Target Group has a right of first refusal vis-à- vis the renewal of the land circulation arrangement and such renewal will be subject to terms and conditions mutually agreed between the parties.	Agriculture, forestry, fruit tree planting, animal husbandry, aquaculture and operation of supporting facilities

Notes:

- (1) In the rural parts of Northern PRC, wheat is the basic staple of the Chinese farmers. Accordingly, the rural Northern Chinese farmers are willing to have the rental yield of the land in circulation be pegged to the minimum purchase price of such essential commodity.
- (2) Under prevailing PRC laws and regulations, the extension of the right to use the land for agricultural purposes granted to the local farming communities for a further 30 years cannot be fixed upfront as under prevailing PRC laws and regulations, such extension can only be done at the end of 2028.

In the PRC, land in rural areas is collectively owned, and farmers are granted only the right to contractually manage the land (the “**land contractual management right**”). Under such a system, the room for the circulation of agricultural land is very limited, and this hampers agricultural modernisation based on large-scale farming. It also hinders the use of agricultural land abandoned by farmers who are flocking to the cities. As the privatisation of agricultural land remains unfeasible, the PRC government has explored various options to make land use more efficient by consolidating agricultural land through land circulation, while adhering to the principle of collective ownership. The key forms of land circulation include the following.

**Exchange of Land
Contractual Management
Right**

A farmer trades his land contractual management right for another land contractual management right held by another farmer belonging to the same rural collective economic organisation⁽¹⁾ for the convenience of farming or other

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respective needs.

Leasing of Land Contractual Management Right	A farmer or a group of farmers entrust the village committee to lease out all or part of the land contractual management right. The lessees do not have to be from the same rural collective economic organisation ⁽¹⁾ .
Outright Transfer of Land Contractual Management Right	The farmer transfers his land contractual management right to another farmer engaged in farm production and management on all or part of the land and belonging to the same rural collective economic organisation ⁽¹⁾ . This is allowed only for households that have built up a stable livelihood, for example, by taking residence in an urban area.
Land joint-stock cooperatives	Farmers invest in the land contractual management right by acquiring shares, which they do volitionally. The right is pooled among farmers, and their organisation manages it jointly. Any profit remaining after deducting costs is distributed according to the size of each farmer's share.

Note:

- (1) As advised by Henan Zhengfangyuan Law Firm (河南正方圆律师事务所), a rural collective economic organisation refers to an economic organization that uses collectively-owned land as the basic means of production.

The land circulation arrangement entered into between the Target Group with the local farming communities (represented by their respective local committees) is in the form of the leasing of land contractual management rights. As advised by Henan Zhengfangyuan Law Firm (河南正方圆律师事务所), the following sets out the rights and obligations of each relevant Target Group Company as a lessee:

- during the lease tenure, the lessee has: (a) the right of independent operation of the leased land in accordance with applicable laws; (b) the right to use and operate the leased land in accordance with applicable laws; and (c) a priority of use in respect of the motor wells and other related facilities located on the leased land;
- the lessee has the right to use, utilise, operate, develop, construct and profit from the leased land during the lease tenure, and shall have ownership of any constructed and/or purchased properties located on the leased land;
- the lessee has the right to enjoy the approved benefits accorded by national preferential policies, project subsidies, and special support and aid which may be provided in connection with the leased land, as well as the ownership of supporting facilities on the leased land acquired after the commencement of the lease tenure. In this regard, the lessee is responsible for the daily upkeep and management of such facilities;
- the lessee shall apply for ownership registration, as well as construction, operation and other procedures in accordance with applicable laws in connection with the leased land;

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- the lessee shall protect the natural resources of the leased land and use the leased land in accordance with applicable laws. The lessee shall also carry out forest fire prevention and forest pest control activities;
- the lessee shall pay the land rent on time;
- in the event of natural disasters at the leased land during the lease tenure, the lessee shall be entitled to any compensation received in respect of such natural disasters (e.g., in respect of the fruit orchards, production lines, production facilities) excluding any applicable government compensation. Should any part of the leased land be compulsorily acquired by the government in accordance with applicable law, the lessee shall be entitled to compensation (in respect of the compulsorily acquired land and its facilities) as may be accorded under the law.
- the lessee shall have the right to any approved land subsidy funds availed after the commencement of the lease tenure;
- the lessee shall ensure that it has a consistent deployment arrangement for all its temporary employees. Under the same conditions of employment, the lessee shall give employment priority to the local residents; and
- in the event that the lessee chooses not to renew the lease contract upon its expiry, the lessee shall restore the leased land and its facilities to a cultivable and working state.

3.3.6. Land Cultivation and Harvest

The following table sets out details relating to the cultivated land area, the harvested area and the harvested area as a percentage of the cultivated land area for the years 2018 to 2022.

	2018	2019	2020	2021 (Estimated)	2022 (Estimated)
Cultivated Land Area (Mu)	8,419	8,419	8,419	8,419	8,419
Harvested Area (Mu)	1,339	2,516	5,201	7,700	8,419
Harvested Area as a Percentage of the Cultivated Land Area (%)	16%	30%	62%	91%	100%

3.3.7. Annual Grants

The Target Group has been receiving support from the PRC government since 2014 for its agricultural activities in the form of annual grants. The annual grants are intended to subsidise the Target Group's modernised farming efforts which could potentially increase the demand, yield, quality and variety of the Target Group's agriculture products in the PRC.

3.3.8. Tax

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The PRC tax regime applicable to the agriculture industry is favourable to the Target Group. Under the present tax regime, the Target, ZRFF and Gongyi enjoy full exemption from value-added tax and enterprise income tax on profits derived from the sale of agriculture produce of each of these three companies.

3.3.9. Insurance

The following table sets out details relating to the insurance policies typically maintained by the Target Group in relation to its business, which insure against damages and losses arising from natural disasters, poor weather conditions, plant diseases and pest infestations. The coverage of these insurance policies is aligned with customary industry practice.

Target Group Company	Description of Insurance Policy	Insurer	Amount Insured	Expiry Date
Target	Henan Province Fruit Tree Planting Insurance (Policy) Insurance – to insure fruit trees for an area of 3,549 mu	China United Property Insurance Company Limited. Xingyang Branch (中华联合财产保险股份有限公司荥阳支公司)	RMB21,294,000	31 December 2022
Target	Henan Province Pomegranate Planting Insurance (Policy) Insurance - to insure pomegranate fruit and fruit trees for an area of 4,003 mu	Zhongyuan Agricultural Insurance Co., Ltd. Xingyang City Branch (中原农业保险股份有限公司荥阳市营销服务部)	RMB24,018,000	30 November 2022
Gongyi	Henan Province Pomegranate Planting Insurance (Policy) Insurance - to insure pomegranate fruit and fruit trees for an area of 559 mu	Zhongyuan Agricultural Insurance Co., Ltd. Gongyi City Branch (中原农业保险股份有限公司巩义市支公司)	RMB3,354,000	30 November 2022

3.3.10. Licences

As advised by Henan Zhengfangyuan Law Firm (河南正方圆律师事务所), each Target Group Company has obtained the relevant administrative licences required for its business operations and there are no violations of such licences, nor any matters which could result in such licences being revoked, suspended or terminated. Each Target Group Company has complied with applicable laws and regulations in respect of its business operations.

3.4. **Risk Factors relating to the Proposed Acquisition and the Business of the Target Group**

Shareholders should carefully consider and evaluate each of the following risk factors and all of the other information set out in this Circular in relation to the Proposed Acquisition and the business of the Target Group. To the best of the Directors' knowledge and belief, all the key risk factors which are material to the Shareholders when making an informed decision on the Proposed Acquisition have been set out below.

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If any of the following risk factors develop into actual events, the business, financial condition or results of operations of the Group may be materially and adversely affected. The risk factors discussed below also include forward-looking statements and the Company's and the Group's actual results may differ substantially from those discussed in these forward-looking statements. Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings. The following risk factors are not intended to be exhaustive. There may be considerations that are not known to the Group or currently not deemed material and as such, have not been included below.

3.4.1. Seasonality of the pomegranate harvest

There is only one commercial harvesting season for the Heyin Soft Seed Pomegranate, which takes place from September to October. However, the demand for pomegranates in general peaks in the fourth quarter of the calendar year largely due to the Chinese Mid-Autumn Festival falling on the fifteenth day of the eighth month of the lunar calendar each year. Therefore, the Target Group is reliant on its warehouse and storage facilities to extend and preserve the freshness of the pomegranates by three months in order to cater to such prime sales period, which may last till the end of the calendar year. Any disruptions in the operations of such warehouse and storage facilities could have an adverse impact on the performance and financial results of the Target. Such warehouse and storage facilities are owned by the Target Group and have a combined maximum holding capacity of 2,320 tonnes. If necessary, the Target Group may explore the possibility of leasing additional warehouse and storage facilities from third parties.

3.4.2. Availability of land for cultivation

As described in Section 3.3.1 of this Circular, the Target Group has entered into several land circulation arrangements with the local farming communities (represented by their respective local committees) who hold the relevant land contractual management right. The current arrangements expire in 2028 and while the Target Group has a right of first refusal in renewing such arrangements subject to terms and conditions mutually agreed upon between the parties, there is no guarantee that there will not be any changes in PRC national or provincial policy which could affect the validity of such arrangements. If the land circulation arrangements are terminated prematurely, or if the Target Group is not successful in renewing such arrangements upon expiry or securing suitable alternative land sites, its future revenue growth may be limited or adversely affected.

3.4.3. Reliance on third parties

While the Target Group has established distribution centres in, amongst others, Beijing, Shanghai, Guangzhou, Zhengzhou, Wuhan, Changsha, Nanjing, Shenyang and Xi'an, it also relies on partnerships with major fruit distributors, including but not limited to DOLE (都乐) and Joy Wing Mau (鑫荣懋), and distribution platforms including but not limited to Tmall (天猫), JD.com (京东), RT-Mart (大润发), Carrefour (家乐福) and Walmart (沃尔玛), to bring their agriculture products to the market. In the event that any fruit distributor or distribution platform decides to discontinue its partnership with the Target Group, this will have an adverse impact on the business operations and financial performance of the Target Group.

For FY2020, the Target Group derived approximately 46.65% of its total revenue from

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corporate customers (i.e., fruit distributors, distribution platforms or distribution centres), approximately 11.42% from customers who purchased the Target Group's pomegranates as gifts and approximately 41.93% from a large pool of miscellaneous customers.

The Target Group is also reliant on various service providers to transport its agriculture products to the various distributors. Disruption to the timely supply of these services or increases in the cost of these services for any reason would have an adverse impact on the Target Group's financial performance.

3.4.4. Competition

The Target Group's key business competitors are Henan Renhe Agricultural Development Co., Ltd. (河南仁和康源农业发展有限公司), Chongqing Hongjiu Fruit Co., Ltd. (重庆洪久果品股份有限公司) and Sichuan Jinshuo Fruit Industry Co., Ltd. (四川金硕果业有限公司) who are engaged in the business of selling the soft seed pomegranates. In the event that the Target Group is unable to provide competitive pricing and quality products on a timely basis, it may lose its customers and market share to such competitors, which would materially and adversely affect its financial performance.

3.4.5. Vulnerability to unfavourable weather conditions

Agricultural output is dependent upon the climate conditions in the geographic regions where the agricultural operations are located. In particular, the Heyin Soft Seed Pomegranate is sensitive to cold or wet weather conditions. In the event of unfavourable climate conditions or extreme weather conditions, agricultural output and actual revenue may be significantly lower than expected and the Target Group's results of operations and financial conditions could be materially and adversely affected.

