

**LETTER FROM HONG LEONG FINANCE LIMITED TO  
THE INDEPENDENT DIRECTORS OF CHINA MINING INTERNATIONAL LIMITED**

2 December 2021

To: **China Mining International Limited**  
8 Temasek Boulevard  
Suntec Tower 3  
#42-00  
Singapore 038988

Attention: **The Independent Directors**

Dear Sir,

- 1) **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 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED RESPECTIVELY (THE “PROPOSED ACQUISITION”)**
- 2) **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 INTERNATIONAL LIMITED 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 (THE “PROPOSED WHITEWASH RESOLUTION”)**

*Except where the context otherwise requires or where otherwise stated, capitalised terms used in the circular dated 2 December 2021 (the “**Circular**”) to the shareholders of China Mining International Limited shall have the same meaning herein.*

## 1. INTRODUCTION

On 31 March 2021, the Company announced that it has entered into a sales and purchase agreement dated 31 March 2021 with China Focus International Limited (“**China Focus**”) and Profit Run Developments Limited (“**Profit Run**”) (Profit Run, and together with China Focus, the “**Sellers**”) for the proposed acquisition of 100% of the issued and paid-up capital share capital (the “**Sale Shares**”) of Fully Rich International Investment Limited, which in turn owns 63.11% of the registered capital of Henan Zhongnong Huasheng Agricultural Science and Technology Co. Ltd. (the “**Target**”).

Under the Proposed Acquisition, the aggregate consideration payable for the sale and purchase of the Sale Shares shall be S\$6,966,000 (the “**Consideration**”), which shall be satisfied by the issue and allotment of 162,000,000 new Shares (the “**Consideration Shares**”) at an issue price of S\$0.043 per Consideration Share to China Focus (for itself and as nominee of Profit Run). The Consideration represents approximately 41.84% of the Group’s audited NTA of RMB81,576,000 (S\$16,648,163 equivalent) as at 31 December 2020.

China Focus is wholly-owned by Mr Guo Ying Hui. Profit Run is wholly-owned by a British national in trust for the benefit of Mr Guo Ying Hui. Mr Guo Ying Hui is the Chairman of the Board and an Executive Director of the Company, and is also a Controlling Shareholder. Mr Guo Ying Hui has a direct interest of 10.22% and a deemed interest of 18.32% (aggregate of 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.

Accordingly, the Proposed Acquisition constitutes a Major Transaction under Chapter 10 and an Interested Person Transaction under Chapter 9 of the Listing Manual for which approval from the Independent Shareholders is required.

As the issue and allotment of the Consideration Shares to China Focus on Completion will result in the Concert Party Group holding Shares carrying over 49% of the enlarged voting rights in the Company, an application has been made to the SIC for a waiver to make a mandatory general offer for Shares not already owned or controlled by China Focus under Rule 14 of the Code, and had requested the SIC to permit the Company to seek the approval of the Independent Shareholders on the Proposed Whitewash Resolution (the “**Whitewash Waiver**”).

On 30 November 2021, the SIC granted the Whitewash Waiver subject to, *inter alia*, (i) 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; and (ii) the Company appoints an independent financial adviser to advise its minority shareholders on the Proposed Whitewash Resolution.

Hong Leong Finance Limited (“**HLF**”) has been appointed by the Company to act as the IFA pursuant to Rule 921(4)(a) of the Listing Manual, as well as to advise the Directors who are considered independent for the purposes of making recommendations in respect of the Proposed Acquisition and Proposed Whitewash Resolution, being the Independent Directors, as to (i) whether the Proposed Acquisition is carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders; and (ii) whether the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, is fair and reasonable.

This letter sets out our evaluation of the terms of the Proposed Acquisition and Proposed Whitewash Resolution and our advice to the Independent Directors therein (this “**IFA Letter**”). This IFA Letter forms part of the Circular issued by the Company in connection with the Proposed Acquisition and Proposed Whitewash Resolution.

**We recommend the Independent Directors to highlight to the Independent Shareholders that:**

- (i) Shareholders should note that the Proposed Acquisition is conditional upon, *inter alia*, the passing of the Proposed Business Diversification and the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Business Diversification and Proposed Whitewash Resolution are not passed by the Independent Shareholders, the Proposed Acquisition will not take place;**
- (ii) Independent Shareholders should also note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer from the Concert Party Group at the highest price paid or agreed to be paid by the Concert Party Group for the Shares in the six (6) months preceding the allotment and issuance of the Consideration Shares; and**
- (iii) Independent Shareholders should note that the allotment and issuance of the Consideration Shares to China Focus on Completion of the Proposed Acquisition would result in the Concert Party Group holding Shares carrying over 49% 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 for the Company.**

## **2. TERMS OF REFERENCE**

HLF is neither a party to the negotiations or discussions in relation to the Proposed Acquisition and the Proposed Whitewash Resolution, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Acquisition, and we do not, by this IFA Letter, advise on the merits of the Proposed Acquisition other than to form an opinion as to whether the Proposed Acquisition is carried out on normal commercial terms and will be prejudicial to the interests of the Company and its minority shareholders and whether

the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, is fair and reasonable.

