CHINA HONGXING SPORTS LIMITED
(Company Registration Number: 36746)
(Incorporated in Bermuda)
(the "**Company**")

SUPPLEMENTAL DEED TO THE SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED TRANSACTION

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*Unless otherwise defined herein, all capitalised terms used in this announcement shall have the same meanings as defined in the Company's announcements dated 25 March 2019, 4 April 2019, 18 April 2019, 31 May 2019, 25 July 2019, 8 August 2019 and 2 October 2019 (collectively, the "**Announcements**") in respect of the Proposed Transaction.*

1. INTRODUCTION

The board of directors of the Company (the "**Board**") refers to the Announcement dated 25 March 2019 (the "**Acquisition Announcement**"), pursuant to which the Company announced its entry into a sale and purchase agreement on 25 March 2019 (the "**Sale and Purchase Agreement**") with Mining and Minerals Industries Holding Pte. Ltd. (the "**Vendor**") and MMJV Pte. Ltd. (the "**Target Company**"). Under the terms of the Sale and Purchase Agreement, the Company shall acquire (the "**Proposed Transaction**") all of the issued and paid-up share capital in the Target Company. The Proposed Transaction, if undertaken and completed, is expected to result in a reverse takeover of the Company under Rule 1015 of the Listing Rules of the SGX-ST and will be subject to the approval of the Shareholders.

2. THE SUPPLEMENTAL DEED

The Board wishes to announce that the Company, the Vendor and the Target Company have entered into a supplemental deed on 13 November 2019 (the "**Supplemental Deed**") to amend, modify and supplement the Sale and Purchase Agreement in respect of the Proposed Transaction. The Supplemental Deed seeks to, *inter alia*:

(a) record the following intentions of the parties thereto:

  (i) that the parties are desirous of including the Mankayan Concession (as defined below) as part of the assets to be acquired by the Company under the Proposed Transaction; and

  (ii) after considering the composition of the Target Company's asset portfolio, the Vendor and the Target Company are desirous of excluding the rights, title and obligations to the joint venture agreement (defined as "**JVA1**" in the Acquisition Announcement) for the gold mine project comprising 3619.10 hectares located in the towns of Cordon and Diadi in the provinces of Isabela and Nueva Vizcaya, Philippines (defined as "**Project 1**" in the Acquisition Announcement) from the Proposed Transaction, in order to build a commercially feasible mining operation. As of the date of this announcement, the Vendor and the Target Company represented that the rights, title and obligations to JVA1 have not been novated to the Target Company. The Vendor and the Target Company are also desirous of substituting JVA1 with the Negros Occidental Concession (as defined below) as part of the assets to be acquired by the Company under the Proposed Transaction.

For the avoidance of doubt, the Directors of the Company have not independently verified or enquired into the details provided by the Vendor and the Target Company set out in sub-paragraphs (i) and (ii) above; and

(b) amend, modify and supplement, *inter alia*, the following salient terms of the Sale and Purchase Agreement:

(i) in view of the updated asset portfolio, to amend the Consideration payable by CHSL under the Sale and Purchase Agreement to a sum equivalent to the valuation set out in the Independent Qualified Person's Valuation Report less the discount rate of twenty per cent. (20%), subject to the valuation in the Independent Qualified Person's Valuation Report being not less than S$125 million;

(ii) to remove Project 1 and JVA1 as part of the assets to be acquired by the Company under the Sale and Purchase Agreement;

(iii) to include the Mankayan Concession and the Negros Occidental Concession as part of the assets to be acquired by the Company under the Sale and Purchase Agreement;

(iv) to include the completion of the Bezant Acquisition (as defined below) as a Condition Precedent to the Proposed Transaction;

(v) to include the incorporation of the joint venture company holding the Negros Occidental Concession and the novation of the Colet JVA (as defined below) as Conditions Precedent to the Proposed Transaction; and

(vi) to extend the Long-Stop Date to 31 December 2020 or such other date as the Company and the Vendor may agree in writing.

Save as amended and supplemented by the Supplemental Deed, all other terms and conditions of the Sale and Purchase Agreement shall remain in full force and effect, including but not limited to the terms relating to the Proposed Share Consolidation, the proposed Whitewash Resolution, the Post-Completion Placement and the obtaining of Shareholders' approval of the transactions contemplated under the Sale and Purchase Agreement at the special general meeting of the Company ("**CHSL SGM**") to be convened.

3. INFORMATION RELATING TO THE MANKAYAN CONCESSION AND THE NEGROS OCCIDENTAL CONCESSION

On 7 October 2019, Bezant Resources Plc ("**Bezant**"), a company listed on the Alternative Investment Market of the London Stock Exchange, announced that it had entered into a transaction agreement with the Vendor on 4 October 2019 for the Target Company to acquire a 80% equity interest in Asean Copper Investments Limited ("**Asean Copper**") from Bezant (the "**Bezant Acquisition**"). Asean Copper is the special purpose vehicle through which Bezant holds the mining concession rights to the gold and copper mine project located in the Mankayan district of the Benguet province in the Philippines (the "**Mankayan Concession**"). As of the date of this announcement, feasibility studies in respect of the Mankayan Concession are ready to be commenced.