The record rainfall and subsequent severe floods in Zhengzhou, the capital of the Henan Province in the PRC, which took place in mid-July 2021 caused disruptions to the operations of many businesses, including the Target Group. In particular, supply chain logistics were adversely affected by the flood aftermath. However, the local government has actively organized road repairs and drainage works, and as at the Latest Practicable Date, the supply chain logistics in Zhengzhou have resumed full operations. Meanwhile, as the fruit orchards of the Target Group are mainly located on high grounds and hilly slopes in Xingyang County, Gaoshan Town, the flooding or ponding experienced at the Target Group's fruit orchards as a result of the cloudburst had minimal impact on the Target Group's agricultural operations. As at the Latest Practicable Date, the flooding and ponding has completely subsided.

3.4.6. Changes in political, social and economic policies in the PRC

Changes in the economic, political and legal environment in the PRC may materially affect the business, operating results and financial condition of the Target. The PRC government exercises control over PRC economic growth through the allocation of resources, control over payment of foreign currency-denominated obligations, establishment of monetary policies and the provision of preferential treatment to particular industries or companies. Some of these measures benefit the overall PRC economy, but some may also have a negative effect on the business of the Target.

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3.4.7. Economic considerations

The PRC economy has experienced significant growth in the past decade, but such growth has been uneven geographically and rose among different sectors of the economy. There is no assurance that the expected economic growth will be realised and future social and economic changes in the PRC will be favorable to the Target. The business of the Target may be adversely affected by downturns in the economy.

3.5. **Financial Information on the Target Group**

The management of the Company carried out financial due diligence on the Target Group Companies for FY2018, FY2019 and FY2020 through close liaison with the auditors of the Target Group Companies, Zhong Xinghua Accounting Firm, PRC, in order to better understand the financial position and performance of the Target Group Companies. As the audited consolidated financial statements of the Target Group for FY2018, FY2019 and FY2020 were prepared in accordance with the accounting standards in the PRC, the Company engaged Crowe Horwath First Trust LLP, Singapore (“**Crowe Horwath**”) to review the audited consolidated financial statements of the Target Group for FY2019 and FY2020 pursuant to which, *inter alia*, Crowe Horwath issued a list of proposed adjustments to align the audited consolidated financial statements of the Target Group for FY2019 and FY2020 with IFRS (the “**IFRS Adjustments**”), namely:

- reclassification of renovation cost from long-term prepayment to plant, property and equipment;
- fair value adjustment on biological assets;
- reclassification of sales commission as selling expenses; and
- adoption of IFRS 16 to recognize right-of-use assets and lease liabilities.

Set out below are the selected financial information of the Target Group for FY2018, FY2019 and FY2020.

3.5.1. Consolidated Statements of Comprehensive Income

RMB'000	FY2018 Audited ⁽¹⁾	FY2019 Audited ⁽¹⁾	After IFRS Adjustments	FY2020 Audited ⁽¹⁾	After IFRS Adjustments
Revenue	40,068	69,672⁽³⁾	70,663^(c)	52,281⁽⁴⁾	52,841^(c)
<i>Target Group's produce</i>	28,398	33,832		38,731	
<i>Third parties' produce⁽²⁾</i>	11,670	35,840		13,550	
Cost of sales	(19,113)	(43,074)	(60,149) ^(b)	(25,451)	(51,212) ^(b)
Gross profit	20,955	26,598	10,514	26,830	1,629
Other operating income	-	82		70	
Other non-operating income	106	28	28,683 ^(b)	162	32,454 ^(b)
Governing grants	3,517	93		-	
Taxes and surcharges	(17)	(34)		(25)	
Selling expenses	(3,958)	(7,201)	(8,193) ^(c)	(7,769)	(8,330) ^(c)
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Administrative expenses	(3,956)	(8,292)	(5,238) ^(d)	(7,669)	(4,612) ^(d)
Finance costs	(356)	(1,320)	(5,818) ^(d)	(1,405)	(5,745) ^(d)
Other expenses	(13)	(645)		(1,113)	
Investment income	-	243		905	
Profit before tax	16,278	9,551⁽³⁾		9,985⁽⁴⁾	
Tax expenses	-	-		-	
Profit for the year	16,278	9,551⁽³⁾		9,985⁽⁴⁾	
Profit attributed to the equity holders of the parent	16,278	9,551		9,985	
Profit for the year excluding government grants	12,762	9,458		9,985	

Notes:

- (1) Audited by Zhong Xinghua Accounting Firm, PRC.
 - (2) This refers to produce purchased by the Target Group from third parties for resale with a view to mitigating the seasonality risks of the Target Group in connection with the sale of its own produce (which are principally realized in the fourth quarter of the calendar year). The third parties' produce generally commands a lower profit margin relative to that of the Target Group's own produce.
 - (3) Despite higher revenue achieved in FY2019 as compared with FY2018, the Target Group registered a lower profit before tax in FY2019 as compared with FY2018 principally due to: (a) a higher proportion of the revenue being attributed to the sale of third parties' produce in FY2019, which was 51.4% as compared with 29.1% in FY2018; and (b) higher marketing expenses incurred in FY2019 as the Target Group sought to expand its market share.
 - (4) Notwithstanding lower revenue achieved in FY2020 as compared with FY2019, the Target Group registered a higher profit before tax in FY2020 as compared with FY2019 principally due to a lower proportion of the revenue being attributed to the sale of third parties' produce in FY2020, which was 25.9% as compared with 51.4% in FY2019.
- (b) Fair value adjustment on biological assets.
- (c) Reclassification of sales commission as selling expenses.
- (d) Adoption of IFRS 16 to recognize right-of-use assets and lease liabilities.

3.5.2. Consolidated Statements of Financial Position

RMB'000	FY2018 Audited ⁽¹⁾	FY2019 Audited ⁽¹⁾	After IFRS Adjustments	FY2020 Audited ⁽¹⁾	After IFRS Adjustments
Non-current assets					
Property, plant and equipment	16,101	41,509	43,086 ^(a)	34,843	36,240 ^(a)
Long-term prepayment	1,757	1,577	-(a)	1,397	-(a)
Long-term receivables	182,500	182,500		-	
Bearer plants	79,543	96,489	105,174 ^(b)	112,929	129,598 ^(b)
Right-of-use assets	-	-	56,285 ^(d)	-	52,731 ^(d)
	279,901	322,075		149,169	
Current assets					
Financial assets, at FVPL – structure deposits	26,000	-		-	
Trade receivables	2,424	10,740		2,450	
Other receivables and prepayments	86,272	34,780	31,550 ^(d)	18,723	15,484 ^(d)
Inventories	3,442	7,202	10,004 ^(b)	6,559	7,909 ^(b)

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Cash and cash equivalents	7,408	1,953	1,038	
	125,546	54,675	28,770	
Total assets	405,447	376,750	177,939⁽²⁾	
Equity				
Share capital	77,250	77,250	65,250	
Capital reserve	212,750	212,750	21,759	
Statutory reserve	1,792	2,928	4,485	
Retained earnings	15,303	23,718	33,762 ^{(b)(d)}	47,437 ^{(b)(d)}
	307,095	316,646	123,640	
Non-current liabilities				
Borrowings	-	10,000	12,242	
Deferred income	197	190	165	
Lease liabilities	-	-	52,156 ^(d)	49734 ^(d)
	197	10,190	12,407	
Current liabilities				
Trade payables	4,863	25,986	14,367	
Other payables	33,293	4,128	12,079	
Borrowings	60,000	19,800	15,446	
Lease liabilities	-	-	2,342 ^(d)	2,485 ^(d)
	98,155	49,914	41,892	
Total liabilities	98,352	60,104	54,299	
Total equity and liabilities	405,447	376,750	177,939	

Notes:

- (1) Audited by Zhong Xinghua Accounting Firm, PRC.
- (2) A receivable of approximately RMB190 million owing from ZNHSBJ (being the seller of 63.11% of the registered capital of the Target under the structure of the Previous Transaction) to the Target as at 31 December 2019 was transferred from the Target to HSAD in April 2020 as part of the restructuring exercise undertaken by the Target Group. The decrease in the net assets of the Target Group in FY2020 as compared with FY2019 was principally due to this assignment of receivable, as well as the sale of 100% of Henan Ecotourism to HSAD as more particularly described in Footnote 3 of this Circular.
- (a) Reclassification of renovation cost from long-term prepayment to plant, property and equipment.
- (b) Fair value adjustment on biological assets.
- (d) Adoption of IFRS 16 to recognize right-of-use assets and lease liabilities.

3.5.3. Consolidated Statements of Cashflows

RMB'000	FY2018 Audited ⁽¹⁾	FY2019 Audited ⁽¹⁾	FY2020 Audited ⁽¹⁾
Cash inflow from operating activities			
Cash received from sales and provision of services	39,858	65,713	51,491
Refund of taxes	-	-	5
Cash received from other operating activities	19,088	11,702	1,419
Total cash received from operating activities	58,945	77,415	52,914
Cash outflow from operating activities			

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Payment of purchases and services	(23,341)	(32,267)	(26,288)
Payment of salaries and related expenses	(4,759)	(8,027)	(6,938)
Payment of taxes	(313)	(278)	(33)
Payment of expenses for other operating activities	(14,976)	(25,645)	(6,093)
Total cash paid for operating activities	(43,388)	(66,216)	(39,352)
Net cash generated from operating activities	15,558	11,199	13,562
Cash inflow from investing activities			
Cash received from divestment of financial assets, at FVPL – structured deposits	-	26,000	-
Cash received from investments	-	243	-
Proceeds from disposal of property, plant and equipment, intangibles and other long term assets	30	30	195
Total cash received from investing activities	30	26,273	195
Cash outflow from investing activities			
Purchases of property, plant and equipment, intangibles and other long term assets	(19,989)	(36,743)	(21,000)
Cash paid for investments	-	-	(584)
Cash paid for financial assets, at FVPL – structured deposits	(26,000)	-	-
Total cash paid for investing activities	(45,989)	(36,743)	(21,584)
Net cash used in investing activities	(45,959)	(10,469)	(21,388)
Cash inflow from financing activities			
Absorption of cash from investment	20,000	-	544
Cash from borrowings	68,000	44,600	46,713
Cash received from other financing activities	38,160	58,340	14,561
Total cash received from financing activities	126,160	102,940	61,818
Cash outflow from financing activities			
Repayment of borrowings	(23,000)	(74,800)	(48,588)
Payment of dividends, profits and repayment of interest	(592)	(3,665)	(1,760)
Cash paid for other financing activities	(67,000)	(30,660)	(4,558)
Total cash paid for financing activities	(90,592)	(109,125)	(54,906)
Net cash generated/(used) in financing activities	35,568	(6,185)	6,911
Net increase/(decrease) in cash and cash equivalents	5,167	(5,456)	(915)
Cash and cash equivalents at the beginning of the year	2,242	7,408	1,953
Cash and cash equivalents at the end of the year	7,408	1,953	1,038

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3.5.4. Impairment Losses

RMB'000	FY2018 Audited ⁽¹⁾	FY2019 Audited ⁽¹⁾	FY2020 Audited ⁽¹⁾
Impairment losses	140 ⁽²⁾	449 ⁽²⁾	(438) ⁽³⁾

Notes:

- (1) Audited by Zhong Xinghua Accounting Firm, PRC.
- (2) These impairment losses relate to bad debts which were written off.
- (3) These impairment losses relate to the write back of bad debts.

4. THE PROPOSED ACQUISITION

The principal terms of the Proposed Acquisition are set out as follows:

4.1. Share Transfer

Under the terms of the SPA, the Sellers shall sell, and the Buyer shall acquire, all (and not some of) the Sale Shares with effect from Completion with all rights then attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares on or after Completion, free from any encumbrance.