We have limited our evaluation to the Proposed Acquisition and Proposed Whitewash Resolution. Our terms of reference do not require us to evaluate or comment on the legal, strategic and commercial merits and/or risks (if any) of the Proposed Acquisition and/or the Proposed Whitewash Resolution, or to compare its relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluations or comments. Such evaluations or comments remain the sole responsibility of the Directors and the management of the Company (the "**Management**"), but we may draw upon their views or make such comments in respect thereof (to the extent required by the Code and/or Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

In the course of our evaluation, we have held discussions with the members of the Board and Management and/or their professional advisers. For the purpose of rendering our advice and opinion, we have relied on publicly available information collated by us, information set out in the Circular and information (including representations, opinions, facts and statements) provided to us by the Directors, the Management, employees and/or professional advisers of the Company. We have relied upon and assumed the accuracy, truth, completeness and adequacy of, without having independently verified, such information, whether written or verbal, provided to us by the aforesaid parties and accordingly cannot and do not warrant, and do not accept any responsibility for, the accuracy, truth, completeness or adequacy of such information, save that we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information.

We have relied upon the assurances of the Directors and the Management who have confirmed to us that to the best of their respective knowledge, information and belief, having made due and careful enquiries, all material information available to them in connection with the Proposed Acquisition, the Proposed Whitewash Resolution, the Company and the Target Group has been disclosed to HLF, that such information constitutes full and true disclosure of all material information, is true, complete and accurate in all material respects and there is no other information or fact, the omission of which would cause any of the information disclosed to or relied by us or the facts of or in relation to the Proposed Acquisition and the Proposed Whitewash Resolution to be inaccurate, untrue, incomplete, unfair or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for the accuracy, truth, completeness and adequacy of the information provided to us. Accordingly, we cannot and do not represent or warrant (expressly or impliedly), and do not accept any responsibility for the accuracy, truth, completeness or adequacy of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors and Management to us or in the Circular have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information upon which we have relied, we have not independently verified such information but nevertheless have made reasonable enquiries and exercised our judgment on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Target Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Target Group. Any such evaluation or review remains the responsibility of the Directors and the Management, but we may draw upon their views or make such comments in respect thereof (to the extent required by the Code and/or Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter. We have not obtained from the Company and/or the Target Group any projection of the future performance including financial performance of the Company and/or the Target Group and further, we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Target Group. In addition, we are not expressing any view herein as to the prices at which the Shares may trade or the future value, financial performance or condition of

the Company and/or the Target Group, upon or after completion of the Proposed Acquisition or if the Proposed Acquisition does not proceed.

We are not required to and have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Target Group (including without limitation, property, plant and equipment) and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held by the Group. The Company has commissioned AP Appraisal Limited as the independent valuer to carry out an independent valuation of 100% equity interest of the Target. We are not expert in the evaluation or appraisal of the assets concerned and have placed sole reliance on the market valuation of the valuer for such assets appraisal and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation as contained in the valuation report.

Our opinion herein is based upon market, economic, industry, monetary, regulatory and other applicable conditions prevailing on, and the information provided to us, as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of, and this IFA Letter does not take into account, any subsequent development after the Latest Practicable Date that may affect our opinion herein. Shareholders should also take note of any announcements relevant to the Proposed Acquisition and/or the Proposed Whitewash Resolution which may be released by or on behalf of the Company and other relevant sources after the Latest Practicable Date.

The Company has been separately advised by its advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for, and express no views, express or implied, on the contents of the Circular (except for this IFA Letter).

We have not regarded the general or specific investment objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment portfolios and objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisers immediately.

We have prepared the IFA Letter pursuant to Rule 921(4)(a) of the Listing Manual, as well as to advise the Independent Directors in connection with their consideration of the Proposed Acquisition and Proposed Whitewash Resolution and their recommendation to the Independent Shareholders arising thereof. The recommendation made to the Independent Shareholders in respect of the Proposed Acquisition and Proposed Whitewash Resolution remains the responsibility of the Independent Directors.

**Our opinion in relation to the Proposed Acquisition and Proposed Whitewash Resolution should be considered in the context of the entirety of this IFA Letter and the Circular.**

### **3. THE PROPOSED ACQUISITION**

The detailed terms of the Proposed Acquisition are set out in Section 4 of the Circular. We recommend that Shareholders read the terms and conditions contained therein carefully. A summary of the key terms of the Proposed Acquisition is set out below for your reference.

