DUKANG DISTILLERS HOLDINGS LIMITED
(Incorporated in Bermuda)
(Company Registration No. 41457)

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(1) PROPOSED ACQUISITION OF GREAT RESOLUTE LIMITED AS A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION; AND

(2) PROPOSED DISPOSAL OF SEA WILL INTERNATIONAL LIMITED AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION

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1. INTRODUCTION

1.1 The Board of Directors ("**Board**") of Dukang Distillers Holdings Limited ("**Company**" and collectively with its subsidiaries and associated company, "**Current Group**") wishes to announce that it had on 17 November 2018 entered into a conditional acquisition and disposal agreement ("**Agreement**") with Keen Wind Limited ("**Keen Wind**", and together with the Company, "**Parties**") pursuant to which, subject to the terms and conditions of the Agreement:

(a) Keen Wind will sell, and the Company will acquire, all the issued and paid-up shares in the capital of Great Resolute Limited ("**Great Resolute**") held by Keen Wind, representing 100% of the issued shares in Great Resolute ("**Xingnong Acquisition**"); and

(b) the Company will dispose of, and Keen Wind will purchase, all the issued and paid-up shares in the capital of Sea Will International Limited ("**Sea Will**") held by the Company, representing 100% of the issued shares in Sea Will ("**Dukang Disposal**")

(collectively, the "**Proposed Transactions**").

Following completion of the Proposed Transactions ("**Completion**"), Great Resolute and its subsidiaries (collectively, the "**Xingnong Group**") will be wholly-owned subsidiaries of the Company and the Company will cease to have any interest in Sea Will and all of its subsidiaries and associated company (collectively, the "**Dukang Group**"). As a result, the Company's business will comprise wholly of the business carried out by the Xingnong Group.

1.2 The Xingnong Acquisition constitutes:

(a) a "Very Substantial Acquisition" as defined under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"), which will be subject to, *inter alia*, approval of the SGX-ST and the shareholders of the Company ("**Shareholders**") at a special general meeting to be convened ("**SGM**"); and

(b) an interested person transaction as defined under Chapter 9 of the Listing Manual, which will be subject to, *inter alia*, approval of the Shareholders at the SGM.

On the other hand, the Dukang Disposal constitutes a "Major Transaction" as defined under Chapter 10 of the Listing Manual as well as an interested person transaction, and will also be subject to, *inter alia*, approval of the Shareholders at the SGM.

1.3 ZICO Capital Pte. Ltd. has been appointed as the financial adviser to the Company in respect of the Proposed Transactions ("**Financial Adviser**").

1.4 Further information on the Proposed Transactions will be provided in a circular to be issued by the Company in due course for the purpose of convening the SGM ("**Circular**").

2. INFORMATION ON THE PARTIES

2.1 Information on Great Resolute and the Xingnong Group

Great Resolute

Great Resolute is a wholly-owned subsidiary of Keen Wind and an investment holding company incorporated in 2018 in the British Virgin Islands. As at the date of this announcement, Great Resolute has an issued and paid-up share capital of US$100, comprising 100 ordinary shares each with a par value of US$1.00 ("**GR Shares**").

Xingnong Group

Prior to Completion, the Xingnong Group will undertake an internal group restructuring exercise ("**Xingnong Group Restructuring Exercise**"), pursuant to which the Xingnong Group will comprise Great Resolute and its wholly-owned subsidiaries, namely:

(a) Go National Limited ("**Go National**"), an investment holding company incorporated in 2018 in Hong Kong, which is currently 100% owned by Great Resolute; and

(b) Chibi Shenshan Xingnong Agriculture Technology Co., Ltd. (赤壁神山兴农科技有限公司) ("**Xingnong Agriculture**"), a company incorporated in the People's Republic of China ("**PRC**"), which will be in turn 100% owned by Go National.

As at the date of this announcement, Xingnong Agriculture is owned by five (5) individuals ("**Xingnong Agriculture Shareholders**"), with the single largest shareholder being Mr. Wang Peng ("**Wang Peng**") who holds approximately 70.27% of the total equity interest in Xingnong Agriculture.