4.2. Consideration

The Consideration for the Proposed Acquisition is S\$6.966 million, which was determined pursuant to commercial negotiations between the Independent Directors and the Sellers in good faith and on an arm's length basis, taking into account the following factors:

- (a) the valuation of 100% equity interests of the Target based on the Valuation Report, which is S\$23.20 million, whereby the Consideration represents a discount of approximately 52.4% to such valuation. Please also refer to Section 6 of this Circular for more details on the basis of valuation;
- (b) the fact that the agriculture business of the Target Group has passed the cultivation-intensive phase of its early development and has now entered into the relatively less risky phase of commercial growth and harvesting; and
- (c) the Target Group's profitability for FY2020 where the Target Group achieved a profit after tax of RMB9.99 million (approximately S\$2.04 million); against the Proposed Acquisition's share of such a profit after tax of the Target Group for FY2020, the Consideration represents a price earnings ratio of approximately 3.42 times⁽¹⁾.

Note:

- (1) Price earnings ratio = B / A

"A" is the Target Group's net profit for FY2020, being RMB9,985,000 (approximately S\$2,037,755)

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“B” is the Consideration, being S\$6,966,000

The Consideration shall be fully satisfied by the issue and allotment to China Focus (for itself and as nominee of Profit Run) of 162,000,000 Consideration Shares at an issue price of S\$0.043 per Consideration Share and constituting approximately 47.93% of the enlarged issued and paid-up share capital of the Company on Completion of the Proposed Acquisition. The Consideration Shares shall be issued free from encumbrances and rank *pari passu* in all respects with and carry all rights similar to existing Shares except that they will not rank for any dividend, right, allotment or other distributions the record date of which falls on or before the Completion Date.

The issue price of S\$0.043 per Consideration Share is equivalent to the VWAP on 15 March 2021 (being the full market day immediately preceding the signing of the SPA). No premium to the VWAP was considered in determining the issue price per Consideration Share in view of the steep discount accorded by the Sellers to the NAV of 63.11% equity interest in the Target Group.

The consideration for the Previous Transaction was S\$37.2 million, which was derived based on, *inter alia*, a valuation of the Target Group premised on the income approach method (as the Target Group had yet to attain sustainable profit in FY2018). The Consideration for the Proposed Acquisition is S\$6.966 million, which was derived based on, *inter alia*, a valuation of the Target Group premised on the market approach method (as the Target Group had achieved sustainable profit after FY2018). The difference between the consideration amounts is largely attributable to the consideration for the Previous Transaction taking into account a receivable of RMB190 million owing from ZNHSBJ (being the seller of 63.11% of the registered capital of the Target under the structure of the Previous Transaction) to the Target as at 31 December 2019, as more particularly described in Note (2) to Section 3.5.2 of this Circular.

As disclosed in Section 3.1.3 of the Circular, Mr. Guo Yinghui is the legal and/or beneficial owner of 100% of both the Sellers. To the best of the Company's knowledge, the Sellers are willing to accept the Consideration notwithstanding that it represents a discount of approximately 52.4% to the valuation of the Target Group as at 30 June 2021 based on the Valuation Report, and a discount of approximately 56.2% to the NAV of 63.11% equity interest in the Target Group, as Mr. Guo Yinghui is also the Chairman of the Board and an Executive Director of the Company, and is also a Controlling Shareholder, and the Proposed Disposal is of strategic importance to the Group as it is in line with the Proposed Business Diversification and will, if successfully implemented, be the Group's first exposure and entry into the agriculture industry. Given that the Group has not been actively undertaking any business activities related to the exploration, mining and trading of mineral resources in the PRC (including mining consultancy business activities) save that it has continued to hold its investment interests in the Thabazimbi Mine, Mr. Guo Yinghui has agreed to accept a steep discount in order to support the Group and facilitate its goal of implementing its business diversification plans as soon as possible.

4.3. Conditions Precedent

The Conditions Precedent (and their respective status as at the Latest Practicable Date) include the following.

Condition Precedent	Status
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- (a) None of the relative figures of the Proposed Acquisition when computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST exceed 100%. Satisfied
- (b) The Buyer being satisfied with its findings from the due diligence exercise. Satisfied
- (c) The receipt of in-principle approval from the SGX-ST for the listing of and quotation for the Consideration Shares on the Mainboard of the SGX-ST and such other approval, authorisation, clearance or waiver from the SGX-ST under Chapter 9 and Chapter 10 of the Listing Manual having been obtained (and such approval, authorisation, clearance or waiver not having been withdrawn or revoked on or prior to the Completion Date) and if such approval, authorisation, clearance or waiver is granted subject to conditions, such conditions being acceptable to the Buyer. Satisfied. In-principle approval received on 21 October 2021.
- (d) The issue and allotment of, and the subscription for, the Consideration Shares not being prohibited by any statute, order, rule or regulation. To be satisfied at Completion
- (e) The receipt of any other such approvals, waivers, notifications, authorisations and consents (and such approvals, waivers, notifications, authorisations and consents not having been withdrawn or revoked on or prior to the Completion Date) from relevant domestic and/or foreign governmental, administrative or regulatory bodies or authorities or courts as the case may be, and any other relevant external parties, for the Proposed Acquisition, it being acknowledged and agreed by the Sellers that it will comply and ensure that each Target Group Company complies with any condition imposed as part of such approvals, waivers, notifications, authorisations and consents, and that such approvals, waivers, notifications, authorisations and consents, or any condition thereof, shall form part of the SPA. To be satisfied at Completion
- (f) The receipt by each Target Group Company of all applicable third party consents, approvals or To be satisfied at Completion

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waivers in connection with the SPA, including in relation to the change of control of each Target Group Company.

- (g) Each of the representations and warranties given by the Sellers in favour of the Buyer being true and accurate in all respects as at the date of the SPA and as at the Completion Date, as if made at and as of such date, and the Buyers shall have received a certificate signed by the Sellers to the foregoing effect. To be satisfied at Completion
- (h) The SIC having granted the Whitewash Waiver (and such waiver not having been withdrawn or revoked on or prior to the Completion Date). Satisfied. Whitewash Waiver granted on 30 November 2021
- (i) The receipt of approval (such approval not having been withdrawn or revoked on or prior to the Completion Date) at an EGM to be convened for: Pending
- (i) the Proposed Business Diversification from the Shareholders;
 - (ii) the Proposed Acquisition, and the issue and allotment of the Consideration Shares, in accordance with the terms of the SPA from the Independent Shareholders;
 - (iii) the Proposed Whitewash Resolution from the Independent Shareholders; and
 - (iv) all other matters as may be necessary to comply with applicable laws, the Listing Manual (including but not limited to Rule 1014 of the Listing Manual) and the Code from the Shareholders or the Independent Shareholders (as the case may be).
- (j) No event, occurrence, change, effect or condition of any character shall have occurred on or prior to Completion that, individually or in the aggregate, has had a Material Adverse Effect. To be satisfied at Completion
- (k) No order or judgment of any Governmental To be satisfied at Completion

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Body having been issued or made prior to Completion which has the effect of making the SPA unlawful or otherwise prohibiting the Buyer from acquiring the Sale Shares or any of them on the Completion Date.

- (l) There being no provision of any applicable law or regulation prohibiting Completion and the transactions contemplated under the SPA. To be satisfied at Completion

In relation to the Condition Precedent set out in Section 4.3(i)(i) of this Circular, as the Sellers are receiving the Consideration Shares as consideration for the Proposed Acquisition, a key factor in determining the commercial terms of the Proposed Acquisition was the potential growth of the Group subsequent to its diversification into the New Agriculture Business. As such, receipt of Shareholders' approval for the Proposed Business Diversification is a condition precedent to completion of the Proposed Acquisition.

The Company is not required to provide any corporate guarantee in respect of the Proposed Acquisition. As far as the Company is aware, there are no agreements between the Sellers and/or the HoldCo and Everbright which are material to the decision of the Independent Shareholders in respect of the Proposed Acquisition.

4.4. Completion

Completion of the Proposed Acquisition will take place on the date falling five (5) Business Days after all of the Conditions Precedent (other than those which are intended to be satisfied contemporaneously with Completion) are satisfied, fulfilled or waived (as the case may be) or on any other day as the Buyer and the Seller may mutually agree in writing in accordance with the terms of the SPA. If the Conditions Precedent or any of them are not satisfied, fulfilled or waived by 31 December 2021 (unless extended by mutual agreement between the Buyer and the Seller), the SPA shall cease and determine.

4.5. Termination

If the Conditions Precedent are not fulfilled on or before the Long Stop Date, the SPA shall automatically terminate with immediate effect except that termination shall not affect a party's rights and obligations which have accrued as at the date of termination although each party's further rights and obligations shall cease immediately on termination.

5. INTERESTED PERSON TRANSACTION

5.1. Interested Person

As disclosed in Section 3.1 of this Circular, China Focus is an investment holding company incorporated in the British Virgin Islands, and which is wholly-owned by Mr. Guo Yinghui. Profit Run is an investment holding company incorporated in the British Virgin Islands, and which is wholly-owned by a British national in trust for the benefit of Mr. Guo Yinghui. Mr. Guo Yinghui is the Chairman of the Board and an Executive Director of the Company, and is also a

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Controlling Shareholder. Accordingly, the Sellers are Interested Persons for the purpose of the Proposed Acquisition.

5.2. Materiality Thresholds under Chapter 9 of the Listing Manual

5.2.1. Based on the Group's latest audited consolidated financial statements for FY2020, the NTA of the Group as at 31 December 2020 was approximately RMB81.58 million (approximately S\$16.54 million). The Consideration for the Proposed Acquisition represents approximately 41.84% of the Group's latest audited NTA. Accordingly, pursuant to Rule 906(1)(a) of the Listing Manual, the Proposed Acquisition is an Interested Person Transaction for which approval of the Independent Shareholders is required.

5.2.2. During FY2020, there was an interest-free advance of RMB1.00 million extended by Mr. Guo Yinghui to the Group in January 2020, with the same having been fully repaid in February 2020. Save for the aforesaid and the Proposed Acquisition, there are no Interested Person Transactions entered into by the Group with any Interested Persons for FY2020 and FY2021 as at the Latest Practicable Date (not including transactions below S\$100,000 and transactions previously approved by the Shareholders).

5.3. Advice of the Independent Financial Adviser on the Proposed Acquisition

5.3.1. Hong Leong Finance Ltd has been appointed as the IFA pursuant to Rule 921(4)(a) of the Listing Manual, as well as to advise the Independent Directors in respect of, *inter alia*, the Proposed Acquisition. Taking into consideration the factors set out in the IFA Letter and the information available to the IFA as at the Latest Practicable Date and subject to the qualifications and assumptions set out in the IFA Letter, the IFA is of the opinion that, on balance, the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and the Proposed Acquisition is carried out on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders. Accordingly, the IFA has advised the Independent Directors to recommend that the Independent Shareholders vote in favour of the Proposed Acquisition. The IFA Letter, containing the IFA's advice in full, is set out in **Appendix A** to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety.

5.3.2. In arriving at its opinion in respect of the Proposed Acquisition, the IFA has taken into consideration the following key factors which are described in more detail in section 5 of the IFA Letter:

- (a) the Target Group's revenue has increased from RMB40.1 million in FY2018 to RMB52.3 million in FY2020, and is profitable from FY2018 to FY2020;
- (b) the rationale for the Proposed Acquisition;
- (c) the Consideration represents a discount of approximately 52.4% to the valuation of the Target Group as at 30 June 2021 based on the Valuation Report;
- (d) the Consideration represents a discount of approximately 56.2% to the NAV of 63.11% equity interest in the Target Group; and

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(e) other relevant considerations as set out in paragraph 5.5 of the IFA Letter.

5.3.3. In arriving at its opinion in respect of the Proposed Acquisition, the IFA has also sought and obtained the following confirmations from the directors of the Target Group, as at the Latest Practicable Date, to the best of their knowledge and belief that:

- (a) they are not aware of any circumstances which may cause the NAV or NTA of the Target Group as at the Latest Practicable Date to be materially different from that recorded in the audited financial position of the Target Group for FY2020;
- (b) there are no contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV or NTA of the Target Group;
- (c) there is no litigation, claim or proceeding pending or threatened against the Target Group or any fact which would give rise to any proceeding which might materially and adversely impact the financial position of the Target Group; and
- (d) there are no material acquisition or disposal of assets by the Target Group since 31 December 2020 and up to the Latest Practicable Date, which would have a material impact on the NAV and NTA of the Target Group.

