

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

**Before making any decision as to the Proposed Transactions (as defined herein), you should consider the information provided in this Circular carefully, and consider whether you understand what is described in this document. You should also consider whether your decisions as to the Proposed Transactions are suitable for you, taking into account your investment objectives and risk appetite. This document is important. If you are in any doubt as to the action that you should take, you should consult your legal, financial, tax or other professional adviser immediately. You are responsible for your own investment choices.**

Unless otherwise defined, capitalised terms appearing on the cover of this Circular bear the same meanings as defined in this Circular.

If you have sold or transferred all your shares in the capital of Dukang Distillers Holdings Limited (the “**Company**”) held through The Central Depository (Pte) Ltd (“**CDP**”), you need not forward this Circular to the purchaser or the transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or the transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should immediately forward this Circular, the Notice of Special General Meeting and the Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Neither the Monetary Authority of Singapore (the “**Authority**”) nor Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) has examined or approved the contents of this Circular. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Circular, including the correctness or accuracy of any statements or opinions made or reports contained in this Circular. A copy of this Circular has been lodged with SGX-ST. The lodgment of this Circular with the SGX-ST does not imply that the Securities and Futures Act, Cap. 289, of Singapore (the “**SFA**”), or any other legal or regulatory requirements, or requirements under the SGX-ST’s listing rules, have been complied with.

An application has been made to the SGX-ST for the transfer of the Company from the SGX-ST Main Board (“**Main Board**”) to the Catalist of the SGX-ST (“**Catalist**”). Any in-principle approval granted by the SGX-ST for the proposed transaction shall not to be taken as an indication of the merits of the Proposed Transactions, the Shares, the Company, the Current Group, Great Resolute, the Xingnong Group, and the Restructured Group nor has the Authority or the SGX-ST in any way considered the merits of the Proposed Transactions, the Shares, the Company, the Current Group, Great Resolute, the Xingnong Group, and the Restructured Group. The SGX-ST does not normally review the application for admission but relies on the Proposed Sponsor (as defined herein) confirming that the Company is suitable to be listed and complies with the listing rules.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

**The Company was placed on the watch-list of the SGX-ST (the “Watch-list”) on 4 December 2019. Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual (as defined herein) by 3 December 2022, the SGX-ST may either remove the Company from its Official List, or suspend trading of the Shares (as defined herein) (without the agreement of the Company) with a view to removing the Company from its Official List. In the event that the SGX-ST exercises its powers to remove the Company from its Official List at such time, any exit alternative offered by the Company may or may not be reasonable and shareholders of the Company may lose some or all of their investment in the Company. You should note that the Key Resolutions relating to the Xingnong Acquisition and the Dukang Disposal (each as defined herein) are not subject to Special Resolution 2 (as defined herein) relating to the Proposed Listing Transfer being passed and in the event that the Key Resolutions are passed and Special Resolution 2 is not passed, the Company will nonetheless proceed to complete the Xingnong Acquisition and the Dukang Disposal and will continue to be listed on the Main Board of the SGX-ST and appoint ZICO Capital Pte. Ltd. as its compliance adviser for a period of 3 years following Completion. There is no assurance that the Company will be successful in exiting the Watch-List thereafter.**

**YOUR ATTENTION IS DRAWN TO SECTION 9.3 ENTITLED “RISK FACTORS RELATING TO THE RESTRUCTURED GROUP” ON PAGES 58 to 104 OF THIS CIRCULAR WHICH YOU SHOULD REVIEW CAREFULLY.**



杜康控股  
Dukang Distillers Holdings Limited

**DUKANG DISTILLERS HOLDINGS LIMITED**  
(Incorporated in Bermuda on 12 February 2008)  
(Company Registration No. 41457)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- 1. THE PROPOSED ACQUISITION OF ALL THE ISSUED AND FULLY-PAID SHARES IN GREAT RESOLUTE LIMITED 宏聖有限公司 AS A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION;**
- 2. THE PROPOSED DISPOSAL OF ALL THE ISSUED AND FULLY-PAID SHARES IN SEA WILL INTERNATIONAL LIMITED AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION;**
- 3. THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM “DUKANG DISTILLERS HOLDINGS LIMITED” TO “CHINA SHENSHAN ORCHARD HOLDINGS CO. LTD.” AND THE PROPOSED ADOPTION OF “中國神山果農控股有限公司” AS THE SECONDARY NAME OF THE COMPANY;**
- 4. THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS OF THE COMPANY UPON COMPLETION OF THE PROPOSED TRANSACTIONS;**
- 5. THE PROPOSED CONTINUED RE-APPOINTMENT OF THE EXISTING INDEPENDENT DIRECTORS OF THE COMPANY AS INDEPENDENT DIRECTORS;**
- 6. THE PROPOSED TRANSFER OF THE LISTING OF THE COMPANY FROM THE MAIN BOARD TO THE CATALIST FOLLOWING THE COMPLETION OF THE PROPOSED TRANSACTIONS; AND**
- 7. THE PROPOSED GENERAL SHARE ISSUE MANDATE**