None of the Xingnong Agriculture Shareholders is a controlling Shareholder, director, chief executive officer of the Company or an associate of any such persons, save for Wang Peng who is a controlling Shareholder.

Kiwifruit Business

Since its establishment in 2009, Xingnong Agriculture has been principally engaged in the business of planting, cultivating, processing and sale of kiwifruits (also known as Chinese gooseberries) ("**Kiwifruit Business**"). Xingnong Agriculture holds, *inter alia*, (i) the land use right for one (1) plot of industrial land spanning approximately 64,999 square metres, on which its office building and processing facility are located, and (ii) the forestry use rights for eight (8) plots of forest land spanning in aggregate 9,805 mu (亩) (equivalent to approximately 6,536,666 square metres) on which the orchards for the kiwifruits are developed. As at the date of this announcement, Xingnong Agriculture has completed the harvest of its kiwifruits for the year.

Financial information on the Xingnong Group

Great Resolute and Go National were each incorporated in 2018, and no financial statements of these entities have been prepared to date (whether *pro forma* or otherwise). Both companies have not carried on any business since incorporation, except for matters in connection with the Xingnong Group Restructuring Exercise in order to hold the investment in Xingnong Agriculture. As such, they are not expected to have any material impact on the consolidated financial results and performance of the Xingnong Group.

Based on the unaudited financial statements of Xingnong Agriculture for the financial year ended 31 December 2017 and the unaudited financial statements of Xingnong Agriculture for the three (3)-month financial period ended 30 September 2018[(1)(2)]:

(a) the book value and net tangible asset value ("**NTA**")[(3)] of Xingnong Agriculture were as follows:

  (i) approximately RMB158,054,000 (equivalent to approximately S$32,464,000) and RMB140,089,000 (equivalent to approximately S$28,774,000), respectively, as at 31 December 2017; and

  (ii) approximately RM194,060,000 (equivalent to approximately S$38,599,000) and approximately RMB176,604,000 (equivalent to approximately S$35,127,000), respectively, as at 30 September 2018; and

(b) the net profits after tax of Xingnong Agriculture for the financial year ended 31 December 2017 and the three (3)-month financial period ended 30 September 2018 were approximately RMB17,925,000 (equivalent to approximately S$3,662,000) and approximately RMB26,509,000 (equivalent to S$5,328,000), respectively.

As at the date of this announcement, there is no available open market valuation of the assets of the Xingnong Group. Pursuant to the terms of the Agreement, the Company and Xingnong Agriculture have appointed Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") and Roma Appraisals Limited ("**Roma**"), respectively, to prepare independent valuation reports on Xingnong Agriculture (being the main operating subsidiary in the Xingnong Group) as at the Valuation Date (as defined below).

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(1) All financial information of the Xingnong Group referred to in this announcement is based on its unaudited management accounts provided to the Company and has not been independently verified and will be subject to due diligence to be carried out by the Company and its professional advisers in due course.

(2) Unless otherwise indicated, Renminbi ("**RMB**") amounts in this announcement have been translated into Singapore dollars ("**S$**") based on the following closing exchange rates as quoted by Bloomberg L.P.:

  (a) RMB1.00: S$0.2054 and RMB1.00:S$0.1989 for items in the statement of financial position for Xingnong Group as at 31 December 2017 and 30 September 2018, respectively; and

  (b) RMB1:00:S$0.2043 and RMB1.00:S$0.2010 for items in the statement of comprehensive income for Xingnong Group for the financial year ended 31 December 2017 and three (3)-month financial period ended 30 September 2018, respectively.

(3) The NTA of Xingnong Group as at 31 December 2017 and 30 September 2018 excluded prepaid land lease payments of RMB10,637,000 and RMB10,452,000 respectively, as such payments were classified as intangible assets.

The valuation report to be prepared by JLL in compliance with all applicable requirements of the Listing Manual will be set out in the Circular.

2.2 Information on Keen Wind

Keen Wind is an investment holding company incorporated in the British Virgin Islands. Its current sole shareholder is Palm Ambition Limited, an investment holding vehicle which is 100% owned by Wang Peng.