#### 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 market value of the Target Group of S\$23.2 million based on the Valuation Report, whereby the Consideration represents a discount of approximately 52.42% to such valuation;
- (b) 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 recorded a profit after tax of RMB9.99 million (approximately S\$2.04 million) for FY2020, whereby the Consideration represents a price earnings ratio of approximately 3.42 times.

The Consideration shall be fully satisfied by the issue and allotment of 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. 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).

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.

#### 4. THE PROPOSED WHITEWASH RESOLUTION

The details of the Proposed Whitewash Resolution are set out in Section 10 of the Circular. We recommend that Shareholders read the information and the implications contained therein carefully. A summary of the Proposed Whitewash Resolution is set out below for your reference.

##### Mandatory General Offer Requirement under the Code

Under Rule 14.1 of the Code, except with the consent of the SIC, where (i) 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% or more of the voting rights of a company; or (ii) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% 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% 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.

##### Whitewash Waiver

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

- (a) a majority of the Independent Shareholders holding the voting rights of 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 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; and
- (c) 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 issue and allotment of the

Consideration Shares must be completed within three (3) months from the date on which the Proposed Whitewash Approval is obtained.

## 5. EVALUATION OF THE PROPOSED ACQUISITION AND THE PROPOSED WHITEWASH RESOLUTION

In our evaluation of the Proposed Acquisition and the Proposed Whitewash Resolution, we have given due consideration to the following factors based on publicly available information and information made available to us by the Company as of the Latest Practicable Date:

- (a) the historical financial performance of the Target Group;
- (b) the rationale for the Proposed Acquisition;
- (c) the assessment of the Consideration;
- (d) the assessment of the Issue Price; and
- (e) Other relevant considerations

**The figures and underlying financial data used in our analysis have been extracted from Bloomberg L.P., the SGX-ST, and other public filings as at the Latest Practicable Date or as provided by the Company where relevant. HLF makes no representation or warranty, express or implied, on the accuracy or completeness of such information. However, HLF has made reasonable enquiries and exercised its judgement on the reasonable use of such information and has found no reason to doubt the accuracy or reliability of the information.**

### 5.1 Historical financial performance and position of the Target Group

The Target Group is principally engaged in the planting and cultivation, 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 in Xingyang County, Gaoshan Town, Zhengzhou, Henan, the PRC.

The details of the financial information on the Target Group are set out in Section 3.5 of the Circular. We recommend that Shareholders read the information contained therein carefully.

The following is a summary of the financial information of the Target Group for FY2018, FY2019 and FY2020 for your reference.

<b>Summary of the Target Group's Profit and Loss Statement</b>			
<b>RMB'000</b>	<b>Audited</b>		
	<b>FY2020</b>	<b>FY2019</b>	<b>FY2018</b>
Revenue	52,281	69,672	40,068
Profit before tax	9,985	9,551	16,278
Tax <sup>(1)</sup>	-	-	-
<b>Net profit for the year</b>	<b>9,985</b>	<b>9,551</b>	<b>16,278</b>
<b>Profit attributed to the equity holders of the parent</b>	<b>9,985</b>	<b>9,551</b>	<b>16,278</b>

**Note:**

- (1) The Target Group's principal business is exempted from tax in the PRC.

We note that the Target Group recorded revenue of RMB40.1 million, RMB69.7 million and RMB52.3 million for FY2018, FY2019 and FY2020 respectively, and revenue increased by 30.5% from FY2018 to FY2020.

The Target Group recorded net profit after tax of RMB16.3 million, RMB9.6 million and RMB10.0 million for FY2018, FY2019 and FY2020 respectively, and net profit after tax decreased by 38.7% from FY2018 to FY2020.

## 5.2 Rationale for the Proposed Acquisition

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Acquisition or the future prospects of the Group after the Proposed Acquisition. Nonetheless, we would like to reiterate some of the points in the rationale for the Proposed Acquisition and the Proposed Business Diversification as set out in Sections 2 and 9 of the Circular. We recommend that Independent Shareholders read the information contained therein carefully.

### “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.”*

#### “2.3 Rationale for the Proposed Business Diversification

##### 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, the Proposed Business Diversification may potentially offer the Group new business and growth opportunities.”*

## 5.3 Assessment of the Consideration

### 5.3.1 Independent Valuation of the Target Group

The Company has commissioned an independent valuer, AP Appraisal Limited (“Valuer”) to perform an independent valuation of 100% equity interest in the Target Group. Based on the Valuation Report, the Valuer was of the opinion that the market value of 100% equity interest in the Target Group as at 30 June 2021 is reasonably stated in the amount of S\$23.2 million.