**Financial Adviser to the Company  
and Proposed Sponsor of the Company**



**ZICO CAPITAL PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 201613589E)

**Independent Financial Adviser in respect of the Proposed Transactions**



**CROWE HORWATH CAPITAL PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200721675G)

**IMPORTANT DATES AND TIMES**

Last date and time for lodgment of Proxy Form	: 4 May 2021, 2.30 p.m.
Date and time of Special General Meeting	: 6 May 2021, 2.30 p.m.
Venue of Special General Meeting	: Minto Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 (Subject to a limit of 20 Shareholders and SRS investors at the meeting venue) Please see Section 22 of this Circular for further details.

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## TABLE OF CONTENTS

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1.	CORPORATE INFORMATION .....	4
2.	DEFINITIONS .....	7
3.	GLOSSARY OF TECHNICAL TERMS .....	19
4.	CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS .....	20
5.	MARKET AND INDUSTRY INFORMATION .....	21
6.	EXCHANGE RATES .....	22
7.	EXCHANGE CONTROLS .....	24
8.	INDICATIVE TIMETABLE .....	26
9.	LETTER TO SHAREHOLDERS .....	27
	APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS .....	A-1
A1.	INTRODUCTION .....	A-1
A2.	CORPORATE INFORMATION ON THE XINGNONG GROUP .....	A-1
A2.1	Key Corporate Information on the Xingnong Group .....	A-1
A2.2	Structure of the Xingnong Group .....	A-2
A2.3	Share Capital of the Xingnong Group .....	A-3
A2.4	Restructuring Exercise in respect of Xingnong Agriculture .....	A-6
A3.	HISTORY AND BUSINESS OF THE XINGNONG GROUP .....	A-10
A3.1	History .....	A-10
A3.2	Principal Activities .....	A-10
A3.3	Business Operations .....	A-13
A3.6	Major Customers .....	A-25
A3.7	Major Suppliers .....	A-20
A3.8	Credit Management .....	A-21
A3.9	Inventory Management .....	A-23
A3.10	Research and Development .....	A-25
A3.11	Employees .....	A-26
A3.12	Material Properties and Fixed Assets .....	A-28
A3.13	Intellectual Property, Licensing Rights and Plant Variety Rights .....	A-31
A3.14	Insurance .....	A-40
A3.15	Licences, Permits and Government Regulations .....	A-40
A3.16	Occupational Safety and Health .....	A-46
A3.17	Environmental Protection and Corporate Social Responsibility .....	A-46
A4.	COMPETITION AND COMPETITIVE STRENGTHS .....	A-47
A4.1	Competition .....	A-47
A5.	PROSPECTS, STRATEGIES AND FUTURE PLANS .....	A-49
A5.1	Prospects .....	A-49
A5.2	Trend Information .....	A-51
A5.3	Strategies and Future Plans .....	A-51
A6.	SELECTED CONSOLIDATED FINANCIAL INFORMATION .....	A-52
A6.1	Consolidated Statements of Comprehensive Income .....	A-56
A6.2	Consolidated Statements of Financial Position .....	A-57
A6.3	Consolidated Statements of Cash Flow .....	A-58
A7.	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	A-60
A7.1	Overview .....	A-60
A7.2	Basis of Presentation of the Xingnong Group’s Consolidated Financial Information .....	A-60
A7.3	Key Factors Affecting the Xingnong Group’s Results of Operations .....	A-60