Pursuant to the Xingnong Group Restructuring Exercise to be undertaken prior to Completion, Keen Wind's shareholders will comprise investment holding companies beneficially held by the Xingnong Agriculture Shareholders. It is currently envisaged that Wang Peng will hold an indirect shareholding interest of approximately 68.85% in the total number of shares of Keen Wind through Palm Ambition Limited.

2.3 Information on Sea Will

Sea Will is a wholly-owned subsidiary of the Company and the investment holding company in the Dukang Group. The Dukang Group is based in the PRC and is principally engaged in the business of production and sale of baijiu (白酒) products ("**Current Business**").

Shareholders may refer to the Company's latest annual report for the financial year ended 30 June 2018 ("**FY2018**") for further information on the present businesses and operations of the Dukang Group.

Financial information on the Dukang Group

Based on the audited consolidated financial statements of the Current Group for FY2018 and the unaudited consolidated financial statements of the Current Group for the three (3)-month financial period ended 30 September 2018 ("**1Q2019**")[(4)]:

(a) the consolidated book value and NTA of Dukang Group were as follows:

(i) approximately RMB1,095,107,000 (equivalent to approximately S$225,483,000) and RMB969,854,000 (equivalent to approximately S$199,693,000), respectively, as at 30 June 2018; and

(ii) approximately RMB1,070,167,000 (equivalent to approximately S$212,856,000) and approximately RMB945,552,000 (equivalent to approximately S$188,070,000), respectively, as at 30 September 2018; and

(b) the consolidated net loss after tax of Dukang Group for FY2018 and 1Q2019 were approximately RMB216,170,000 (equivalent to approximately S$44,596,000) and RMB22,954,000 (equivalent to approximately S$4,614,000), respectively.

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(4) Unless otherwise indicated, RMB amounts in this announcement have been translated into S$ based on the following closing exchange rates as quoted by Bloomberg L.P.:

(a) RMB1.00: S$0.2059 and RMB1.00:S$0.1989 for items in the consolidated statement of financial position for Sea Will as at 30 June 2018 and 30 September 2018, respectively; and

(b) RMB1:00:S$0.2063 and RMB1.00:S$0.2010 for items in the consolidated statement of comprehensive income for Sea Will for FY2018 and 1Q2019, respectively.

As at the date of this announcement, there is no available open market value of the shares of Sea Will as they are not publicly traded. The Company has commissioned LCH (Asia-Pacific) Surveyors Limited ("**LCH**") to undertake an independent asset valuation on the Dukang Group as at the Valuation Date in connection with the Dukang Disposal and will update Shareholders on the same as and when appropriate. The valuation report to be prepared by the said valuer in compliance with all applicable requirements of the Listing Manual will be set out in the Circular.

3. PRINCIPAL TERMS OF THE AGREEMENT

3.1 Consideration for the Proposed Transactions

(a) Xingnong Acquisition

The consideration for the Xingnong Acquisition ("**Acquisition Consideration**") is RMB1,111,000,000 (equivalent to approximately S$220,645,000)[(5)]. It was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*:

(i) the value of the Kiwifruit Business of RMB1,234,000,000 as at 30 June 2018 based on the preliminary valuations performed by JLL and Roma;

(ii) the Xingnong Group's NTA and its profitability;

(iii) future revenue and growth prospects of the Xingnong Group; and

(iv) the Cash Top-up (as defined below).

Pursuant to the terms of the Agreement and subject to, *inter alia*, the Cash Top-up, full satisfaction of the Acquisition Consideration on Completion will be by way of net-off against the Disposal Consideration (as defined below) ("**Netting Off**"). For the avoidance of doubt, the Acquisition Consideration and the Disposal Consideration shall not be payable in cash (unless otherwise agreed between the Parties in writing).

(b) Dukang Disposal

The consideration for the Dukang Disposal ("**Disposal Consideration**") is RMB1,111,000,000 (equivalent to approximately S$220,645,000)[(5)]. It was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*:

(i) the value of Dukang Group of RMB1,111,000,000 as at 30 June 2018 based on the preliminary valuation performed by LCH;

(ii) the Dukang Group's reported net losses for FY2018; and

(iii) the ongoing uncertainties of the Current Business in respect of, *inter alia*, the Dukang's Group revenue growth and whether it will continue to incur losses.