5.4. **Statement of the Audit Committee**

The members of the Audit Committee do not have any interests in the Proposed Acquisition and are accordingly deemed to be independent for the purposes of the Proposed Acquisition. Having considered, *inter alia*, the terms, rationale for and benefits of the Proposed Acquisition, as well as the opinion and advice of the IFA on the Proposed Acquisition, the Audit Committee concurs with the opinion of the IFA and is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders.

6. **VALUE OF 100% EQUITY INTERESTS OF THE TARGET**

6.1. **Valuation Report**

6.1.1. AP Appraisal Limited, an independent valuer, was appointed by the Company to perform a valuation on 100% equity interests of the Target, which was valued at S\$23.20 million as at 30 June 2021, being the date of the valuation. The Valuation Report is set out in **Appendix B** to this Circular.

6.1.2. AP Appraisal Limited is based in Hong Kong and holds 1st-grade real estate appraisal qualifications, A-grade land appraisal qualifications, asset appraisal qualifications, and securities and futures appraisal qualification. Its team of professionals include registered real estate valuers, registered land valuers, registered asset appraisers, appraisers from the American Society of Appraisers, the Royal Institution of Chartered Surveyors, the Australasian Institute of Mining and Metallurgy, and the Canadian Institute of Mining, Metallurgy and Petroleum. It also has branch offices in Shanghai, Tianjin, Chongqing, Nanjing, Dalian and

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Wuhan in the People's Republic of China.⁴

6.1.3. The Valuation Report was prepared on a going concern premise and conducted on a fair value basis, in accordance with the definitions and standards laid down by the International Valuation Standards, the Hong Kong Financial Reporting Standards, the RICS Valuation Standards and the Business Valuation Standards of the Hong Kong Business Valuation Forum. The Valuation Report takes into consideration, *inter alia*, the following:

- (a) the nature and history of the Target;
- (b) the financial conditions of the Target;
- (c) the land circulation arrangements entered into between the Target Group with the local farming communities who hold the relevant land contractual management rights, the expiry of the land contractual management rights in 2028, the automatic extension for up to 30 years of the land contractual management rights (assuming no changes to relevant national policies) and the right of first refusal granted to the Target Group in respect of the renewal of the land circulation arrangements with the local farming communities;
- (d) the economic condition and the industry outlook in Asia-Pacific;
- (e) the specific economic environment and competition for the Target;
- (f) market-derived investment returns of entities engaged in similar lines of business; and
- (g) the financial and business risks of the Target including the continuity of income.

6.1.4. AP Appraisal Limited considered that the market approach was the most appropriate and commonly adopted valuation approach to value the equity interests of the Target as there are sufficient comparable companies that could be identified in the market to facilitate a meaningful comparison and to form a reliable opinion of value. The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. The guideline public company method was adopted as there are sufficient comparable companies that engaged in the same or similar line of businesses as the Target and could be identified in the market to facilitate a meaningful comparison and to form a reliable opinion of value. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to allow a meaningful comparison. The comparable transaction method was not appropriate as there are insufficient comparable transactions to form a reliable opinion of value. The publicly traded comparable companies identified are as follows:

Stock Code	Listing Location	Company Name
P8Z SGX	Singapore	Bumitama Agriculture Ltd.

⁴ Information extracted from URL: http://www.apa.com.hk/en/about_aboutus.html.

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AVG ASX	Australia	Australian Vintage Ltd.
SGLLV ASX	Australia	Ricegrowers Ltd.
603336 SH	China	Great-Sun Foods Co., Ltd.
601952SH	China	Jiangsu Provincial Agricultural Reclamation and Development Co., Ltd.
600598SH	China	Heilongjiang Agriculture Company Limited

The fair value of 100% equity interests of the Target is summarized below:

Selected Multiple	P/E	P/S	P/B	P/EBITDA	P/CF
Industry Multiple Value	16.55	0.87	0.95	17.80	10.60
Financial Performance Sector	<i>Net Profit after Tax</i>	<i>Operating Sales</i>	<i>Net Asset Value</i>	<i>EBITDA</i>	<i>Net Operating Cash Flow</i>
Financial Performance of 2020	RMB16,183,520	RMB52,841,715	RMB138,931,271	RMB26,936,298	RMB13,562,190
Implied Equity Value	RMB267,866,864	RMB45,791,310	RMB131,849,944	RMB479,331,537	RMB143,764,408
Weight Ratio	20%	20%	20%	20%	20%
Weighted Implied Equity Value	RMB213,720,812				
Less: Debt	(27,687,937)				
100% Equity Value	186,032,875				
Less: Discount for Lack of Marketability ("DLOM") (40%) ⁵	(74,413,150)				
100% Equity Fair Value (in RMB) (Rounded)	111,600,000				
Exchange rate of RMB:SGD	0.2082				
100% Equity Fair Value (in SGD) (Rounded)	23,200,000				

⁵ As the Company is on a non-marketable controlling basis, prudent investors would apply a discount to reflect its lack of marketability. With reference to the DLOM applied in transactions published in The FMV Restricted Stock Study, the independent valuer believes that a 40% DLOM is fair and reasonable for the valuation of the Company.

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6.1.5. The major general assumptions adopted in the Valuation Report are:

- (a) there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where the Target currently operates or will operate which will materially affect the revenues attributable to the Target, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (b) for the Target to continue as a going concern, the Target will successfully carry out all necessary activities for the development of its business;
- (c) market trends and conditions where the Target operates will not deviate significantly from the economic forecasts in Asia-Pacific;
- (d) the unaudited financial statements of the Target as supplied to AP Appraisal Limited have been prepared in a manner which truly and accurately reflect the financial position of the Target as of the respective balance sheet dates;
- (e) key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Target;
- (f) there will be no material changes in the business strategy of the Target and its operating structure;
- (g) interest rates and exchange rates in the localities for the operation of the Target will not differ materially from those presently prevailing;
- (h) all relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- (i) the major shareholder of the Target will support and provide interest-free financing for the current and future business of the Target (including but not limited to working capital needs).

For the limiting conditions pertaining the value estimate conclusions stated in the Valuation Report, please refer to Page 10 of the Valuation Report, which is set out in **Appendix B** to this Circular.

6.2. Value of the Target and the Sale Shares

6.2.1. As at 31 December 2020: (a) the book value and NTA value of 100% equity interests in the Target is RMB123.64 million (approximately S\$25.23 million); and (b) the book value and NTA value of the Sale Shares is RMB78.03 million (approximately S\$15.92 million).

6.2.2. As at 30 June 2021: (a) the book value and NTA value of 100% equity interests in the Target is RMB118.54 million (approximately S\$24.19 million); and (b) the book value and NTA value of

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the Sale Shares is RMB74.81 million (approximately S\$15.27 million).

- 6.2.3. The open market value of the Target is not available as the equity holdings of the Target are not publicly traded. The open market value of the Sale Shares is not available as the securities in the HoldCo are not publicly traded.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

7.1. Bases and Assumptions

The following are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after Completion of the Proposed Acquisition. The financial effects of the Proposed Acquisition on the Company as set out below are based on the Group's latest audited consolidated financial statements for FY2020 and the following assumptions:

- (a) the financial effects on the Group's NTA attributable to the Shareholders and the NTA per Share have been computed assuming that Completion of the Proposed Acquisition took place on 31 December 2020; and
- (b) the financial effects on the Group's earnings attributable to the Shareholders and the LPS have been computed assuming that Completion of the Proposed Acquisition took place on 1 January 2020.

7.2. Share Capital

As at the Latest Practicable Date, the Company has 175,988,500 Shares in issue (excluding treasury shares and subsidiary holdings) with a share capital of RMB7.08 million and a share premium of RMB228.75 million. On Completion of the Proposed Acquisition, the Company will have 337,988,500 Shares in issue (excluding treasury shares and subsidiary holdings) with a share capital of RMB13.43 million and a share premium of RMB256.53 million.

7.3. NTA per Share

	Before the Proposed Acquisition	On Completion
NTA ⁽¹⁾ attributable to the Shareholders (RMB'000)	81,576	115,709
Number of Shares (excluding treasury shares and subsidiary holdings) ('000)	175,988	337,989
NTA per Share (RMB cents)	46.35	34.23

Note:

- (1) NTA means total assets less the sum of total liabilities, non-controlling interest and intangible assets (net of non-controlling interest).

7.4. LPS

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	Before the Proposed Acquisition	On Completion
Loss after taxation and non-controlling interests (RMB'000)	15,706	9,404
Weighted average number of Shares (excluding treasury shares and subsidiary holdings) ('000)	156,935	318,935
LPS (RMB cents)	10.01	2.95

7.5. Gearing

	Before the Proposed Acquisition	On Completion
Net borrowings/(cash) ⁽¹⁾ as at 31 December 2020 (RMB'000)	490	27,140
Shareholders' equity (RMB'000)	81,576	115,709
Gearing (times)	0.006	0.2346

Note:

(1) Net borrowings means total borrowings less cash and bank balances. Net cash means cash and bank balances are more than total borrowings.

8. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures of the Proposed Acquisition computed on the bases as set out in Rule 1006 of the Listing Manual and based on the Group's latest audited consolidated financial statements for FY2020 and the unaudited condensed interim financial statements for the six-month period ended 30 June 2021 ("HY2021") are set out as follows:

Bases Under Rule 1006	Relative Figure for FY2020	Relative Figure for HY2021
(a) The NAV of the assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets.	N.A.	N.A.
(b) The net profits ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits ⁽¹⁾ .	-41.05% ⁽²⁾	57.73% ⁽³⁾
(c) The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued Shares (excluding treasury shares and subsidiary holdings).	92.05% ⁽⁴⁾	92.05% ⁽⁴⁾
(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	92.05% ⁽⁵⁾	92.05% ⁽⁵⁾
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable	N.A.	N.A.

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to a disposal of mineral, oil or gas assets by a mineral, oil & gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.

Notes:

- (1) Net profit means profit means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests .
- (2) The net profits attributable to the Sale Shares for FY2020 is RMB6.30 million (approximately S\$1.29 million) while the net loss attributable to the Group for FY2020 is RMB15.35 million (approximately S\$3.13 million).
- (3) The net loss attributable to the Sale Shares for HY2021 is RMB3.22 million (approximately S\$0.66 million) while the net loss attributable to the Group for HY2021 is RMB5.58 million (approximately S\$1.14 million). The net loss attributable to the Sale Shares for HY2021 is primarily due to the harvesting and sale season of the pomegranates of the Target Group typically taking place in the second half of the year.
- (4) Based on the Consideration of S\$6.966 million and the market capitalisation of the Company being S\$7.568 million, which is calculated based on the weighted average price of S\$0.043 per Share on 15 March 2021 (being the market day preceding the date of the SPA) and 175,988,500 Shares in issue (excluding treasury shares and subsidiary holdings) as at 15 March 2021 (being the market day preceding the date of the SPA).
- (5) Based on 162,000,000 Consideration Shares to be issued and allotted to China Focus (for itself and as nominee of Profit Run) and 175,988,500 Shares in issue (excluding treasury shares and subsidiary holdings) as at 15 March 2021 (being the market day preceding the date of the SPA).

Accordingly, the Proposed Acquisition is a Major Transaction pursuant to Chapter 10 of the Listing Manual.

9. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Proposed Business Diversification and will, if successfully implemented, be the Group's first strategic exposure and entry into the agriculture industry (in particular, the New Agriculture Business). The Board is of the view that the Proposed Acquisition (as well as the Proposed Business Diversification) is in the best interests of the Company and the Shareholders as a whole as the Proposed Acquisition and the Proposed Business Diversification represent a good opportunity for the Company based on the growth potential and prospects of the agriculture industry, the benefits of diversified returns and long-term growth as well as the market challenges faced by the Existing Core Business.