---

## TABLE OF CONTENTS

---

A7.4	Critical Accounting Judgments and Key Sources of Estimation Uncertainty .....	A-61
A7.5	Principal Components of the Xingnong Group's Consolidated Statements of Comprehensive Income .....	A-63
A7.6	Review of Past Performance .....	A-67
A7.7	Review of Financial Position .....	A-72
A7.8	Capital Expenditures and Divestments, Commitments and Contingent Liabilities .....	A-80
A7.9	Foreign Exchange Management .....	A-81
A7.10	Inflation .....	A-81
A7.11	Order Book .....	A-81
A8.	CAPITALISATION AND INDEBTEDNESS .....	A-82
A9.	LIQUIDITY AND CAPITAL RESOURCES OF THE RESTRUCTURED GROUP .....	A-84
A10.	XINGNONG GROUP DIRECTORS AND EXECUTIVE OFFICERS .....	A-87
A10.1	Management Reporting Structure .....	A-87
A10.2	GR Directors .....	A-87
A10.3	Xingnong Agriculture Directors .....	A-88
A10.4	Xingnong Key Management .....	A-89
A10.5	Past and Present Directorships .....	A-90
A10.6	Material background information on the GR Directors, the Xingnong Key Management and Controlling Shareholder of Great Resolute .....	A-90
A10.7	Remuneration .....	A-91
A10.8	Legal Representative .....	A-91
A11.	INTERESTED PERSON TRANSACTIONS .....	A-93
A11.1	Interested Persons .....	A-94
A11.2	Past Interested Person Transactions .....	A-94
A11.3	Present and Ongoing Interested Person Transactions .....	A-95
A12.	CONFLICT OF INTERESTS .....	A-96
A12.1	Potential Conflicts of Interests .....	A-96
A12.2	Interests of Experts and the Independent Xingnong Appointed Valuer .....	A-96
A13.	GENERAL INFORMATION .....	A-97
A13.1	Material Contracts of the Xingnong Group .....	A-97
A13.2	Material Litigation .....	A-87
A13.3	Dividend Policy .....	A-98
A14.	RESPONSIBILITY STATEMENTS .....	A-98
	APPENDIX B – IFA LETTER .....	B-1
	APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020 .....	C-1
	APPENDIX D – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 .....	C-1
	APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT .....	E-1
	APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT .....	F-1
	APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT .....	G-1
	APPENDIX H – SUMMARY OF PRC LAWS AND REGULATIONS .....	H-1
	APPENDIX I – TAXATION .....	I-1
	APPENDIX J – LIST OF FOREST/LAND USE RIGHTS .....	J-1
	APPENDIX K – DETAILED ILLUSTRATIONS OF THE PROPOSED TRANSACTIONS .....	K-1
	NOTICE OF SPECIAL GENERAL MEETING .....	N-1

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## CORPORATE INFORMATION

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- CURRENT BOARD OF DIRECTORS** : Zhou Tao (*Executive Chairman and CEO*)  
Huo Lei (*Executive Director*)  
Calvin Tan (*Lead Independent Non-Executive Director*)  
Ho Teck Cheong (*Independent Non-Executive Director*)  
Jack Chia (*Independent Non-Executive Director*)  
Jia Guobiao (*Non-Executive Director*)
- PROPOSED BOARD OF DIRECTORS** : Calvin Tan (*Non-Executive Chairman and Independent Director*)  
Hu Chao (*Executive Director, and CEO and Legal Representative of Xingnong Agriculture*)  
David Zhao (*Executive Director*)  
Huo Lei (*Non-Executive Director*)  
Ho Teck Cheong (*Independent Non-Executive Director*)  
Jack Chia (*Independent Non-Executive Director*)
- COMPANY SECRETARIES** : Ho Hin Yip (*CPA (Practising) FCCA*)  
Toh Li Ping, Angela (*ACIS*)
- REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS OF THE COMPANY** : Registered Office  
Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda
- Tel: +86 371 8751 8038  
Fax: +86 371 8751 8096  
Email: info@dukangwine.com
- Principal Place of Business  
18/F, SUHE International Centre  
East 62, Nongye Road, Jinshui District  
Zhengzhou City, Henan Province  
The People's Republic of China
- Tel: +86 371 8751 8038  
Fax: +86 371 8751 8096
- Following Completion, the principal place of business of the Company will be that of the Xingnong Group.
- REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS OF THE XINGNONG GROUP** : Registered Office  
Vistra Corporate Services Centre  
Wickhams Cay II  
Road Town,  
Tortola VG1110  
British Virgin Islands
- Principal Place of Business  
Guanghua RD, Chi Ma Port Industrial Zone  
Chibi, Hubei Province  
The People's Republic of China
- Tel: +86 1391 0892 542  
Fax: -  
Email: kiwiorchard@sina.com