Based on the above, the market value of 63.11% equity interest in the Target Group as at 30 June 2021 would amount to approximately S\$14.6 million. Accordingly, we note that the Consideration represents a discount of approximately 52.4% in value for the Sale Shares.

We note that the Valuation Report has been prepared in accordance with the International Valuation Standards published by the International Valuation Standards Council.

We note the following matters that were considered by the Valuer:

- (a) The Valuer had adopted the market approach to derive the market value of the Target Group. The Valuer's basis for selecting the market approach was due to the availability of relevant data, specifically, there were sufficient comparable companies that engaged in the same or similar line of business as the Target Group. The market approach was determined by the Valuer to be suitable to value the Target Group as the shares of the comparable companies are actively traded in free and open markets and would provide valid indicators of value to allow a meaningful comparison.
- (b) The Valuer had considered but deemed the income approach inappropriate as the income approach involved more assumptions and estimates, and not all of the assumptions and estimates could be reliably quantified or measured, and there was insufficient information to allow detailed planning for reliable cash flow projections.
- (c) The Valuer had deemed the asset approach inappropriate as the asset approach does not take future growth potential into consideration.

We also note that the Valuer had made a number of general valuation assumptions and business specific assumptions in relation to the Target Group. We advise the Independent Shareholders to read the Valuation Report appended under Appendix B of the Circular carefully, in particularly the assumptions made.

We have not conducted an independent valuation and have not independently verified such information or any representation or assurance made by the Valuer, and accordingly cannot and do not make any representation or warranty, expressed or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness and adequacy of such information, representation and assurance. We have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information.

### **5.3.2 Net Asset Value (“NAV”) of the Target Group**

Based on the audited financial position of the Target Group as at 31 December 2020, the NAV of the Target Group is RMB123.6 million (S\$25.2 million equivalent).

Accordingly, the NAV of 63.11% equity interest in the Target Group as at 31 December 2020 would amount to approximately S\$15.9 million. We note that the Consideration represents a discount of approximately 56.2% to the NAV of 63.11% equity interest in the Target Group.

We have sought 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 are 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.

**We wish to highlight to the Independent Directors that the above analysis is for illustrative purposes only and is not meant to be an indication of, or comment on the Target Group's financial performance.**

#### 5.4 Assessment of the Issue Price

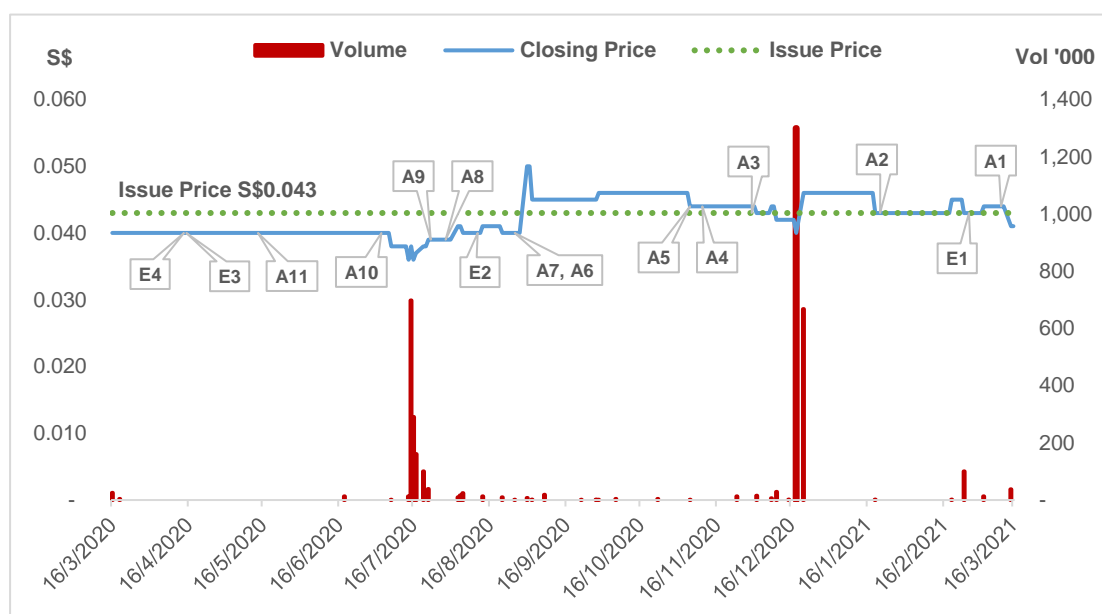
The Issue Price is S\$0.043 for each Consideration Share.