Pursuant to the terms of the Agreement, upon Completion, the Disposal Consideration will be paid and satisfied in full by way of the Netting Off.

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(5) Based on RMB1.00:S$0.1986 as at 13 November 2018, being the last full market day preceding the date of the Agreement where the Shares were traded, as quoted by Bloomberg L.P..

(c) Cash Top-up and Material Default

Cash Top-up: In the event where the Xingnong Agriculture Value (as defined below) is less than the Acquisition Consideration (such shortfall amount hereinafter referred to as "**Shortfall Amount**"), Keen Wind will pay in cash the Shortfall Amount to the Company ("**Cash Top-up**") on Completion.

For the purpose of the Agreement:

(i) "**Xingnong Agriculture Value**" will be the average of the two (2) market values of Xingnong Agriculture as determined by the independent valuers appointed by the Company and Xingnong Agriculture (being JLL and Roma, respectively) on a discounted cash flow basis (or such other appropriate valuation bases as the aforementioned valuers may deem appropriate), provided that the valuations shall be determined as at the same Valuation Date and using the same valuation bases; and

(ii) "**Valuation Date**" means a date falling no earlier than six (6) months before the date of the Circular, or such other date as the Parties may agree in writing.

Material Default: In the event that the Shortfall Amount represents more than 10% of the Acquisition Consideration, and/or the Xingnong Agriculture Value is less than the market value of the Dukang Group as at the Valuation Date to be determined by the independent valuer appointed by the Company (being LCH), this will be considered a material default on the part of Keen Wind and the Company will be entitled to terminate the Agreement.

3.2 Conditions Precedent

Completion of the Xingnong Acquisition and the Dukang Disposal is subject to the fulfilment and satisfaction of, *inter alia*, the following conditions precedent:

(a) a valuation report issued by the independent valuer appointed by the Company on the valuation of Xingnong Agriculture as at the Valuation Date in form and substance satisfactory to the Company in its sole discretion, setting out its determination of the market value of Xingnong Agriculture;

(b) a valuation report issued by the independent valuer appointed by Xingnong Agriculture on the valuation of Xingnong Agriculture as at the Valuation Date in form and substance satisfactory to the Parties, setting out its determination of the market value of Xingnong Agriculture;

(c) approval being obtained at the SGM from the requisite majority of the independent Shareholders for the Xingnong Acquisition and the Dukang Disposal and such other transactions as may be contemplated in connection with the Xingnong Acquisition and the Dukang Disposal;

(d) in-principle approval of the SGX-ST in respect of the Circular and if such approval is subject to conditions, such conditions being reasonably acceptable to the Parties and if required by the SGX-ST, such conditions being fulfilled or satisfied before Completion, and such approval remaining in full force and effect;

(e) the Company and the Financial Adviser and any other relevant professional advisers as they may appoint, having undertaken and having completed their due diligence exercise on the Xingnong Group, including but not limited to the affairs, operations, businesses, assets, liabilities, prospects and the legal, accounting, financial and tax affairs of the Xingnong Group, and the results of the same being satisfactory to the Company in its sole discretion;

(f) Keen Wind having undertaken and having completed its due diligence exercise on the Dukang Group, and the results of the same being satisfactory to Keen Wind in its sole discretion;

(g) the Company having obtained all such indemnities and/or guarantees duly executed in favour of the Company by Keen Wind or all or any of the Xingnong Agriculture Shareholders and/or such other persons (as may be required by the Company and/or the Financial Adviser) against any and all losses which the Enlarged Group (as defined in paragraph 6 below) may suffer or incur, directly or indirectly, in connection with or arising from matters affecting the Xingnong Group and/or the Enlarged Group, including without limitation, (i) title to shares or equity interest in Xingnong Agriculture, (ii) properties, buildings and other assets, (iii) non-compliance with applicable laws and regulations, (iv) breach of obligation or instrument to which any member of the Xingnong Group is a party to, or (v) arbitration, litigation, investigation or proceeding affecting any member of the Xingnong Group), each in form and substance satisfactory to the Company in its sole discretion;