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## CORPORATE INFORMATION

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<b>SHARE REGISTRAR AND SHARE TRANSFER OFFICE</b>	<b>: Conyers Corporate Services (Bermuda) Limited</b> Clarendon House 2 Church Street Hamilton HM 11 Bermuda
	<b>Boardroom Corporate &amp; Advisory Services Pte. Ltd.</b> 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
<b>FINANCIAL ADVISER TO THE COMPANY IN RESPECT OF THE PROPOSED TRANSACTIONS AND PROPOSED SPONSOR TO THE COMPANY UPON COMPLETION OF THE PROPOSED LISTING TRANSFER</b>	<b>: ZICO Capital Pte. Ltd.</b> 8 Robinson Road #09-00 ASO Building Singapore 048544
<b>JOINT AUDITORS OF THE CURRENT GROUP AND JOINT REPORTING ACCOUNTANTS IN RESPECT OF THE PROPOSED TRANSACTIONS</b>	<b>: BDO LLP</b> <b>Public Accountants and Chartered Accountants, Singapore</b>  600 North Bridge Road #23-01 Parkview Square Singapore 188778  Partner-in-charge: Aw Vern Chun Philip Chartered Accountant  <b>BDO Limited</b> <b>Certified Public Accountants, Hong Kong</b> 25 <sup>th</sup> Floor, Wing On Centre 111 Connaught Road Central Hong Kong  Partner-in-charge: Cheung Or Ping Certified Public Accountant
<b>LEGAL ADVISER TO THE COMPANY IN RESPECT OF SINGAPORE LAW</b>	<b>: Rajah &amp; Tann Singapore LLP</b> 9 Straits View #06-07 Marina One West Tower Singapore 018937
<b>LEGAL ADVISER TO THE COMPANY IN RESPECT OF PRC LAW</b>	<b>: Jingtian &amp; Gongcheng</b> 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District, Beijing 100025 People's Republic of China
<b>LEGAL ADVISER TO THE COMPANY IN RESPECT OF HONG KONG LAW</b>	<b>: Robertsons Solicitors</b> 57 <sup>th</sup> Floor, The Center 99 Queen's Road Central Hong Kong
<b>LEGAL ADVISER TO THE COMPANY IN RESPECT OF BERMUDA LAW AND BVI LAW</b>	<b>: Conyers Dill &amp; Pearman Pte. Ltd.</b> 9 Battery Road #20-01 MYP Centre Singapore 049910

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## CORPORATE INFORMATION

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- LEGAL ADVISER TO THE COMPANY IN RESPECT OF THE TWSE LISTING REQUIREMENTS APPLICABLE TO MAINTAINING ITS LISTING OF THE TDRS ON THE TWSE FOLLOWING COMPLETION** : **Lee and Li, Attorneys-at-Law**  
8F, No. 555, Sec. 4  
Zhongxiao E. Rd.  
Taipei 11072, Taiwan, Republic of China
- LEGAL ADVISER TO THE FINANCIAL ADVISER TO THE COMPANY IN RESPECT OF THE PROPOSED TRANSACTIONS AND PROPOSED SPONSOR TO THE COMPANY UPON COMPLETION OF THE PROPOSED LISTING TRANSFER IN RESPECT OF SINGAPORE LAW** : **Lee & Lee**  
50 Raffles Place  
#06-00 Singapore Land Tower  
Singapore 048623
- INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE PROPOSED TRANSACTIONS** : **Crowe Horwath Capital Pte. Ltd.**  
9 Raffles Place #19-20  
Republic Plaza Tower 2  
Singapore 048619
- INDEPENDENT COMPANY APPOINTED VALUER ENGAGED BY THE COMPANY IN RESPECT OF THE XINGNONG ACQUISITION** : **Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
7/F, One Taikoo Place  
979 King's Road  
Hong Kong
- INDEPENDENT XINGNONG APPOINTED VALUER ENGAGED BY XINGNONG AGRICULTURE IN RESPECT OF THE XINGNONG ACQUISITION** : **Roma Appraisals Limited**  
22/F China Overseas Building  
139 Hennessy Road, Wan Chai  
Hong Kong
- INDEPENDENT DUKANG GROUP VALUER ENGAGED BY THE COMPANY IN RESPECT OF THE DUKANG DISPOSAL** : **LCH (Asia-Pacific) Surveyors Limited**  
17th Floor, Champion Building  
Nos. 287-291 Des Voeux Road Central  
Hong Kong
- PRINCIPAL BANKERS OF THE CURRENT GROUP** : **China Merchants Bank Co., Ltd, Huanghe Road Branch**  
Merchants Bank Piazza, Agriculture Rd  
South & Zhengguang North street  
Zhengzhou, Henan, People's Republic of China
- PRINCIPAL BANKERS OF THE XINGNONG GROUP** : **Hubei Chibi Rural Commercial Bank Co., Ltd.**  
Section A, Tian Jiao Hua Ting  
207 Hebei Rd, Chibi City  
Hubei, People's Republic of China