Please refer to the copy of the announcement by Bezant dated 7 October 2019 annexed to this announcement for further details on the Bezant Acquisition.

In addition, on 8 July 2019, the Vendor entered into a joint venture agreement ("**Colet JVA**") with Colet Mining and Development Corporation ("**Colet**"), a company organised and existing under Philippine law, to acquire the mineral rights and exploit the mineral resources of a copper mining concession located in the Negros Occidental province in the Philippines ("**Negros Occidental Concession**"). The Negros Occidental Concession shall be held through a joint venture company jointly held by the Vendor and Colet. It is intended that the Colet JVA will be novated to the Target Company. As of the date of this announcement, feasibility studies in respect of the Negros Occidental Concession are ready to be commenced.

For the avoidance of doubt, the Directors of the Company have not independently verified or enquired into the details provided by the Vendor and the Target Company set out above.

4. RATIONALE FOR THE SUPPLEMENTAL DEED

As previously announced in the Acquisition Announcement, the Vendor undertook under the Sale and Purchase Agreement to take reasonable steps to procure other assets to be held by the Target Company to be included to the Proposed Transaction. The Directors believe that the changes in terms to the Sale and Purchase Agreement via the Supplemental Deed, in order to include the Mankayan Concession and substitute the Negros Occidental Concession in place of Project 1, is necessary to facilitate Completion of the Proposed Transaction.

In addition, the rationale and benefits of the Proposed Transaction set out in paragraph 3 of the Acquisition Announcement will continue to apply notwithstanding the changes in terms via the Supplemental Deed. For easy reference, paragraph 3 of the Acquisition Announcement is reproduced below in full:

"3. RATIONALE FOR THE PROPOSED TRANSACTION

3.1 As announced by the Company on 25 May 2018, following the disposal of the entire issued and paid-up capital of Profitstart Group Limited, the Company has ceased to have any ongoing operating business and is deemed to be a cash company as defined under Rule 1018 of the Listing Rules of the SGX-ST as the Company's assets currently consist substantially of cash.

3.2 Accordingly, the Proposed Transaction would allow the Company to apply to the SGX-ST for an extension of time and removal of its cash company status pursuant to Rule 1018(2) of the Listing Rules of the SGX-ST. The Board therefore believes that the Proposed Transaction will provide an opportunity for the Company to remain listed and to acquire a new business that has potential for growth."

5. REVISED RELATIVE FIGURES OF THE PROPOSED TRANSACTION

The relative figures of the Proposed Transaction, revised after the inclusion of the Mankayan Concession, the substitution of the Negros Occidental Concession in place of Project 1 and the amendments to the Consideration, computed on the bases set out in Rule 1006(a) to (d) of the Listing Manual of the SGX-ST, remain unchanged. For easy reference, the revised relative figures are set out below as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of assets to be disposed of, compared with the Company's net asset value	Not applicable to an acquisition of assets.
(b)	Net profits attributable to the assets acquired, compared with the Company's net loss	Not applicable[1]
(c)	Aggregate value of the Consideration compared with the Company's market capitalisation based on the total number of issued CHSL Shares (excluding treasury shares)	31.1[2]
(d)	Number of equity securities issued by the Company as consideration for the Proposed Transaction, compared with the number of equity securities previously in issue	1,000.4[3]
(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	Not applicable to an acquisition[4]

Notes:

(1) As the Target Company is a newly incorporated company and has no material historical track record, the Company is unable to provide the relative figures.

(2) Based on the amended Consideration, the minimum Consideration for the Proposed Transaction is S$100 million (assuming the minimum valuation of S$125 million set out in the Independent Qualified Person's Valuation Report and less the discount rate of 20%), compared to the Company's market capitalisation of S$322 million. The market capitalisation of the Company was computed based on the issued share capital of the Company of 2,800,000,000 Shares and the volume weighted average price of S$0.115 per Share on 21 February 2011 (being the last date on which the Shares were traded prior to the date of the Sale and Purchase Agreement).

(3) The 28,011,204,481 Consideration Shares (before share consolidation) to be issued and allotted at an issue price of S$0.00357 per Consideration Share in satisfaction of the minimum Consideration, computed on the basis of the minimum Consideration of S$100 million.

(4) The basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.

6. REVISED PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The pro forma financial effects of the Proposed Transaction, revised after inclusion of the Mankayan Concession, the substitution of the Negros Occidental Concession in place of Project 1 and the amendments to the Consideration, remain unchanged. For easy reference, the revised pro forma financial effects of the Proposed Transaction are set out below.