10. THE PROPOSED WHITEWASH RESOLUTION

10.1. Mandatory General Offer Requirement under the Code

Under Rule 14.1 of the Code, except with the consent of the SIC, where:

- (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.00% or more of the voting rights of a company; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30.00% but not more than 50.00% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares

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carrying more than 1.00% of the voting rights,

such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend a Mandatory Offer.

10.2. Potential Dilutive Effect

For illustrative purposes only, the potential dilutive effects of the Proposed Acquisition on existing Shareholders after Completion of the Proposed Acquisition and assuming the issue and allotment of the Consideration Shares to China Focus (for itself and as nominee of Profit Run) is set out below:

	Before the Proposed Acquisition		On Completion of the Proposed Acquisition	
	Number of Shares	% of Existing Issued Share Capital ⁽¹⁾	Number of Shares	% of Enlarged Share Capital ⁽²⁾
<u>Concert Parties</u>				
Feng Li	14,560,000	8.27	14,560,000	4.31
Guo Yinghui	17,985,000	10.22	17,985,000	5.32
China Focus	17,680,000	10.05	179,680,000	53.16
<u>Concert Party Group</u>	50,225,000	28.54	212,225,000	62.79
<u>Independent Shareholders</u>	125,763,500	71.46	125,763,500	37.21
Total	175,988,500	100	337,988,500	100

Notes:

- (1) Based on the existing issued and paid-up share capital of the Company of 175,988,500 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.
- (2) Based on the enlarged issued and paid-up share capital of the Company of 337,988,500 Shares (excluding treasury shares and subsidiary holdings) assuming the issue and allotment of 162,000,000 Consideration Shares to China Focus (for itself and as nominee of Profit Run).

As at the Latest Practicable Date: (a) save as disclosed above, China Focus and its Concert Parties do not hold any Shares; and (b) China Focus and its Concert Parties do not hold any instruments convertible into rights to subscribe for and options in respect of Shares.

Independent Shareholders should note that the issue and allotment of the Consideration Shares to China Focus on Completion of the Proposed Acquisition will result in the Concert Party Group holding Shares carrying over 49.00% of the enlarged voting rights in the Company. Therefore, China Focus will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.

10.3. Whitewash Waiver

On 30 November 2021, the SIC granted the Whitewash Waiver, subject to the following conditions being met:

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- (a) a majority of the Independent Shareholders holding voting rights in the Company approving at a general meeting, before the issue and allotment of the Consideration Shares to China Focus, a resolution by way of a poll to waive their rights to receive a general offer from China Focus;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Concert Party Group and parties not independent of them, as well as parties not independent of the Proposed Acquisition, abstain from voting on the Proposed Whitewash Resolution;
- (d) the Concert Party Group did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):
 - (i) during the period between the announcement of the Proposed Acquisition and the date on which Independent Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the six (6) months prior to the first announcement of the Proposed Acquisition but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Proposed Acquisition;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in the Circular:
 - (i) details of the proposed allotment and issue of the Consideration Shares;
 - (ii) the dilution effect to existing holders of voting rights in the Company upon the proposed allotment and issue of the Consideration Shares;
 - (iii) the number and percentage of voting rights in the Company, as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares, held by the Concert Party Group as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be acquired by the Concert Party Group as a result of the proposed allotment and issue of the Consideration Shares;
 - (v) specific and prominent reference to the fact that the issue of the Consideration Shares will result in the Concert Party Group holding Shares carrying over 49.00% of the voting rights of the Company and to the fact that China Focus will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer; and

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- (vi) specific and prominent reference to the fact that the Independent Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from China Focus at the highest price paid by the Concert Party Group for Shares in the past six (6) months preceding the commencement of the offer;
- (g) the circular states that the Whitewash Waiver granted by the SIC to China Focus from the requirement to make a general offer under Rule 14 of the Code is subject to the above-stated conditions;
- (h) the Company obtains the SIC's approval in advance for the parts of the Circular which refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Whitewash Waiver, the approval of the Proposed Whitewash Resolution by the Independent Shareholders must be obtained within three (3) months from the date of the Whitewash Waiver and the proposed allotment and issue of the Consideration Shares must be completed within three (3) months of the approval of the Proposed Whitewash Resolution.

As of the date of this Circular, all of the conditions set out above have been satisfied, save for the conditions set out in sub-paragraphs (a), (c) and (i), which are expected to be satisfied on or after the EGM.

10.4. **Advice of the Independent Financial Adviser on the Proposed Whitewash Resolution**

Hong Leong Finance Ltd has been appointed as the IFA pursuant to Rule 921(4)(a) of the Listing Manual, as well as to opine on and advise the Independent Directors in respect of, *inter alia*, the Proposed Whitewash Resolution. The IFA Letter, containing the IFA's advice in full, is set out in **Appendix A** to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety.

The Company wishes to draw the Shareholders' attention to the following:

- (a) in arriving at its opinion in respect of the Proposed Whitewash Resolution, the IFA has taken into consideration the factors which it considers to be relevant and to have a significant bearing on its assessment of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution; and
- (b) the IFA has taken into consideration the following key factors which are described in more detail in section 5 of the IFA Letter.

Taking into consideration the factors set out in the IFA Letter and the information available to the IFA as at the Latest Practicable Date and subject to the qualifications and assumptions set out in the IFA Letter, the IFA is of the opinion that, on balance, the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and the Proposed Acquisition is carried out on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders. Accordingly, the IFA has advised the Independent Directors to recommend that the Independent Shareholders vote

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in favour of the Proposed Whitewash Resolution.

10.5. Proposed Whitewash Resolution and its Implications

The Independent Shareholders are therefore asked to vote, by way of a poll, on the Proposed Whitewash Resolution as set out as Ordinary Resolution 6 in the Notice of the EGM attached to this Circular.

Independent Shareholders should note that:

- (a) the Proposed Acquisition will result in the Concert Party Group holding Shares carrying **62.79% of the voting rights** of the Company based on its enlarged issued share capital **and that China Focus would thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer;**
- (b) **by voting in favour of the Proposed Whitewash Resolution (i.e., Ordinary Resolution 6), the Independent Shareholders will be waiving their rights to receive a general offer from China Focus at the highest price paid by the Concert Party Group in the past six (6) months preceding the Completion Date which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code; and**
- (c) **that the Independent Shareholders, by voting for the Proposed Whitewash Resolution (i.e., Ordinary Resolution 6), could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilutive effect of Proposed Acquisition.**

11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

11.1. Directors' and Substantial Shareholders' Interest prior to Completion

The interests of the Directors and Substantial Shareholders (both direct and deemed) in the issued share capital of the Company as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholdings of the Company as at the Latest Practicable Date and prior to Completion of the Proposed Acquisition are set out below. The percentages shown are based on the issued capital of the Company of 175,988,500 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

	Direct Interest		Deemed Interest		Total Interest
	No. of Shares	%	No. of Shares	%	%
Directors					
Guo Yinghui	17,985,000	10.22	32,240,000 ⁽¹⁾	18.32 ⁽¹⁾	28.54
Zhai Kebin	-	-	-	-	-
Dong Lingling	554,200 ⁽²⁾	0.31 ⁽²⁾	-	-	0.31
Lim Han Boon	-	-	-	-	-
Ning Jincheng	-	-	-	-	-
Chan Siew Wei	-	-	-	-	-
Substantial Shareholders (other)					

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than Directors)					
Feng Li	14,560,000	8.27	35,665,000 ⁽³⁾	20.27 ⁽³⁾	28.54
China Focus	17,680,000 ⁽⁴⁾	10.05 ⁽⁴⁾	-	-	10.05
Glossmei Limited	18,250,000	10.37	-	-	10.37
Ample Scenery Investments Limited	10,530,463 ⁽⁵⁾	5.98 ⁽⁵⁾	-	-	5.98

Notes:

- (1) Mr. Guo Yinghui is the spouse of Mdm. Feng Li and is deemed to be interested in: (a) the 14,560,000 Shares registered in the name of KGI Fraser Securities Pte Ltd held for Mdm. Feng Li; and (b) the 17,680,000 Shares registered in the name of Maybank Kim Eng Securities Pte Ltd held for China Focus, each representing 8.27% and 10.05% respectively of the entire issued and paid-up share capital of the Company.
- (2) The 554,900 Shares of Ms. Dong Lingling are registered in the name of Philip Securities Pte Ltd.
- (3) Mdm. Feng Li is the spouse of Mr. Guo Yinghui and is deemed to be interested in: (a) the 17,985,000 Shares held by Mr. Guo Yinghui; and (b) the 17,680,000 Shares registered in the name of Maybank Kim Eng Securities Pte Ltd held for China Focus, each representing 10.22% and 10.05% of the entire issued and paid-up share capital of the Company respectively.
- (4) The 17,680,000 Shares of China Focus are registered in the name of Maybank Kim Eng Securities Pte Ltd. China Focus is an investment company incorporated in the British Virgin Islands on 25 November 2004, with Mr. Guo Yinghui and Mr. Guo Liang as its directors. As Mr. Guo Yinghui wholly owns China Focus, he and Mdm. Feng Li are therefore deemed to be interested in the 17,680,000 Shares registered in the name of Maybank Kim Eng Securities Pte Ltd held for China Focus, representing 10.05% of the entire issued and paid-up share capital of the Company.
- (5) The 10,530,463 Shares of Ample Scenery Investments Limited are registered in the name of Maybank Kim Eng Securities Pte Ltd.

Save as disclosed in Section 3.1 of the Circular, there is no connection (including business relationships) amongst the Company, the Directors and the Substantial Shareholders with the Sellers, the Sellers' directors and the substantial shareholders of the Sellers.

11.2. Directors' and Substantial Shareholders' Interest after Completion

The interests of the Directors and Substantial Shareholders (both direct and deemed) in the issued share capital of the Company on Completion of the Proposed Acquisition are set out below. The percentages shown are based on the enlarged issued and paid-up share capital of the Company of 337,988,500 Shares (excluding treasury shares and subsidiary holdings) which assumes: (a) the issue and allotment of 162,000,000 Consideration Shares to China Focus (for itself and as nominee of Profit Run) on Completion of the Proposed Acquisition; and (b) no other changes to the records shown in the Register of Directors' Shareholdings and the Register of Substantial Shareholdings of the Company as at the Latest Practicable Date.