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## DEFINITIONS

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In this Circular, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

### **Companies within the Current Group and the Restructured Group**

<b>“Company” or “Dukang”</b>	: Dukang Distillers Holdings Limited
<b>“Current Group”</b>	: The Company and its subsidiaries and associated company
<b>“Dukang Group”</b>	: Sea Will and all of its subsidiaries and associated company
<b>“Go National”</b>	: Go National Limited ( <u>冠義有限公司</u> )
<b>“GR” or “Great Resolute”</b>	: Great Resolute Limited ( <u>宏堅有限公司</u> )
<b>“Restructured Group”</b>	: The Company and its subsidiaries after completion of the Xingnong Acquisition and the Dukang Disposal
<b>“Sea Will”</b>	: Sea Will International Limited
<b>“Xingnong Agriculture”</b>	: Chibi Shenshan Xingnong Agriculture Technology Co., Ltd. ( <u>赤壁神山兴农科技有限公司</u> )
<b>“Xingnong Group”</b>	: Great Resolute and its subsidiaries, namely, Go National and Xingnong Agriculture

### **Other Companies, Organisations and Agencies**

<b>“CDP”</b>	: The Central Depository (Pte) Limited
<b>“CEL”</b>	: China Everbright Limited
<b>“Changsha Yannong”</b>	: Changsha Yannong Biotechnology Co., Ltd. ( <u>长沙炎农生物科技有限公司</u> )
<b>“Chibi Rural Commercial Bank”</b>	: Hubei Chibi Rural Commercial Bank Co., Ltd ( <u>湖北赤壁农村商业银行股份有限公司</u> )
<b>“Debao”</b>	: Debao Property Development Ltd.
<b>“Financial Adviser” or “Proposed Sponsor” or “ZICO Capital”</b>	: ZICO Capital Pte. Ltd.
<b>“Goldenray Consortium”</b>	: Goldenray Consortium (S) Pte. Ltd.
<b>“Housing Office”</b>	: Xianning Housing Provident Fund Management Center Chibi Office ( <u>咸宁市住房公积金管理中心赤壁办事处</u> )
<b>“IFA”</b>	: Crowe Horwath Capital Pte. Ltd., the independent financial adviser to the Directors who are considered independent in relation to the Proposed Transactions
<b>“Independent Dukang Group Valuer”</b>	: LCH (Asia-Pacific) Surveyors Limited, the independent valuer engaged by the Company to prepare the Independent Dukang Group Valuation Report
<b>“Independent Company Appointed Valuer”</b>	: Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuer engaged by the Company to prepare the JLL Xingnong Group Valuation Report

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## DEFINITIONS

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<b>“Independent Xingnong Appointed Valuer”</b>	: Roma Appraisals Limited, the independent valuer engaged by Xingnong Agriculture to determine the market value of Xingnong Group
<b>“Jingtian”</b>	: Jingtian & Gongcheng, the legal advisers to the Company on PRC law
<b>“JLL CAA”</b>	: Jones Lang LaSalle Corporate Appraisal and Advisory Limited
<b>“Joint Reporting Accountants”</b>	: BDO Limited and BDO LLP
<b>“Kaihui Group”</b>	: Kaihui Group Incorporated (凱匯集團有限公司)
<b>“Keen Wind”</b>	: Keen Wind Limited (靈風有限公司)
<b>“Millennium Securities”</b>	: Millennium Securities Pte Ltd (formerly known as Tsang and Ong Stockbrokers Pte Ltd)
<b>“MOFCOM”</b>	: Ministry of Commerce of the PRC
<b>“NDRC”</b>	: National Development and Reform Commission
<b>“PBOC”</b>	: People’s Bank of China (中國人民銀行)
<b>“Registrar”</b>	: Registrar of Companies in Bermuda
<b>“Roma Appraisal”</b>	: Roma Appraisals Limited
<b>“SGX-ST”</b>	: Singapore Exchange Securities Trading Limited
<b>“Share Transfer Agent”</b>	: Boardroom Corporate & Advisory Services Pte. Ltd.
<b>“Social Insurance Office”</b>	: Chibi Municipal Social Insurance Office (赤壁市社會保險稽核結算中心)
<b>“Synear”</b>	: Synear Food Holdings Ltd (思念食品控股有限公司)
<b>“Treasure Winner”</b>	: Treasure Winner Holdings Limited
<b>“TWSE”</b>	: Taiwan Stock Exchange Corporation
<b>“Vendor”</b>	: Keen Wind Limited
<b>“Xianning AMR”</b>	: Xianning Administration for Market Regulation (咸寧市市場監督管理局)
<b>“Ying Li”</b>	: Ying Li International Real Estate Limited
<b>“Zhengzhou Fruit Research Institute”</b>	: Zhengzhou Fruit Research Institute of the Chinese Academy of Agricultural Sciences (中國農業科學院鄭州果樹研究所)
<b>“Zhengzhou Synear”</b>	: Zhengzhou Synear Food Co., Ltd. (鄭州思念食品有限公司)