(h) completion of the Xingnong Group Restructuring Exercise in such manner satisfactory to the Company in compliance with applicable laws and regulations and delivery of a legal opinion as to PRC laws (in form and substance acceptable to the Company in its sole discretion) issued by Keen Wind's counsel to the Company and Keen Wind opining that the Xingnong Group Restructuring Exercise has been completed in accordance with all applicable laws and regulations as at the date of the Circular;

(i) all the outstanding liabilities, obligations and undertakings owing to the Company by each member of the Dukang Group being fully settled (whether by way of capitalisation or otherwise), discharged and terminated to the satisfaction of the Company and/or the Financial Adviser;

(j) the Xingnong Group having met all applicable listing requirements of the SGX-ST to the satisfaction of the Company and/or the Financial Adviser;

(k) the Company remaining listed on the SGX-ST and there being no notice or proposal for the delisting of the Company;

(l) a statement by the appointed independent financial adviser as to whether each of the Proposed Transactions is on normal commercial terms and is not prejudicial to the interests of the Company and its independent minority Shareholders in accordance with Rule 921(4)(a) of the Listing Manual; and

(m) an internal auditors' report on Xingnong Agriculture or, where appropriate, the Xingnong Group in form and substance satisfactory to the Company and the Financial Adviser in their sole discretion, and there being no material weaknesses in the internal control policies and procedures of Xingnong Agriculture, including financial, operational and compliance controls, and there being present an adequate risk management framework, to the satisfaction of the Company and the Financial Adviser in their sole discretion.

3.3 Simultaneous completion and inter-conditionality of the Proposed Transactions

The Xingnong Acquisition and the Dukang Disposal are inter-conditional and will be completed concurrently.

3.4 Completion Date and Long-Stop Date

Completion will take place 10 business days after the last in time of the conditions precedent under the Agreement is fulfilled or waived in accordance with the Agreement (or such other date as may be agreed in writing between the Parties).

If any of the conditions precedent of the Agreement is not fulfilled or waived in accordance with the Agreement within 12 months from the date of the Agreement (or such other date as may be mutually agreed in writing between the Parties), the Agreement will cease and determine and none of the Parties shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by a Party against the other arising from antecedent breaches of the terms thereof.

3.5 Moratorium on the issued and paid-up shares in the capital of the Company ("Shares")

Pursuant to the Agreement, in connection with the Proposed Transactions, Keen Wind will procure and ensure that each of Wang Peng and Treasure Winner Holdings Limited ("**Treasure Winner**") (being the investment holding vehicle through which Wang Peng holds all his shareholding interests in the Company), each a controlling Shareholder, as defined in the Listing Manual, will provide moratorium undertaking(s) to the Company, under which each of Wang Peng, Treasure Winner and/or each of their nominees, and such other parties as the Company and/or the Financial Adviser may require, shall not directly or indirectly sell, contract to sell, offer, transfer, realise, assign, grant any option or right to acquire or otherwise dispose of all the Shares held by them for such period as may be imposed by the SGX-ST and/or the Financial Adviser on such Shares.

4. RATIONALE FOR THE PROPOSED TRANSACTIONS

The Board believes that the Proposed Transactions would be in the interests of the Company for the following reasons:

(a) Declining profitability and recent losses of the Current Business

In the recent years, the Current Business has faced disruptions and difficulties in fulfilling sales demand from distributors arising from disruptions in baijiu production due to the implementation of emission reduction control measures, which has resulted in high customer attrition rates of its baijiu products. The Company has also experienced declining profitability and reduced demand for its baijiu products in recent years due to the profound and lingering impact of the austerity measures and restrictions in the PRC.

Given the Dukang Group's declining profitability and recent losses, the Board undertook a strategic review of investment and divestment opportunities with a view to improve its financial position, unlock shareholder value and at the same time streamline its activities and businesses. Accordingly, the Board is of the view that it is an opportune time to dispose of all loss-making and/or under-performing entities held by Sea Will.

(b) Entry into the fruit cultivation and processing industry with steady revenue stream

The Xingnong Acquisition will present the Company with an investment opportunity into the kiwifruit cultivation industry in the PRC and position itself within a highly developed and active market for kiwifruit cultivation and consumption, particularly in light of the growing population and consumer demand for fruits in the PRC.