	Direct Interest		Deemed Interest		Total Interest
	No. of Shares	%	No. of Shares	%	%
Directors					
Guo Yinghui	17,985,000	5.32	194,240,000 ⁽¹⁾	57.47 ⁽¹⁾	62.79
Zhai Kebin	-	-	-	-	-
Dong Lingling	554,200 ⁽²⁾	0.16 ⁽²⁾	-	-	0.16
Lim Han Boon	-	-	-	-	-
Ning Jincheng	-	-	-	-	-
Chan Siew Wei	-	-	-	-	-
Substantial Shareholders (other than					

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Directors)

Feng Li	14,560,000	4.31	197,665,000 ⁽³⁾	58.48 ⁽³⁾	62.79
China Focus	179,680,000 ⁽⁴⁾	53.16 ⁽⁴⁾	-	-	53.16
Glossmei Limited	18,250,000	5.4	-	-	5.4
Ample Scenery Investments Limited	10,530,463 ⁽⁵⁾	3.12 ⁽⁵⁾	-	-	3.12

Notes:

- (1) Mr. Guo Yinghui is the spouse of Mdm. Feng Li and is deemed to be interested in: (a) the 14,560,000 Shares registered in the name of KGI Fraser Securities Pte Ltd held for Mdm. Feng Li; (b) the 17,680,000 Shares registered in the name of Maybank Kim Eng Securities Pte Ltd held for China Focus; and (c) the 162,000,000 Consideration Shares held by China Focus (for itself and as nominee of Profit Run), each representing 4.31%, 5.23%, 47.93% respectively of the enlarged issued and paid-up share capital of the Company on Completion.
- (2) The 554,900 Shares of Ms. Dong Lingling are registered in the name of Philip Securities Pte Ltd.
- (3) Mdm. Feng Li is the spouse of Mr. Guo Yinghui and is deemed to be interested in: (a) the 17,985,000 Shares held by Mr. Guo Yinghui; (b) the 17,680,000 Shares registered in the name of Maybank Kim Eng Securities Pte Ltd held for China Focus; and (c) the 162,000,000 Consideration Shares held by China Focus (for itself and as nominee of Profit Run), each representing 5.32%, 5.23% and 47.93% respectively of the enlarged issued and paid-up share capital of the Company on Completion.
- (4) 17,680,000 Shares of China Focus are registered in the name of Maybank Kim Eng Securities Pte Ltd, whereas 162,000,000 Consideration Shares are held by China Focus (for itself and as nominee of Profit Run). China Focus is an investment company incorporated in the British Virgin Islands on 25 November 2004, with Mr. Guo Yinghui and Mr. Guo Liang as its directors. As Mr. Guo Yinghui wholly owns China Focus and Profit Run is wholly-owned by a British national in trust for the benefit of Mr. Guo Yinghui, he and Mdm. Feng Li are therefore deemed to be interested in the 17,680,000 Shares registered in the name of Maybank Kim Eng Securities Pte Ltd held for China Focus and the 162,000,000 Consideration Shares held by China Focus (for itself and as nominee of Profit Run), representing in aggregate 53.16% of the enlarged issued and paid-up share capital of the Company on Completion.
- (6) The 10,530,463 Shares of Ample Scenery Investments Limited are registered in the name of Maybank Kim Eng Securities Pte Ltd.

12. SERVICE CONTRACTS

There are no directors proposed to be appointed to the Board in connection with the Proposed Acquisition.

13. ACTION TO BE TAKEN BY SHAREHOLDERS

- 13.1. Due to the current COVID-19 situation in Singapore, the Company will conduct the EGM by way of electronic means only and Shareholders will not be able to physically attend the EGM. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by: (a) observing and/or listening to the EGM proceedings through a “live” audio-visual webcast or “live” audio-only feed; (b) submitting questions in advance of the EGM in relation to any resolution in the Notice of EGM; and (c) appointing the Chairman of the EGM as proxy to vote on their behalf at the EGM. Shareholders who wish to attend and vote at the EGM must complete, sign and return the proxy form in accordance with the instructions printed thereon as soon as possible and in any event, not less than 48 hours before the time fixed for the EGM.
- 13.2. The proxy form appointing the Chairman of EGM as proxy, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be submitted

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in the following manner by 10 a.m. on 15 December 2021, being not less than 48 hours before the time appointed for holding the EGM:

- (a) if submitted by post, be mailed to the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd., at 24 Raffles Place #07-07 Clifford Centre Singapore 048621; or
- (b) if submitted electronically, be submitted via email to the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd., at cmi-egm@kckcs.com.sg by enclosing a signed PDF copy of the proxy form.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears in the Depository Register maintained by CDP, 48 hours before the EGM.

- 13.3. Shareholders should note that the Company may make further changes to its EGM arrangements as the situation evolves. Shareholders are advised to keep abreast of any such changes as may be announced by the Company from time to time on SGXNet.
- 13.4. **Please note that no printed copies of this Circular, the Notice of EGM and the proxy form in respect of the EGM will be despatched to Shareholders. A copy of this Circular, the Notice of EGM and the proxy form have been uploaded on SGXNET at <https://www2.sgx.com/securities/company-announcements> and the Company's website at <http://www.chinamining-international.com/>. A Shareholder will need an Internet browser and PDF reader to view these documents on SGXNET.**

14. ABSTENTION FROM VOTING

14.1. Ordinary Resolution 2

Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 2. Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 2 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 2.

14.2. Ordinary Resolution 3

Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 3. Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 3 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 3.

14.3. Ordinary Resolution 4

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Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 4. Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 4 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 4.

14.4. **Ordinary Resolution 5**

Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 5. Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 5 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 5.

14.5. **Ordinary Resolution 6**

Mr. Guo Yinghui, Mdm. Feng Li and China Focus (and parties not independent of them, as well as parties not independent of the Proposed Acquisition) shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 6. Mr. Guo Yinghui, Mdm. Feng Li and China Focus (and parties not independent of them, as well as parties not independent of the Proposed Acquisition) shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 6 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 6.

15. **DIRECTORS' RECOMMENDATIONS**

15.1. **Proposed Business Diversification**

The Directors, having considered the rationale for the expansion of the Group's Existing Core Business to include the New Agriculture Business, are of the opinion that the Proposed Business Diversification is in the interests of the Company and not prejudicial to the interests of the minority Shareholders. Accordingly, they recommend that the Shareholders vote in favour of Ordinary Resolution 1.

15.2. **Proposed Acquisition**

The Independent Directors, having considered the rationale and terms of the Proposed Acquisition, the advice given by the IFA and the views of the Audit Committee, are of the opinion that the Proposed Acquisition is in the interests of the Company, is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of Ordinary Resolution 2.

15.3. **Proposed Issuance of Consideration Shares**

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The Independent Directors, having considered the rationale and terms of the Proposed Issuance of the Consideration Shares (in the context of the Proposed Acquisition), the advice given by the IFA and the views of the Audit Committee, are of the opinion that the Proposed Issuance of Consideration Shares is in the interests of the Company, is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of Ordinary Resolution 3.

15.4. **China Focus Consideration Shares Issuance**

The Independent Directors, having considered the rationale and terms of the China Focus Consideration Shares Issuance (in the context of the Proposed Acquisition), the advice given by the IFA and the views of the Audit Committee, are of the opinion that the China Focus Consideration Shares Issuance is in the interests of the Company, is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of Ordinary Resolution 4.

15.5. **Profit Run Consideration Shares Issuance**

The Independent Directors, having considered the rationale and terms of the Profit Run Consideration Shares Issuance (in the context of the Proposed Acquisition), the advice given by the IFA and the views of the Audit Committee, are of the opinion that the Profit Run Consideration Shares Issuance is in the interests of the Company, is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of Ordinary Resolution 5.

15.6. **Proposed Whitewash Resolution**

The Independent Directors, having considered the rationale and terms of the Proposed Whitewash Resolution and the advice given by the IFA, are of the opinion that the Proposed Whitewash Resolution is in the interests of the Company and is not prejudicial to the interests of the Company and the minority Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of Ordinary Resolution 6.

16. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Business Diversification, the Proposed Acquisition, the Proposed Issuance of Consideration Shares, the China Focus Consideration Shares Issuance, the Profit Run Consideration Shares Issuance, the Proposed Whitewash Resolution, the Target, the HoldCo and the Target Group, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement herein misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to

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ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

17. CONSENTS

- 17.1. Hong Leong Finance Ltd, the IFA to the Independent Directors in respect of the Proposed Acquisition and the Proposed Whitewash Waiver, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter and all references to its name in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 17.2. AP Appraisal Limited, the independent valuer, has given and has not withdrawn its written consent to the issue of this Circular and the inclusion of its name, the Valuation Report and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.
- 17.3. Henan Zhengfangyuan Law Firm (河南正方圆律师事务所), the Company's legal adviser as to PRC law, has given and has not withdrawn its written consent to the issue of this Circular and the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.
- 17.4. Crowe Horwath First Trust LLP, Singapore, which has been engaged by the Company to review the audited consolidated financial statements of the Target Group for FY2019 and FY2020, has given and has not withdrawn its written consent to the issue of this Circular and the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.

18. DOCUMENTS FOR INSPECTION

- 18.1. Copies of the following documents are available for inspection during normal office hours, on any weekday (public holidays excepted), at the registered office of the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd., at 24 Raffles Place #07-07 Clifford Centre Singapore 048621 for three months from the date of this Circular:
 - (a) the constitution of the Company;
 - (b) the annual report of the Company for FY2020;
 - (c) the SPA;
 - (d) the Valuation Report;
 - (e) the IFA Letter; and
 - (f) the consolidated financial statements of the Target Group for FY2020.
- 18.2. Due to the COVID-19 situation, Shareholders who wish to inspect the above documents should submit their request at least five days prior via email to the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd., at sharereg@kckcs.com.sg. Adequate safe

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distancing measures will be put in place during such inspection.

Yours faithfully

For and on behalf of the Board of Directors of
CHINA MINING INTERNATIONAL LIMITED

Zhai Kebin
Chief Executive Officer and Executive Director

APPENDIX A – IFA LETTER

APPENDIX B – VALUATION REPORT

APPENDIX C – SHAREHOLDING HISTORY OF THE TARGET GROUP

1. TARGET

(a) On Incorporation (i.e., 27 August 2013)

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Feng Jin (冯进)	Subscription	800,000	80%
Zhu Dexia (朱德霞)	Subscription	200,000	20%
		1,000,000	100%

(b) As at 28 April 2014

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Feng Jin (冯进)	-	800,000	4%
Zhu Dexia (朱德霞)	-	200,000	1%
ZNHSBJ	Subscription	19,000,000	95%
		20,000,000	100%

(c) As at 20 August 2015

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
ZNHSBJ	-	19,000,000	95%
ZNHSBJ	Purchase of equity interest from other existing shareholders	1,000,000	5%
		20,000,000	100%

(d) As at 26 December 2016

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
ZNHSBJ	-	20,000,000	33.33%
ZNHSBJ	Subscription	40,000,000	66.67%
		60,000,000	100%

(e) As at 25 January 2018

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
ZNHSBJ	-	60,000,000	77.67%
Everbright	Subscription	17,250,000	22.33%
		77,250,000	100%

(f) As at 28 February 2018

APPENDIX C – SHAREHOLDING HISTORY OF THE TARGET GROUP

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
ZNHSBJ	-	60,000,000	77.67%
ZNHSBJ	Sale of equity interest to Everbright	(11,250,000)	(14.56%)
Everbright	-	17,250,000	22.33%
Everbright	Purchase of equity interest from existing shareholder	11,250,000	14.56
		77,250,000	100%

(g) As at 19 June 2019

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
ZNHSBJ	-	48,750,000	63.11%
ZNHSBJ	Sale of equity interest to the HoldCo	(7,725,000)	(10.00%)
HoldCo	Purchase of equity interest from existing shareholder	7,725,000	10.00%
Everbright	-	28,500,000	36.89%
		77,250,000	100%

(h) As at 2 January 2020

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
ZNHSBJ	-	34,654,300	53.11%
HoldCo	-	6,525,000	10.00%
Everbright	-	24,070,700	36.89%
		65,250,000	100%

(i) As at 14 July 2020

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
ZNHSBJ	Sale of equity interest to the HoldCo	(34,654,300)	(53.11%)
HoldCo	Purchase of equity interest from existing shareholder	41,179,300	63.11%
Everbright	-	24,070,700	36.89%
		65,250,000	100%

2. HCAC

APPENDIX C – SHAREHOLDING HISTORY OF THE TARGET GROUP

(a) On Incorporation (i.e., 19 March 2018)

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
ZNHSBJ	Subscription	10,000,000	100%
		10,000,000	100%

(b) As at 22 May 2018

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Target	Purchase of equity interest from existing shareholder	10,000,000	100%
		10,000,000	100%

3. ZRFF

(a) On Incorporation (i.e., 15 March 2013)

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Feng Jin (冯进)	Subscription	800,000	80%
Zhu Dexia (朱德霞)	Subscription	200,000	20%
		1,000,000	100%

(b) As at 3 July 2014

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Feng Jin (冯进)	-	800,000	8%
Zhu Dexia (朱德霞)	-	200,000	2%
ZNHSBJ	Subscription	9,000,000	90%
		10,000,000	100%

(c) As at 20 September 2016

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Target	Purchase of equity interest from existing shareholder	10,000,000	100%
		10,000,000	100%

4. GONGYI

(a) On Incorporation (i.e., 6 January 2014)

APPENDIX C – SHAREHOLDING HISTORY OF THE TARGET GROUP

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Liu Gang (柳刚)	Subscription	300,000	60%
Wang Qi (王琪)	Subscription	200,000	40%
		500,000	100%

(b) As at 23 April 2014

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Liu Gang (柳刚)	-	300,000	3%
Wang Qi (王琪)	-	200,000	2%
ZNHSBJ	Subscription	9,500,000	95%
		10,000,000	100%

(c) As at 8 December 2014

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Feng Jin (冯进)	Purchase of equity interest from existing shareholder	500,000	5%
ZNHSBJ	-	9,500,000	95%
		10,000,000	100%

(d) As at 6 September 2015

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Target	Purchase of equity interest from existing shareholder	10,000,000	100%
		10,000,000	100%

5. ZNHS INDUSTRIAL

(a) On Incorporation (i.e., 26 April 2019)

Name of Shareholder	Method of Investment	Amount of Capital Contribution (RMB)	Shareholding Interest
Target	Subscription	10,000,000	100%
		10,000,000	100%

Note:

The amount of capital contribution for subscriptions as stated in the tables above relates only to the paid-up capital of the entities within the Target Group and does not include any premium paid by the relevant shareholders for their respective subscriptions.