In assessing the Issue Price of the Consideration Shares, we have considered the historical trading performance and trading liquidity of the Shares.

##### Historical share price performance

We have compared the Issue Price to the daily closing price of the Shares for (i) the 1-year period between 16 March 2020 and 15 March 2021, being the last trading day prior to the signing of the SPA ("**Last Trading Day**"); and (ii) the period from the Last Trading Day and up to the Latest Practicable Date.

**Closing price (in S\$) and volume (in thousands) of the Shares for the 1-year period prior to and including the Last Trading Day**



Source: Bloomberg L.P. and the Company's announcements on the SGX-ST

##### **Earnings announcements:**

- E1. 26 February 2021:** The Company announced its unaudited financial statements for FY2020 in which the Group's net loss for the period narrowed by RMB7.7 million from RMB23.4 million in FY2019 to RMB15.7 million in FY2020.
- E2. 11 August 2020:** The Company announced its unaudited financial statements for 1H2020 in which the Group's net loss for the period narrowed by RMB0.7 million from RMB7.9 million in 1H2019 to RMB7.2 million in 1H2020.
- E3. 15 April 2020:** The Company announced its audited financial statements for FY2019 in which the Group's net loss attributable to owners of the Company increased by RMB22.5 million from RMB0.9 million in FY2018 to RMB23.4 million in FY2019.
- E4. 14 April 2020:** The Company announced that the external auditors have proposed certain adjustments between the unaudited FY2019 financial results and the audited FY2019 financial results which the management of the Company has adopted accordingly.

**Other significant announcements:**

- A1. 11 March 2021:** The Company announced its responses to the SGX-ST's queries in relation to its FY2020 financial results announcement dated 26 February 2021.
- A2. 21 January 2021:** The Company announced that it has entered into a binding term sheet in relation to the Proposed Acquisition.
- A3. 30 November 2020:** The Company announced the resignation of Mr Li Bin as an executive director and CEO of the Company and the concurrent appointment of Mr Zhai Kebin as an executive director and CEO of the Company.
- A4. 10 November 2020:** The Company announced its responses to the SGX-ST's queries in relation to the announcement dated 5 November 2020 on the utilisation of placement proceeds used for working capital purposes.
- A5. 5 November 2020:** The Company announced that it has utilised \$595,381 from the net proceeds of S\$1,004,800 raised from the placement of 29.3 million new shares.
- A6. 26 August 2020:** The Company announced its responses to the SGX-ST's queries in relation to its 1H2020 financial results announcement dated 11 August 2020.
- A7. 26 August 2020:** The Company announced that the independent verification on the Group's cash balances as at 30 June 2020 via a cash audit, a condition to the in-principle approval from the SGX-ST in respect of the proposed placement of 29.3 million new shares, has been completed.
- A8. 29 July 2020:** The Company announced the completion of the proposed placement following the allotment and issuance of 29.3 million new shares, and the total number of Shares has increased from 146,688,500 to 175,988,500 Shares.
- A9. 23 July 2020:** The Company announced that it has obtained the in-principle approval from the SGX-ST in respect of the proposed placement of 29.3 million new shares.
- A10. 3 July 2020:** The Company announced that it has entered into five subscription agreements for the proposed placement of 29.3 million new shares at an issue price of S\$0.036 to raise gross proceeds of S\$1,054,800.
- A11. 14 May 2020:** The Company provided a quarterly update on its financial performance and financial position, and future direction and other material development pursuant to Rule 1313(2) of the Listing Manual, in which the Group recorded a net loss after tax of RMB3.5 million for the financial period ended 31 March 2020, and that the Proposed Acquisition was expected to be delayed due to the COVID-19 outbreak.

We note that the trading in the Shares had been sporadic during the 1-year period prior to the Last Trading Day, of which the Shares were traded on only 37 market days out of the 251 market days.

Date	Closing price (S\$)	Trading volume
16 March 2020	0.040	25,100
19 March 2020	0.040	3,700
18 June 2020	0.040	13,200
7 July 2020	0.038	600
<b>14 July 2020</b>	<b>0.036</b>	<b>12,500</b>
15 July 2020	0.038	697,500
16 July 2020	0.036	290,000
17 July 2020	0.037	160,000
20 July 2020	0.038	100,000
22 July 2020	0.039	38,000
3 August 2020	0.041	10,000
4 August 2020	0.041	16,000
5 August 2020	0.040	24,000
13 August 2020	0.041	12,500
21 August 2020	0.040	10,000
26 August 2020	0.040	300
<b>31 August 2020</b>	<b>0.050</b>	<b>6,900</b>
2 September 2020	0.045	1,200
7 September 2020	0.045	18,700
22 September 2020	0.045	100
28 September 2020	0.045	1,200