(c) Enhance investment profile of the Shares

The Xingnong Acquisition will allow the Company to turn around its loss-making position. This, together with the positive business outlook for the Xingnong Group, may allow the potential for growth in the market capitalisation of the Company, an overall increase in investor interest and, consequently, improvement in trading liquidity in the Shares.

(d) Preserve listing status of the Shares

On completion of the Dukang Disposal, trading in the Shares may be suspended by the SGX-ST until such time the Company has a business that is able to satisfy the SGX-ST's requirements under the Listing Manual. In view of this, the Xingnong Acquisition would provide the Company with a new business to enable the Company to both preserve and capitalise on its listing status.

As set out in paragraph 3.1(c) above, satisfaction of the Acquisition Consideration and the Disposal Consideration will be by way of the Netting Off. Accordingly, no excess or deficit in the sales proceeds over the book value of the Dukang Group will arise from the Dukang Disposal because the Dukang Disposal will not result in any sale proceeds received by the Company.

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT UNDER RULE 1006 IN RELATION TO THE PROPOSED TRANSACTIONS

5.1 Xingnong Acquisition as a "Very Substantial Acquisition"

Based on the unaudited consolidated financial statements of the Current Group for 1Q2019, the relative figures for the Xingnong Acquisition computed on the bases set out under Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable as this is an acquisition
(b)	The net profits attributable to the assets acquired, compared with the group's net profit.	Not meaningful (1)
(c)	The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	1,151.7(2)
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as no equity securities are issued by the Company as consideration for the Xingnong Acquisition
(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 to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable to the Xingnong Acquisition

Notes:

(1) "Net profits" means profit or loss before income tax, minority interests and extraordinary items. Xingnong Agriculture's net profits, based on the management accounts for the three (3)-month financial period ended 30 September 2018, amounted to RMB26,520,000 (equivalent to S$5,331,000) while the Current Group reported unaudited net loss of approximately RMB25,301,000 (equivalent to S$5,086,000) for the same three (3)-month period. In view of the foregoing, computation of the relative figure will not be meaningful.

(2) Based on the Acquisition Consideration of RMB1,111,000,000 (equivalent to approximately S$220,645,000) and the market capitalisation of the Company of S$19,158,942 (determined by multiplying the total number of Shares in issue (i.e. 79,828,927 Shares) by S$0.2400, being the volume weighted average price of the Shares transacted on 13 November 2018, being the last full market day preceding the date of the Agreement where the Shares were traded).

Notwithstanding that the relative figure computed based on Rule 1006(c) exceeds 100%, the Xingnong Acquisition will not result in a change of control of the Company as Wang Peng will remain the controlling Shareholder and single largest Shareholder of the Company. As such, the Xingnong Acquisition constitutes a very substantial acquisition under Rule 1015 of the Listing Manual and shall be subject to the approval of the Shareholders.

5.2 Dukang Disposal as a "Major Transaction"

Based on the latest announced unaudited consolidated financial statements of the Current Group for 1Q2019, the relative figures for the Dukang Disposal computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value.	100.8[(1)]
(b)	The net profits attributable to the assets disposed of, compared with the group's net profit.	92.6[(2)]
(c)	The aggregate value of the consideration received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	1,151.7 [(3)]
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable to the Dukang Disposal
(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 to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable to the Dukang Disposal

Notes:

(1) Based on the Current Group's net asset value of RMB1,061,959,000 (equivalent to approximately S$211,224,000) for as at 30 September 2018.

(2) "Net profits" means profit or loss before income tax, minority interests and extraordinary items. Based on Dukang Group's unaudited net loss of approximately RMB23,417,000 (equivalent to S$4,707,000) for 1Q2019 and the Current Group's unaudited net loss of approximately RMB25,301,000 (equivalent to S$5,086,000) for 1Q2019.

(3) Based on the Disposal Consideration of RMB1,111,000,000 (equivalent to S$220,645,000) and the market capitalisation of the Company of S$19,158,942 (determined by multiplying the total number of Shares in issue (i.e. 79,828,927 Shares) by S$0.2400, being the volume weighted average price of the Shares transacted on 13 November 2018, being the last full market day preceding the date of the Agreement where the Shares were traded).