APPENDIX D – INFORMATION ON THE HOLDCO AND THE TARGET GROUP

Name	Business Activity	Registration Number	Date of Incorporation	Registered and Paid-up Capital	Shareholders	Directors and Management	Accounting Reference Date	Tax Residence	Auditors
Fully Rich International Investment Limited (广富国际投资有限公司) (i.e., HoldCo)	Investment holding	63983954-000-10-20-4	27 October 2014	Registered Capital: HK\$6,311 Paid-Up Capital: HK\$6,311	China Focus: 84.15% Profit Run: 15.85%	Managing Director: Li Ye (李晔)	31 December	Hong Kong	N.A.
Henan Zhongnong Huasheng Agricultural Science and Technology Co., Ltd. (河南中农华盛农业科技有限公司) (i.e., Target)	Growing and selling agricultural produce	91410182077818548R	27 August 2013	Registered Capital: RMB65.25 million Paid-Up Capital: RMB65.25 million	HoldCo: 63.11% Everbright: 36.89%	Director, Chairman and Legal Representative: Zhang Hua (张华) General Manager: Guan Qingsheng (管清生) Director: Li Junyong (李俊勇) Director: Ma Degui (马德贵) Supervisor:	31 December	PRC	Zhongxinghua Certified Public Accountants LLP

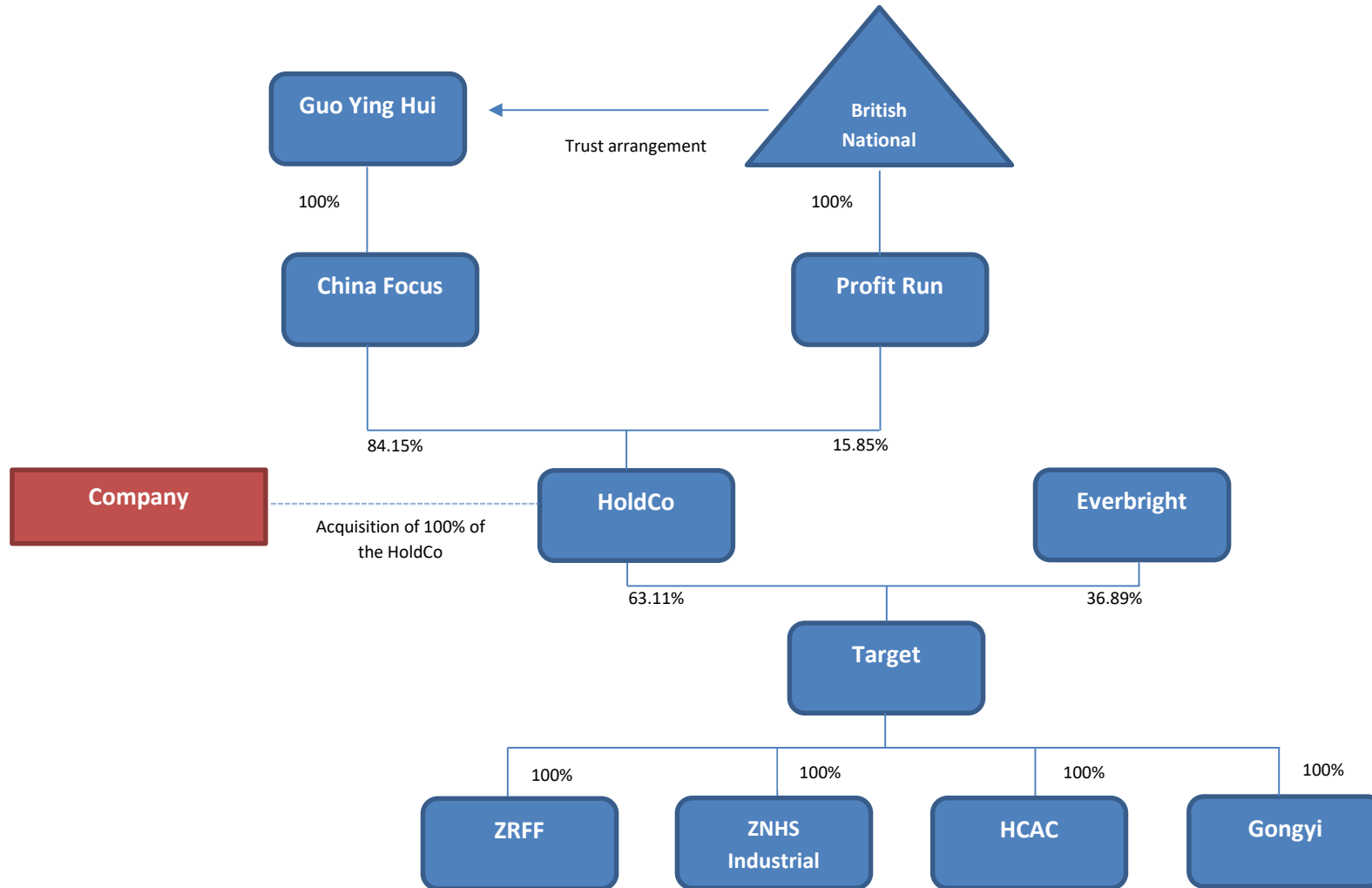
APPENDIX D – INFORMATION ON THE HOLDCO AND THE TARGET GROUP

						Wang Yao (王瑶)			
Zhengzhou Rundong Fruit Forest Co., Ltd. (郑州润东果林有限公司)	Growing and selling agricultural produce	91410182063847460J	15 March 2013	Registered Capital: RMB10 million Paid-Up Capital: RMB10 million	Target: 100%	Executive Director, General Manager and Legal Representative: Zhang Hua (张华) Supervisor: Wang Yao (王瑶)	31 December	PRC	Zhongxinghua Certified Public Accountants LLP
Henan Zhongnong Huasheng Industrial Co., Ltd. (河南中农华盛实业有限公司)	Processing, packaging and refrigerating agricultural produce	91410182MA46NQCW41	26 April 2019	Registered Capital: RMB10 million Paid-Up Capital: RMB10 million	Target: 100%	Executive Director and Legal Representative: Zhang Hua (张华) General Manager: Guan Qingsheng (管清生) Supervisor: Wang Yao (王瑶)	31 December	PRC	Zhongxinghua Certified Public Accountants LLP

APPENDIX D – INFORMATION ON THE HOLDCO AND THE TARGET GROUP

Henan Central Agriculture and Commerce Co., Ltd. (河南中之农商贸有限公司)	Selling agricultural produce and processed agricultural produce	91410100MA450ANA4C	19 March 2018	Registered Capital: RMB10 million Paid-Up Capital: RMB10 million	Target: 100%	Executive Director, General Manager and Legal Representative: Zhang Hua (张华) Supervisor: Wang Yao (王瑶)	31 December	PRC	Zhongxinghua Certified Public Accountants LLP
Gongyi Zhongnong Huasheng Agricultural Science and Technology Co., Ltd. (巩义中农华盛农业科技有 限公司)	Growing and selling agricultural produce	91410181091418399W	6 January 2014	Registered Capital: RMB10 million* Paid-Up Capital: RMB3.73 million * The balance RMB6.27 million is required to be fully paid up by 30 April 2025.	Target: 100%	Executive Director, General Manager and Legal Representative: Zhang Hua (张华) Supervisor: Wang Yao (王瑶)	31 December	PRC	Zhongxinghua Certified Public Accountants LLP

APPENDIX E – SHAREHOLDING STRUCTURE OF THE HOLDCO AND THE TARGET GROUP



NOTICE OF EXTRAORDINARY MEETING

CHINA MINING INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands on 30 September 2004)

(Company Registration Number: CT-140095)

All capitalised terms in this Notice of EGM and defined in the circular dated 2 December 2021 (the “Circular”) shall, unless otherwise defined herein, bear the respective meanings ascribed thereto in the Circular.

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (the “**EGM**”) of China Mining International Limited (the “**Company**”) will be held by way of electronic means on 17 December 2021 at 10 a.m. for the purpose of considering and, if thought fit, passing (with or without any modifications) the following ordinary resolutions:-

Shareholders should note that Ordinary Resolutions 2, 3, 4, 5 and 6 as set out in this Notice of EGM are conditional on Ordinary Resolution 1. This means that if Ordinary Resolution 1 is not approved, Ordinary Resolutions 2, 3, 4, 5 and 6 will not be duly approved. However, Ordinary Resolution 1 is not conditional on Ordinary Resolutions 2, 3, 4, 5 and 6. This means that even if Ordinary Resolutions 2, 3, 4, 5 and 6 are not approved, Ordinary Resolution 1 may still be approved by Shareholders.

Shareholders should note that Ordinary Resolutions 2, 3, 4, 5 and 6 as set out in this Notice of EGM are inter-conditional on each other. This means that if any one of Ordinary Resolutions 2, 3, 4, 5 or 6 is not approved, all of Ordinary Resolutions 2, 3, 4, 5 and 6 will not be duly approved.

ORDINARY RESOLUTION 1: THE PROPOSED BUSINESS DIVERSIFICATION

That:

- (1) approval be and is hereby given for the Company to expand the scope of its Existing Core Business to include the New Agriculture Business, which would result in a change in the risk profile of the Group (the “**Proposed Business Diversification**”);
- (2) approval be and is hereby given for the Company to undertake the New Agriculture Business which involves: (a) undertaking and investing in activities related to agricultural cultivation and production, and the agriculture industry generally; (b) trading, distributing, importing and exporting agriculture products and agriculture-related products; (c) engaging in and investing into agricultural research and development; (d) renting, acquiring and/or developing land for agriculture or agriculture-related purposes; (e) expanding its business in the agriculture industry organically or through potential acquisitions and joint ventures with parties who can provide synergistic value to the New Agriculture Business; and (f) investing in shares or interests in any entity which is engaged in the New Agriculture Business, on such terms and conditions as the Directors deem fit, and the Directors and/or each of them be and are hereby authorised to take such steps and exercise such discretion and do all acts or things as they or each of them deem desirable, necessary or expedient to give effect to the foregoing matters;
- (3) the Directors and/or each of them be and are hereby authorised to do all acts and things, enter into all transactions, arrangements and agreements, and approve, execute and deliver all documents as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this Ordinary Resolution 1 or the transactions

NOTICE OF EXTRAORDINARY MEETING

contemplated by the Proposed Business Diversification as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group; and

- (4) to the extent that any action in connection with the matters referred to in the above paragraphs of this Ordinary Resolution 1 or the transactions contemplated by the Proposed Business Diversification has been performed or otherwise undertaken (whether partially or otherwise), they be and are hereby approve, ratified and confirmed.