6.1. <u>Bases and assumptions</u>

The revised pro forma financial effects of the Proposed Transaction on the Company set out below are for illustrative purposes only.

The revised pro forma financial effects have been prepared based on the unaudited financial statement of the Company for the financial year ended 31 December 2018. The revised pro forma financial effects of the Proposed Transaction are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Company and the Target Company (collectively, the "**Enlarged Group**") immediately following the completion of the Proposed Transaction:

(a) the financial effects of the Proposed Transaction on the earnings and earnings per share of the Enlarged Group are computed assuming that the Proposed Transaction was completed on 1 January 2018;

(b) the financial effects of the Proposed Transaction on Net Tangible Assets ("**NTA**") of the Enlarged Group are computed assuming that the Proposed Transaction were completed on 31 December 2018;

(c) the fair value adjustments on the net assets of the Group and positive or negative goodwill arising from the Proposed Transaction, if any, have not been considered for the purpose of computing the financial effects of the Proposed Transaction and will be determined on the date of completion of the Proposed Transaction when the shareholders of the Vendor have effectively obtained control of the Company. As the final goodwill will have to be determined at Completion and upon the full completion of a purchase price allocation exercise, the actual goodwill could be materially different from the aforementioned assumption. Any goodwill arising thereon from the Proposed Transaction will be accounted for in accordance with the accounting policies of the Company;

(d) the Proposed Share Consolidation is deemed completed;

(e) based on the above assumptions, and based on the minimum Consideration payable of S$100 million, an aggregate of 280,112,044 Consolidated CHSL Shares were issued at the issue price of S$0.357 per Consolidated CHSL Share on 31 December 2018 for the purpose of calculating the financial effects of the Proposed Transaction on the NTA per share of the Company and on 1 January 2018 for the purpose of calculating the revised financial effects of the Proposed Transaction on the earnings per share ("**EPS**") or loss per share ("**LPS**") of the Company;

(f) effects of the Post-Completion Placement (if required) are disregarded for the purpose of illustration under this section; and

(g) expenses in connection with the Proposed Transaction are disregarded for the purpose of calculating the financial effects.

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6.2. Share Capital

	Number of CHSL Shares	SGD (S$'000)
Issued and paid-up share capital		
• Before the Proposed Transaction and excluding treasury shares	2,800,000,000	11,319
• After the Proposed Share Consolidation	28,000,000	11,319
Enlarged issued and paid-up share capital after the Proposed Transaction	308,122,044	109,604 (1)

Note:

(1) Translated at the exchange rate of Hong Kong Dollars to Singapore Dollars of HK$5.7 : S$1.

6.3. Loss Per Share

	Before the Proposed Transaction	After the Proposed Transaction (1)
Loss attributable to Shareholders	S$59,550,800	S$59,550,800
Number of issued CHSL Shares (excluding treasury shares)	2,800,000,000	308,122,044
LPS	S$0.02	S$0.19

Note:

(1) As the Target Company has not commenced commercial operations and the Consideration shall be satisfied by way of allotment and issuance of the Consideration Shares, the change to the LPS of the Company is solely due to the Proposed Share Consolidation.

6.4. Net Tangible Assets

	Before the Proposed Transaction	After the Proposed Transaction (1)
NTA of the Company as at 31 December 2018	S$(130,400)	S$(130,400)
Number of issued CHSL Shares (excluding treasury shares)	2,800,000,000	308,122,044
NTA per share	S$(0.00005)	S$(0.0004)

Note:

(1) As the Target Company has not commenced commercial operations, the change to the NTA per share of the Company is solely due to the Proposed Share Consolidation.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company, if any), in the Supplemental Deed.

8. DESPATCH OF CIRCULAR

Subject to SGX-ST's approval, the Circular containing further information on the Proposed Transaction and such other transactions as contemplated in the Sale and Purchase Agreement and the Supplemental Deed, together with a notice of the CHSL SGM, will be despatched by the Company to the Shareholders in due course.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection by Shareholders at 8 Robinson Road #13-00 ASO Building Singapore 048544, during normal business hours for a period of three (3) months from the date of this announcement:

(a) the Sale and Purchase Agreement; and

(b) the Supplemental Deed.

10. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement (except in respect of the Vendor and the Target Company) and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed herein (except in respect of the Vendor and the Target Company) are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this announcement misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors and the Vendor respectively have been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement.

11. CAUTION IN TRADING

Shareholders are advised to exercise caution when dealing in the shares of the Company as the Proposed Transaction is subject to numerous conditions and there is no certainty or assurance as at the date of this announcement that the Proposed Transaction will be completed. The Company will make the necessary announcements when there are further developments on the Proposed Transaction.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By Order of the Board
CHINA HONGXING SPORTS LIMITED

Alfred Cheong
Independent Director
14 November 2019