As the relative figures computed based on Rules 1006(a), 1006(b) and 1006(c) exceed 20%, the Dukang Disposal constitutes a major transaction under Rule 1014 of the Listing Manual and shall be subject to the approval of the Shareholders.

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

6.1 Bases and Assumptions

For illustration purposes only, the following is an analysis and illustration of the financial effects of the Proposed Transactions (taken as a whole) on the Current Group, taking into account that the Xingnong Acquisition and the Dukang Disposal are inter-conditional and will be completed concurrently, and based on (i) the latest audited consolidated financial statements of the Current Group for FY2018 and (ii) the unaudited financial information of Xingnong Agriculture for the most recently completed financial year ended 31 December 2017.

The *pro forma* financial effects as set out herein do not reflect the actual financial results or the future financial performance and condition of the Company, the Dukang Group, the Xingnong Group and, following Completion, the group comprising the Company and the Xingnong Group ("**Enlarged Group**").

For the purposes of illustrating the *pro forma* financial effects of the Proposed Transactions, the financial effects of the Proposed Transactions were computed based on the following assumptions:

(a) the financial effects on the Xingnong Acquisition are based on the Acquisition Consideration, excluding any Cash Top-up;

(b) no adjustments have been made to align any differences that may result from the adoption of different accounting standards and policies by the Current Group and the Xingnong Group;

(c) the financial effects on the Current Group's loss and loss per share ("**LPS**") are computed assuming that the Xingnong Acquisition and the Dukang Disposal were completed on 1 July 2017;

(d) the financial effects on the Current Group's NTA and gearing are computed assuming the Xingnong Acquisition and the Dukang Disposal were completed on 30 June 2018;

(e) the financial effects do not take into account any dividend or distributions out of profits that may be declared by the Xingnong Group in respect of FY2018;

(f) the financial effects do not take into account any potential impact on the profit or loss or net assets of the Enlarged Group arising from fair value adjustments as a result of acquisition accounting; and

(g) expenses in connection with the Proposed Transactions, including but not limited to professional fees, have been disregarded for the purposes of calculating the financial effects.

6.2 Share Capital

As there will be no issuance of Shares by the Company pursuant to the Proposed Transactions, there will be no impact on the issued and paid-up share capital of the Company.

6.3 (Loss) / Earnings per Share

	Before the Proposed Transactions	After the Proposed Transactions
(Loss) / Earnings after tax attributable to Shareholders (RMB)	(222,034,000)	12,061,000
Weighted average number of shares in the Company	79,828,927	79,828,927
(LPS) / EPS (RMB)	(2.78)	0.15

6.4 NTA[(1)]

	Before the Proposed Transactions	After the Proposed Transactions
NTA attributable to the owners of the Company (RMB)	963,797,000	134,032,000
Number of issued shares in the Company	79,828,927	79,828,927
NTA per share (RMB)	12.07	1.68

Note:

(1) Based on the carrying values of the respective assets or liabilities being considered.

6.5 Gearing[(1)(2)]

	Before the Proposed Transactions	After the Proposed Transactions
Net debt (RMB)	- [(3)]	34,381,000
Shareholders' equity	1,089,050,000	151,997,000
Gearing (times)[(3)]	Not meaningful	0.23

Notes:

(1) Based on the carrying values of the respective assets or liabilities being considered.

(2) Gearing is determined based on net debt divided by the shareholders' equity. Net debt is calculated as bank borrowings, amount due to related parties, less cash and cash and cash equivalents.

(3) Current Group was in a net cash position of RMB60,039,000 as at 30 June 2018.

7. INTERESTED PERSON TRANSACTIONS

7.1 Xingnong Acquisition and Dukang Disposal

Wang Peng, who is a controlling Shareholder, indirectly owns 100% of the issued share capital of Keen Wind, which is the vendor for the Xingnong Acquisition and the purchaser for the Dukang Disposal. He will remain the majority shareholder of Keen Wind pursuant to the Xingnong Group Restructuring Exercise. Pursuant to Chapter 9 of the Listing Manual, Keen Wind is an associate of Wang Peng and is regarded as an "interested person" and each of the Xingnong Acquisition and the Dukang Disposal thus constitutes an "interested person transaction". The Acquisition Consideration and the Disposal Consideration would each constitute the "amount at risk" for the respective interested person transactions.