ORDINARY RESOLUTION 2: THE PROPOSED ACQUISITION

That:

- (1) approval be and is hereby given for the Company to acquire 100% of the issued and paid-up share capital of Fully Rich International Investment Limited (广富国际投资有限公司) from China Focus International Limited (中置国际有限公司) (“**China Focus**”) and Profit Run Developments Limited (润辉发展有限公司) (“**Profit Run**”) and together with China Focus, the “**Sellers**”) for a consideration of S\$6.966 million, which is to be fully satisfied by the issue and allotment to China Focus (for itself and as nominee of Profit Run) of 162,000,000 new ordinary shares in the capital of the Company deemed fully paid-up (the “**Consideration Shares**”) and each, a “**Consideration Share**”) at an issue price of S\$0.043 per Consideration Share, pursuant to the terms and subject to the conditions of the sale and purchase agreement dated 31 March 2021 entered into between the Company, China Focus and Profit Run (the “**SPA**”), which constitutes an Interested Person Transaction under Chapter 9 and a Major Transaction under Chapter 10 of the Listing Manual (the “**Proposed Acquisition**”);
- (2) the Directors and/or each of them be and are hereby authorised to do all acts and things, enter into all transactions, arrangements and agreements, and approve, execute and deliver all documents as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this Ordinary Resolution 2 or the transactions contemplated by the Proposed Acquisition as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group; and
- (3) to the extent that any action in connection with the matters referred to in the above paragraphs of this Ordinary Resolution 2 or the transactions contemplated by the Proposed Acquisition has been performed or otherwise undertaken (whether partially or otherwise), they be and are hereby approve, ratified and confirmed.

Note: Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 2. Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 2 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 2.

ORDINARY RESOLUTION 3: THE PROPOSED ISSUANCE OF CONSIDERATION SHARES

- (1) pursuant to Section 161 of the Companies Act and Rule 805(1) of the Listing Manual, approval be and is hereby given for the Directors to issue and allot 162,000,000 Consideration Shares to China Focus (for itself and as nominee of Profit Run) at an issue price of S\$0.043 per Consideration Share, pursuant to the terms and subject to the conditions of SPA (the “**Proposed Issuance of Consideration Shares**”);

NOTICE OF EXTRAORDINARY MEETING

- (2) the Directors and/or each of them be and are hereby authorised to do all acts and things, enter into all transactions, arrangements and agreements, and approve, execute and deliver all documents as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this Ordinary Resolution 3 or the transactions contemplated by the Proposed Issuance of Consideration Shares as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group; and
- (3) to the extent that any action in connection with the matters referred to in the above paragraphs of this Ordinary Resolution 3 or the transactions contemplated by the Proposed Issuance of Consideration Shares has been performed or otherwise undertaken (whether partially or otherwise), they be and are hereby approve, ratified and confirmed.

Note: Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 3. Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 3 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 3.

ORDINARY RESOLUTION 4: THE CHINA FOCUS CONSIDERATION SHARES ISSUANCE

- (1) pursuant to Rule 804 of the Listing Manual, approval be and is hereby given for the Directors to issue and allot 136,323,000 Consideration Shares to China Focus, which is an associate of a Director, Mr. Guo Yinghui, at an issue price of S\$0.043 per Consideration Share, in connection with the Proposed Issuance of Consideration Shares (the “**China Focus Consideration Shares Issuance**”);
- (2) the Directors and/or each of them be and are hereby authorised to do all acts and things, enter into all transactions, arrangements and agreements, and approve, execute and deliver all documents as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this Ordinary Resolution 4 or the transactions contemplated by the China Focus Consideration Shares Issuance as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group; and
- (3) to the extent that any action in connection with the matters referred to in the above paragraphs of this Ordinary Resolution 4 or the transactions contemplated by the China Focus Consideration Shares Issuance has been performed or otherwise undertaken (whether partially or otherwise), they be and are hereby approve, ratified and confirmed.

Note: Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 4. Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 4 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 4.

ORDINARY RESOLUTION 5: THE PROFIT RUN CONSIDERATION SHARES ISSUANCE

- (4) pursuant to Rule 804 of the Listing Manual, approval be and is hereby given for the Directors to issue and allot 25,677,000 Consideration Shares to China Focus (as a nominee of Profit Run), which is an associate of a Director, Mr. Guo Yinghui, at an issue price of S\$0.043 per Consideration Share, in connection with the Proposed Issuance of Consideration Shares (the “**Profit Run Consideration Shares Issuance**”);

NOTICE OF EXTRAORDINARY MEETING

- (5) the Directors and/or each of them be and are hereby authorised to do all acts and things, enter into all transactions, arrangements and agreements, and approve, execute and deliver all documents as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this Ordinary Resolution 5 or the transactions contemplated by the Profit Run Consideration Shares Issuance as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group; and
- (6) to the extent that any action in connection with the matters referred to in the above paragraphs of this Ordinary Resolution 5 or the transactions contemplated by the Profit Run Consideration Shares Issuance has been performed or otherwise undertaken (whether partially or otherwise), they be and are hereby approve, ratified and confirmed.

Note: Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 5. Mr. Guo Yinghui, Mdm. Feng Li and China Focus shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 5 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 5.

ORDINARY RESOLUTION 6: THE PROPOSED WHITEWASH RESOLUTION

That:

- (1) subject to the satisfaction of all the conditions set out in the Securities Industry Council's letter to the Company dated 30 November 2021, the Independent Shareholders (i.e., Shareholders who are not involved in, or interested in, the Proposed Whitewash Resolution) do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from China Focus in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**") upon Completion of the Proposed Acquisition and the issue and allotment of the Consideration Shares to China Focus which results in China Focus incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code;
- (2) the Directors and/or each of them be and are hereby authorised to do all acts and things, enter into all transactions, arrangements and agreements, and approve, execute and deliver all documents as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this Ordinary Resolution 6 or the transactions contemplated by the Proposed Whitewash Resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group; and
- (3) to the extent that any action in connection with the matters referred to in the above paragraphs of this Ordinary Resolution 6 or the transactions contemplated by the Proposed Whitewash Resolution has been performed or otherwise undertaken (whether partially or otherwise), they be and are hereby approve, ratified and confirmed.

Note: Mr. Guo Yinghui, Mdm. Feng Li and China Focus (and parties not independent of them, as well as parties not independent of the Proposed Acquisition) shall abstain, and shall procure that his/her/its associates and nominees abstain, from voting at the EGM in respect of Ordinary Resolution 6. Mr. Guo Yinghui, Mdm. Feng Li and China Focus (and parties not independent of them, as well as parties not independent of the Proposed Acquisition) shall not, and shall procure that his/her/its associates and nominees shall not, accept appointments as proxies for voting at the EGM in respect of Ordinary Resolution 6 unless specific instructions have been given in the proxy form on how the relevant Shareholders wish their votes to be cast for Ordinary Resolution 6.

NOTICE OF EXTRAORDINARY MEETING

BY ORDER OF THE BOARD

Foo Soon Soo
Ho Kok Weng
Joint Company Secretaries

Singapore, 2 December 2021

Notes:-

1. The Company's Extraordinary General Meeting (the "**EGM**") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. No printed copies of this Notice of EGM and the proxy form in respect of the EGM will be despatched to Shareholders. A copy of this Notice of EGM and the proxy form have been uploaded on SGXNET. A Shareholder will need an Internet browser and PDF reader to view these documents on SGXNET.
3. In light of the current COVID-19 measures in Singapore and the Company's effort to minimise physical interactions and risk of community spread of COVID-19, Shareholders will not be able to attend the Company's EGM in person. Any Shareholder seeking to attend the EGM physically in person will be declined. The Company has made alternative arrangements relating to the: (i) attendance at the EGM via electronic means (including arrangements by which the EGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream); (ii) submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions before or at the EGM; and (iii) voting by appointing the Chairman of the EGM as proxy at the EGM.
4. Shareholders will be able to watch and/or listen to the EGM proceedings via a "live" audio-visual webcast and "live" audio-only stream via their mobile phones, tablets or computers. In order to do so, Shareholders must pre-register at the Company's pre-registration website at the URL https://us06web.zoom.us/webinar/register/WN_Ma0jfFwcQz2jO1H4q3MV-g ("**Registration Link**") from now till 10 a.m. on 15 December 2021 (the "**Registration Deadline**") to enable the Company to verify their status as Shareholders. Following verification, authenticated shareholders will receive an email by 10 a.m. on 16 December 2021 containing a link to access the live audio-visual webcast of the EGM proceedings as well as a toll-free telephone number to access the live audio-only stream of the EGM proceedings. Shareholders must not forward the above mentioned link or telephone number to other persons who are not shareholders of the Company and who are not entitled to attend the EGM. This is also to avoid any technical disruptions or overload to the live EGM webcast. Shareholders who register by the Registration Deadline but do not receive an email response by 10 a.m. on 16 December 2021 may contact the Company by email to cmi-egm@kckcs.com.sg.
5. There will be no "live" voting and Shareholders will not be able to vote or ask any questions during the EGM. Therefore, it is important for Shareholders to submit their questions related to the resolutions to be tabled for approval at the EGM, to the Chairman of the EGM in advance of the EGM. Shareholders may submit questions relating to the items on the agenda of the EGM via:
 - (a) the Registration Link;
 - (b) post, by mailing to the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd., at 24 Raffles Place #07-07 Clifford Centre Singapore 048621; or
 - (c) email to the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd., at cmi-egm@kckcs.com.sg.

All questions must be submitted by 10:00 a.m. on 15 December 2021. The Company will endeavour to address the substantial and relevant questions at or before the EGM. The responses to such questions from shareholders, together with the minutes of the EGM, will be posted on the SGXNet and the Company's website within one month after the date of the EGM. .

6. Shareholders (whether individual or corporate) who wish to exercise his/her/its voting rights at the EGM must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM by completing and submitting to the Company the proxy form. The accompanying proxy form for the EGM is available at the Company's website at the URL <http://www.chinamining-international.com/> and will be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

NOTICE OF EXTRAORDINARY MEETING

In addition, where a Shareholder (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting (whether to vote in favour of or against or abstain from voting) in respect of a resolution in the proxy form, failing which, the appointment of the Chairman of the EGM as proxy for that resolution will be treated as invalid.

7. The Proxy Form appointing the Chairman of the EGM as proxy must be submitted in the following manner:
- (a) if submitted by post, be mailed to the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd., at 24 Raffles Place #07-07 Clifford Centre Singapore 048621; or
 - (b) if submitted electronically, be submitted via email to the Company's Singapore Share Transfer Agent, KCK CorpServe Pte. Ltd., at cmi-egm@kckcs.com.sg by enclosing a signed PDF copy of the proxy form,

in either case, by 10 a.m. on 15 December 2021, being not less than 48 hours before the time appointed for holding the EGM.

A Shareholder who wishes to submit a proxy form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the COVID-19 situation in Singapore and the related safe distancing measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.

8. Shareholders who hold shares in the Company through a relevant intermediary (as defined below), including CPF or SRS investors who wish to participate in the EGM by: (a) observing and/or listening to the EGM proceedings through live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the EGM; and/or (c) to appoint the Chairman of the EGM as their proxy to attend, speak and vote on their behalf at the EGM, should contact the relevant intermediary (which would include, in the case of SRS investors, their respective SRS Operators) through which they hold such Shares as soon as possible in order to make the necessary arrangements for them to participate in the EGM.

In addition, CPF or SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the EGM (i.e. by 5.00 p.m. on 7 December 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit the proxy Form to appoint the Chairman of the EGM to vote on their behalf by the cut-off date..

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50:

- (a) banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
9. The Chairman of the EGM, as proxy, need not be a member of the Company.
10. If the appointor is a corporation, the proxy form must be executed under seal or the hand of its duly authorised officer or attorney.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the EGM to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of the Chairman of the EGM as proxy for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.