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## DEFINITIONS

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### **General**

- "1H"** : In respect of the Current Group, the six (6)-month financial period ended 31 December
- "2018 Fixed Assets Loan"** : Fixed assets loan contract dated 26 March 2018 entered into between Xingnong Agriculture and Chibi Rural Commercial Bank pursuant to which Xingnong Agriculture borrowed RMB22,000,000 from Chibi Rural Commercial Bank at a monthly interest rate of 0.69%, over a tenure of five (5) years
- "2019 Fixed Assets Loan"** : Fixed assets loan contract dated 24 January 2019 entered into between Xingnong Agriculture and Chibi Rural Commercial Bank pursuant to which Xingnong Agriculture borrowed RMB13,000,000 from Chibi Rural Commercial Bank at a yearly interest rate of 8.28%, over a tenure of 50 months
- "9M"** : In respect of the Xingnong Group, the nine (9)-month financial period ended 30 September
- "Acquisition Consideration"** : Has the meaning ascribed to it in **Section 2.1(a)** entitled "Consideration for the Proposed Transactions – Xingnong Acquisition" of this Circular
- "Additional Buildings"** : New buildings within the same premise as the Chibi Buildings, which Xingnong Agriculture intends to commence construction by 31 December 2021, to support its business expansion plans
- "Adjustments"** : Has the meaning ascribed to it in **Section 15(a)** entitled "The Proposed General Share Issue Mandate" of this Circular
- "Agreement"** : The conditional agreement dated 17 November 2018 between the Company and Keen Wind in relation to the Xingnong Acquisition and the Dukang Disposal (as amended by the side letters entered between the Company and Keen Wind dated 15 November 2019 and 30 June 2020, and supplemental agreements dated 9 December 2020 and 30 March 2021)
- "Audit Committee"** : The audit committee of the Company as at the date of this Circular
- "Bermuda Companies Act"** : The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
- "Board"** : The board of Directors of the Company as at the date of this Circular
- "BVI"** : British Virgin Islands
- "BVI ES Act"** : Economic Substance (Companies and Limited Partnerships) Act, 2018 of the British Virgin Islands
- "Bye-Laws"** : The bye-laws of the Company as amended, supplemented or modified from time to time
- "Calculation Mechanism"** : Has the meaning ascribed to it in Section 9.3(f) entitled "Risk Factors relating to the Restructured Group – Risks relating to the Company's listing on the Taiwan Stock Exchange" of this Circular

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## DEFINITIONS

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<b>“Calvin Tan”</b>	: Tan Siok Sing
<b>“Cash Top-up”</b>	: Has the meaning ascribed to it in <b>Section 2.1(c)</b> entitled “Consideration for the Proposed Transactions – Cash Top-Up and Material Default” of this Circular
<b>“Catalist”</b>	: The sponsor-supervised listing platform of the SGX-ST
<b>“Catalist Rules”</b>	: The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
<b>“CEO”</b>	: Chief Executive Officer
<b>“Changsha Yannong Licence Agreement”</b>	: The kiwifruit variety licence agreement dated 12 July 2012 entered between Xingnong Agriculture and Changsha Yannong (as amended by a written confirmation dated 7 November 2018 issued by Changsha Yannong)
<b>“Chibi Barracks Confirmation”</b>	: Has the meaning ascribed to it in <b>Section A3.15</b> entitled “Licences, Permits and Government Regulations – Record-filing procedures for farming facilities” of Appendix A to this Circular
<b>“Chibi Buildings”</b>	: The Office Building, Switch Board Room and Guard Room, further details of which are set out in <b>Section A3.12</b> entitled “Material Properties and Fixed Assets” of Appendix A to this Circular
<b>“Chibi Buildings Confirmations”</b>	: Has the meaning ascribed to it in <b>Section A3.15</b> entitled “Licences, Permits and Government Regulations – Construction Permits” of Appendix A to this Circular
<b>“Circular”</b>	: This circular to Shareholders dated 31 March 2021
<b>“CMSIO Confirmation”</b>	: Has the meaning ascribed to it in <b>Section A3.15</b> entitled “Licences, Permits and Government Regulations – Labour Regulations” of Appendix A to this Circular
<b>“Committees and Governments Confirmations”</b>	: Written confirmations provided by each of the relevant villagers’ committees and town governments
<b>“Companies Act”</b>	: The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
<b>“Completion”</b>	: The concurrent completion of the Xingnong Acquisition and the Dukang Disposal in accordance with the terms and conditions set out in the Agreement
<b>“Completion Date”</b>	: The date of Completion
<b>“Conditional Resolutions”</b>	: Has the meaning ascribed to it in <b>Section 21.2</b> entitled “Special General Meeting – Conditionality of Resolutions” of this Circular
<b>“Confirmation Email for Physical Meeting”</b>	: Has the meaning ascribed to it in <b>Section 22.6</b> entitled “Key Dates and Times” of this Circular
<b>“Confirmation Email for Electronic Participation”</b>	: Has the meaning ascribed to it in <b>Section 22.6</b> entitled “Key Dates and Times” of this Circular
<b>“Control”</b>	: The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company