Based on the latest audited consolidated financial statements of the Current Group for FY2018, the NTA of the Current Group was approximately RMB963,797,000 (equivalent to approximately S$198,446,000).

Xingnong Acquisition

The Acquisition Consideration is RMB1,111,000,000 (equivalent to approximately S$228,755,000), representing approximately 115.3% of the NTA of the Current Group as at 30 June 2018.

Dukang Disposal

The Disposal Consideration is RMB1,111,000,000 (equivalent to S$228,755,000), representing approximately 115.3% of the NTA of the Current Group as at 30 June 2018.

As each of the Acquisition Consideration and the Disposal Consideration exceeds 5.0% of the NTA of the Current Group, the Company is required to seek Shareholders' approval for each of the Xingnong Acquisition and the Dukang Disposal. Pursuant to Rule 919 of the Listing Manual, the aforementioned interested person and its associates are required to abstain from voting on the resolution approving each interested person transaction at the SGM.

Save for the Proposed Transactions, and as at the date of this announcement, no other interested person transaction has been entered into by the Current Group in FY2018 or the current financial year ending 30 June 2019, whether with Wang Peng, his associates or otherwise.

7.2 Audit Committee's Statement

The Audit Committee of the Company comprises Mr. Tan Siok Sing Calvin (the Lead Independent Director), Mr. Ho Teck Cheong (Independent Director) and Mr. Chia Seng Hee, Jack (Independent Director). The Chairman of the Audit Committee is Mr. Ho Teck Cheong. All the members of the Audit Committee do not have any interests in the Xingnong Acquisition or the Dukang Disposal and are accordingly deemed to be independent for the purposes of the Xingnong Acquisition and the Dukang Disposal.

The Audit Committee will form its view as to whether each of the Xingnong Acquisition or the Dukang Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its independent minority Shareholders after considering the opinion of the independent financial adviser to be obtained in due course. The Audit Committee's view on the Proposed Transactions will be set out in the Circular.

8. DIRECTORS' SERVICE CONTRACTS

There are currently no directors who are proposed to be appointed to the Company in connection with the Xingnong Acquisition. However, it is envisaged that the Company may, upon Completion, enter into service contracts with nominees of Keen Wind to be appointed to the Board. As such arrangements have not been firmed up as at the date of this announcement, the details of such arrangements (if any), will be disclosed in the Circular.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement and save for their respective interests arising by way of their shareholdings and/or directorships in the Current Group and/or the Xingnong Group (as the case may be), none of the Directors, controlling Shareholders or their associates has any interest, direct or indirect, in the Proposed Transactions.

10. FINANCIAL ADVISER AND INDEPENDENT FINANCIAL ADVISER

ZICO Capital Pte. Ltd. has been appointed as the Financial Adviser to the Company in respect of the Proposed Transactions.

The Company will also appoint an independent financial adviser in due course to advise the independent Directors on whether each of the Xingnong Acquisition and the Dukang Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its independent minority Shareholders.

11. FURTHER ANNOUNCEMENTS AND CIRCULAR

The Company will release such further announcements, in compliance with the requirements of the Listing Manual, as and when appropriate.

Subject to the completion of due diligence and the relevant approvals from authorities, the Circular setting out, *inter alia*, the terms of the Xingnong Acquisition and the Dukang Disposal, the relevant valuation reports, the opinion and the recommendation of the independent financial adviser, together with the notice of SGM, will be despatched to Shareholders in due course.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and the Dukang Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement (including information relating to Keen Wind and/or the Xingnong Group) 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 ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement will be available for inspection during normal business hours at the office of the Company's share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, for a period of three (3) months commencing from the date of this announcement.

14. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. The Proposed Transactions are subject to the fulfilment of conditions precedent under the Agreement. There is no certainty or assurance that the Proposed Transactions will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Zhou Tao
CEO and Executive Chairman

17 November 2018