29 September 2020	0.046	100
6 October 2020	0.046	3,400
23 October 2020	0.046	3,700
5 November 2020	0.044	600
24 November 2020	0.044	12,500
2 December 2020	0.043	15,100
8 December 2020	0.044	5,900
10 December 2020	0.042	28,700
15 December 2020	0.042	1,300
18 December 2020	0.040	1,300,000
21 December 2020	0.046	667,900
19 January 2021	0.043	1,200
19 February 2021	0.045	1,800
24 February 2021	0.043	100,000
4 March 2021	0.044	12,500
15 March 2021	0.041	37,500

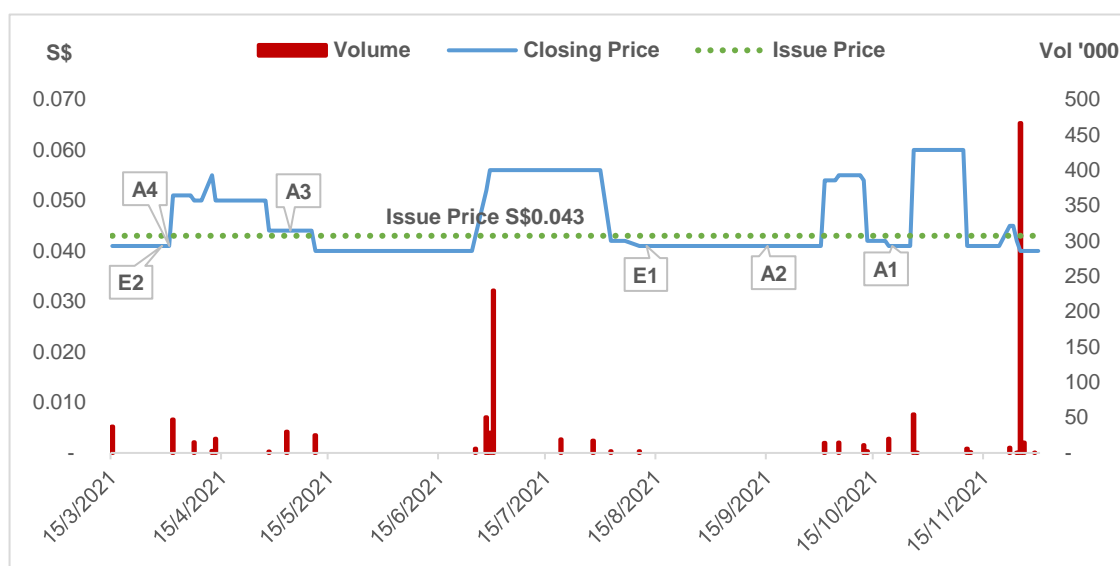
Source: Bloomberg L.P.

Based on the above, we note that the closing price of the Shares during the 1-year period prior to and including the Last Trading Day had ranged between a low of S\$0.036 (on 14 July 2020) and a high of S\$0.050 (on 31 August 2020).

During the 1-year period prior to and including the Last Trading Day, the closing prices of the Shares were below the Issue Price of S\$0.043 on 20 market days with such closing prices ranging between a low of S\$0.036 and a high of S\$0.042. The closing prices of the Shares were above the Issue Price of S\$0.043 on 14 market days with such closing prices ranging between a low of S\$0.044 and a high of S\$0.050.

We note that the daily trading volume of the Shares during the 1-year period prior to and including the Last Trading Day had been relatively low, ranging between a low of 100 Shares and a high of 1.3 million Shares.

#### Closing price (in S\$) and volume (in thousands) of the Shares for the period from the Last Trading Day to and including the Latest Practicable Date



Source: Bloomberg L.P. and the Company's announcements on the SGX-ST

#### Earnings announcements

**E1. 12 August 2021:** The Company announced its unaudited financial statements for 1H2021 in which the Group's net loss attributable to owners of the Company narrowed by RMB1.6 million from RMB7.2 million in 1H2020 to RMB5.5 million in 1H2021.

- E2. 29 March 2021:** The Company announced its audited financial statements for FY2020 in which the Group's net loss attributable to owners of the Company narrowed by RMB7.7 million from RMB23.4 million in FY2019 to RMB15.7 million in FY2020.

**Other significant announcements:**

- A1. 21 October 2021:** The Company announced that it had received the approval-in-principle from the SGX-ST for the listing and quotation of up to 162,000,000 Consideration Shares to be issued at an issue price of S\$0.043 per Consideration Share in connection with the Proposed Acquisition.
- A2. 15 September 2021:** The Company announced its responses to the SGX-ST's queries in relation to its 1H2021 financial results announcement dated 12 August 2021.
- A3. 4 May 2021:** The Company announced its responses to the SGX-ST's queries in relation to its Annual Report for the financial year ended 31 December 2020.
- A4. 31 March 2021:** The Company announced that it has entered into a SPA in relation to the Proposed Acquisition.