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## DEFINITIONS

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- “Controlling Shareholder”** : A person who:
- (a) holds directly or indirectly 15% or more of the total voting rights in the company (unless otherwise determined by the SGX-ST); or
  - (b) in fact exercises control over the company
- “CPA”** : Has the meaning ascribed to it in **Section 9.3(f)** entitled “Risk Factors relating to the Restructured Group – Risks relating to the Company’s listing on the Taiwan Stock Exchange” of this Circular
- “Current Business”** : Has the meaning ascribed to it in **Section 4.2** entitled “Information on the Dukang Disposal” of this Circular
- “David Zhao”** : Zhao Chichun
- “Deeds of Release and Discharge”** : Has the meaning ascribed to it in **Section A2.4** entitled “Restructuring Exercise in respect of Xingnong Agriculture” of Appendix A to this Circular
- “Delisting Procedures”** : Has the meaning ascribed to it in **Section 9.3(f)** entitled “Risk Factors relating to the Restructured Group – Risks relating to the Company’s listing on the Taiwan Stock Exchange” of this Circular
- “Depositor Proxy Form”** : The depositor proxy form in respect of the SGM, to be despatched to the Depositors
- “Directors”** : The directors of the Company as at the date of this Circular
- “Disposal”** : To sell, contract to sell, offer, realise, transfer, pledge, assign, grant any option or right to acquire, grant any security over or to otherwise dispose of or encumber
- “Disposal Consideration”** : Has the meaning ascribed to it in **Section 2.1(b)** entitled “Consideration for the Proposed Transactions – Dukang Disposal” of this Circular
- “Dukang Disposal”** : The proposed disposal of all the issued and fully-paid shares in the capital of Sea Will by the Company to Keen Wind, on the terms and subject to the conditions of the Agreement
- “Dukang Group Value”** : The market value of the entire equity interest in Sea Will as determined by the Independent Dukang Group Valuer on a going concern basis as set out in the Independent Dukang Group Valuation Report
- “Executive Officers”** : The executive officer(s) of the Current Group or the Xingnong Group (as the case may be) (other than the executive Directors) who are also key executives as defined under the SFR
- “EPS”** : Earnings per share
- “fair value hierarchy”** : Has the meaning ascribed to it in Section A7.4 entitled “Critical Accounting Judgments and Key Sources of Estimation Uncertainty - Fair value measurement” of Appendix A to this Circular
- “Fairy Gold”** : 精灵果Fairy Gold
- “FIEs”** : Foreign-invested enterprises