Based on the above, the closing price of the Shares during the period from the Last Trading Day and up to the Latest Practicable Date had ranged between a low of S\$0.039 (on 26 November 2021) and a high of S\$0.060 (on 26 October 2021). We note that the daily trading volume of the Shares from the Last Trading Day to and including the Latest Practicable Date had also been relatively low, ranging between a low of 100 Shares and a high of 466,700 Shares.

**Share price analysis and trading liquidity analysis**

We have sought to benchmark the Issue Price against the volume-weighted average price ("VWAP") of the Shares, and historical trading volumes of the Shares for the 1-year period prior to the Last Trading Day and up to the Latest Practicable Date.

	VWAP <sup>(1)</sup> (S\$)	Premium/ (Discount) of Issue Price over VWAP (%)	Highest traded price (S\$)	Lowest traded price (S\$)	Average daily trading volume <sup>(2)</sup> ("ADTV")	ADTV as a percentage of free float <sup>(2)(3)</sup> (%)
<u>Period prior to and including the Last Trading Day</u>						
Last 12 months	0.041	4.8	0.060	0.036	14,477	0.015
Last 6 months	0.042	1.4	0.060	0.040	17,980	0.019
Last 3 months	0.042	1.8	0.046	0.040	34,229	0.035
Last 1 month	0.043	(1.0)	0.045	0.041	8,929	0.009
Last Trading Day	0.041 <sup>(4)</sup>	4.9	0.044	0.041	37,500	0.039
<u>Period after the Last Trading Day and up to the Latest Practicable Date</u>						
After Last Trading Day and up to Latest Practicable Date	0.047	(9.2)	0.060	0.039	2,757	0.003
29 November 21	0.040 <sup>(5)</sup>	7.5	0.040	0.040	300	0.000

Source: Bloomberg L.P. and HLF's calculations

**Notes:**

- (1) The VWAPs have been weighted based on the average traded prices and traded volumes of the Shares for the relevant trading days for each of the above periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded for each of the above periods divided by the number of market days during those periods.
- (3) Free float refers to approximately 96.4 million Shares or 54.8% of the issued share capital of the Company held by the public (as defined in the Listing Manual) for (i) the 1-year period prior to and including the Last

Trading Day, and (ii) the period after the Last Trading Day and up to the Latest Practicable Date, as extracted from publicly available information.

- (4) Refers to the closing price of the Shares on the Last Trading Day.
- (5) Refers to the last transacted price of the Shares as at the Latest Practicable Date.

Based on the above, we note the following:

#### Period prior to the Last Trading Day

- (a) The Shares were traded between a low of S\$0.036 and a high of S\$0.060 over the 1-year period prior to and including the Last Trading Day. The Issue Price of S\$0.043 represents a premium of 19.4% above the lowest traded price and a discount of 28.3% to the highest traded price.
- (b) The Issue Price represents a premium of 4.9% to the closing price of S\$0.041 per Share on the Last Trading Day.
- (c) The Issue Price represents a premium of 4.8%, 1.4% and 1.8% above the VWAP of the Shares for the 12-month, 6-month and 3-month periods prior to the Last Trading Day, respectively. The Issue Price represents a discount of 1.0% to the VWAP of the Shares for the 1-month period prior to the Last Trading Day.
- (d) The average daily trading volumes of the Shares were relatively low at 8,929 Shares, 34,229 Shares, 17,980 Shares and 14,477 Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day, respectively.
- (e) Due to the lack of trading liquidity of the Shares, the average daily trading volume of the Shares as a percentage of free float was 0.009%, 0.035%, 0.019% and 0.015% for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day, respectively.

#### Period after the Last Trading Day and up to the Latest Practicable Date

- (f) The Issue Price represents (i) a discount of approximately 9.2% over the VWAP of S\$0.047 for the period after the Last Trading Day and up to the Latest Practicable Date; and (ii) a premium of 7.5% above the last transacted price of the Shares of S\$0.040 as at the Latest Practicable Date.
- (g) The average daily trading volume of the Shares was approximately 2,757 Shares, representing approximately 0.003% of free float, during the period after the Last Trading Day and up to the Latest Practicable Date.

**Shareholders should note that the past trading performance of the Shares is not in any way reflective of its future trading performance. Any comparison of the historical price performance of the Shares is for illustrative purposes only.**

**Shareholders should also note that there is no assurance that the market prices of the Shares would remain at the current prevailing level after the completion of the Proposed Acquisition, and that past trading performance of the Shares is not in any way reflective of its future trading performance.**

**We wish to highlight that the market valuation of shares of a company traded on a securities exchange may be affected by, *inter alia*, the corporate activities of the company, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time.**

## **5.5 Other relevant considerations**

### **5.5.1 Financial effects of the Proposed Acquisition**

As set out in Section 7 of the Circular, the Company has illustrated the financial effects of the Proposed Acquisition based on the Group's 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.

Accordingly, we have extracted and summarised the salient points of the financial effects of the Proposed Acquisition below:

- (a) The NTA attributable to the Shareholders will increase from approximately RMB81.6 million before the Proposed Acquisition to approximately RMB115.7 million after the Proposed Acquisition. The NTA per Share will decrease from RMB46.35 cents before the Proposed Acquisition to RMB34.23 cents after the Proposed Acquisition.
- (b) The loss after tax will decrease from approximately RMB15.7 million before the Proposed Acquisition to approximately RMB9.4 million after the Proposed Acquisition. The loss per Share will decrease from RMB10.01 cents before the Proposed Acquisition to RMB2.95 cents after the Proposed Acquisition.
- (c) The gearing ratio will increase from 0.006 times before the Proposed Acquisition to 0.235 times after the Proposed Acquisition.

**We wish to highlight that the above financial effects figures are for illustration purposes only and do not necessarily reflect the actual results and financial performance and position of the Company and the Target Group (together, the "Enlarged Group") following the completion of the Proposed Acquisition.**

#### **5.5.2 Risk factors relating to the Proposed Acquisition**

Shareholders should take note of the risk factors pertaining to the Target Group's business. Shareholders are advised to refer to Sections 2.6 and 3.4 of the Circular for more information on the risk factors surrounding the Proposed Business Diversification and the Target Group's business.

We wish to highlight that as set out in Section 3.4.5 of the Circular, 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 agriculture operations. As at the Latest Practicable Date, the flooding and ponding has completely subsided.

#### **5.5.3 Dilution effect resulting from the completion of the Proposed Acquisition**

As set out in Section 10.2 of the Circular, upon completion of the Proposed Acquisition, the existing Independent Shareholders will be diluted from approximately 71.5% as at the Latest Practicable Date to approximately 37.2% of the share capital of the Company.

#### **5.5.4 Inter-conditionality of the resolutions for, *inter alia*, the Proposed Acquisition and the Proposed Whitewash Resolution**

Shareholders should note that the completion of the Proposed Acquisition is conditional upon the approval of the Proposed Whitewash Resolution. Accordingly, the Proposed Acquisition will not be completed if the Proposed Whitewash Resolution failed to be approved by the Independent Shareholders of the Company in the upcoming EGM.

Shareholders should also note that in relation to the Conditions Precedent set out in Section 4.3(i)(i) of the Circular, as China Focus is 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.

## 6. OUR OPINION

In arriving at our opinion in respect of the Proposed Whitewash Resolution, we have taken into consideration the factors which we consider to be relevant and to have a significant bearing on our assessment of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution. We have taken into account the following key factors, which are described in more details in Section 5 of this 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
- (e) Other relevant considerations as set out in paragraph 5.5 of this IFA Letter.

**Accordingly, after taking into account the above factors and the information available to us as at the Latest Practicable Date, we are 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, we advise the Independent Directors to recommend that the Independent Shareholders vote in favour of the Proposed Acquisition and the Proposed Whitewash Resolution.**

Our opinion herein is based upon market, economic, industry, monetary, regulatory and other applicable conditions prevailing on, and the information provided to us, as of the Latest Practicable Date. Our opinion does not reflect any projections of future financial performance of the Company or the Group after the completion of the Proposed Acquisition. In addition, our opinion is solely confined to our views on the Proposed Whitewash Resolution in the context of the Proposed Acquisition.

This IFA Letter is prepared pursuant to Rule 921(4)(a) of the Listing Manual, as well as to advise the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Proposed Acquisition and the Proposed Whitewash Resolution. Any recommendations made by the Independent Directors in respect thereof shall remain their sole responsibility. Whilst a copy of this IFA Letter or any extracts thereof may be reproduced in the Circular or any announcements relating to the Proposed Acquisition and the Proposed Whitewash Resolution, neither the Company, the Group, the Target Company and/or the Target Group and its respective directors nor any other person may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose not relating to the Proposed

Acquisition, Proposed Whitewash Resolution or the forthcoming EGM, at any time and in any manner without our prior written consent in each specific case.

This IFA Letter is governed by and to be construed in accordance with the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly,  
For and on behalf of  
**Hong Leong Finance Limited**

Tang Yeng Yuen  
Vice President

Kaeson Chui  
Vice President