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## DEFINITIONS

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<b>“Financial Entry Criteria”</b>	:	Has the meaning ascribed to it in <b>Section 14.2</b> entitled “Rationale for the Proposed Listing Transfer – Watch-List Requirements” of this Circular
<b>“FY”</b>	:	In respect of the Current Group, the financial year ended or ending 30 June, and in respect of the Xingnong Group, financial year ended or ending 31 December, as the case may be
<b>“GR Directors”</b>	:	The directors of Great Resolute as at the date of this Circular
<b>“GR Shares”</b>	:	All the issued and paid-up shares in Great Resolute
<b>“Guard Room”</b>	:	Guard room located in Chibi City in the PRC, further details of which are set out in <b>Section A3.12</b> entitled “Material Properties and Fixed Assets” of Appendix A to this Circular
<b>“Hong Kong” or “HK”</b>	:	Hong Kong Special Administrative Region of the PRC
<b>“Hou”</b>	:	Hou Aihua
<b>“Hou Loan”</b>	:	Has the meaning ascribed to it in <b>Section A11.2</b> entitled “Past Interested Person Transactions – Provision of corporate guarantee by Zhengzhou Synear” of Appendix A to this Circular
<b>“HPF Confirmation”</b>	:	Has the meaning ascribed to it in <b>Section A3.15</b> entitled “Licences, Permits and Government Regulations – Labour Regulations” of Appendix A to this Circular
<b>“HPF Matter”</b>	:	Has the meaning ascribed to it in <b>Section A3.15</b> entitled “Licences, Permits and Government Regulations – Labour Regulations” of Appendix A to this Circular
<b>“IAS 41”</b>	:	International Accounting Standard 41
<b>“IBR”</b>	:	Has the meaning ascribed to it in <b>Section A7.4</b> entitled “Critical Accounting Judgments and Key Sources of Estimation Uncertainty - Estimating the incremental borrowing rate” of Appendix A to this Circular
<b>“IFA Letter”</b>	:	The letter dated 31 March 2021 issued by the IFA containing the advice of the IFA to the Directors in relation to the Proposed Transactions, as reproduced in <b>Appendix B</b> to this Circular
<b>“Independent Directors”</b>	:	The non-executive independent Directors of the Company
<b>“Independent Dukung Group Valuation Report”</b>	:	The valuation report issued by the Independent Dukung Group Valuer dated 26 March 2021, as reproduced in <b>Appendix G</b> to this Circular
<b>“Independent Shareholders”</b>	:	Shareholders who are independent for the purpose of approving the Proposed Transactions, namely Shareholders other than Wang Peng and his associates
<b>“Initial Lock-up Period”</b>	:	Has the meaning ascribed to it in <b>Section 11</b> entitled “Moratorium Undertakings” of this Circular
<b>“Instruments”</b>	:	Has the meaning ascribed to it in <b>Section 15(a)</b> entitled “The Proposed General Share Issue Mandate” of this Circular
<b>“Interested Person” or “Interested Persons”</b>	:	Has the meaning ascribed to it in <b>Section 9.14(a)</b> entitled “Interested Person Transactions – General” of this Circular
<b>“Jack Chia”</b>	:	Chia Seng Hee

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## DEFINITIONS

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<b>“Jade Green”</b>	:	<u>翠玉</u> Jade Green
<b>“JLL Xingnong Group Valuation Report”</b>	:	The valuation report issued by the Independent Company Appointed Valuer dated 26 March 2021, as reproduced in <b>Appendix E</b> to this Circular
<b>“Key Resolutions”</b>	:	Has the meaning ascribed to it in <b>Section 21.2</b> entitled “Special General Meeting – Conditionality of Resolutions” of this Circular
<b>“Kiwifruit Business”</b>	:	Has the meaning ascribed to it in <b>Section 3.2</b> entitled “Information on the Xingnong Group” of this Circular
<b>“Land Management Certification”</b>	:	Has the meaning ascribed to it in <b>Section 9.3(a)</b> entitled “Risk Factors relating to the Restructured Group – Risks relating to the Business and Operations of the Restructured Group” of this Circular
<b>“Latest Practicable Date”</b>	:	17 March 2021, being the latest practicable date prior to the printing of this Circular
<b>“Legal Representative of Xingnong Agriculture”</b>	:	Hu Chao
<b>“Legal Representative Undertaking”</b>	:	Deed of Undertaking executed by the Legal Representative of Xingnong Agriculture in favour of the Company on 9 December 2020
<b>“Listing Date”</b>	:	The date on which the Shares will be admitted on the Catalist
<b>“Listing Maintenance Conditions”</b>	:	Has the meaning ascribed to it in <b>Section 9.3(f)</b> entitled “Risk Factors relating to the Restructured Group – Risks relating to the Company’s listing on the Taiwan Stock Exchange” of this Circular
<b>“Listing Manual”</b>	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
<b>“Listing Rules”</b>	:	Main Board Rules or the Catalist Rules (as the case may be)
<b>“LPS”</b>	:	Loss per share
<b>“Luzhuang 2 Land”</b>	:	630.5 mu (equivalent to 420,333 m <sup>2</sup> ) of the land in Luzhuang Village, Chimagang Office, Chibi City
<b>“Main Board”</b>		The Main Board of the SGX-ST
<b>“Main Board Rules”</b>		The rules of the Listing Manual applicable to issuers listed on the Main Board, as amended, modified or supplemented from time to time
<b>“MTP Entry Criteria”</b>	:	Has the meaning ascribed to it in <b>Section 14.2</b> entitled “Rationale for the Proposed Listing Transfer – Watch-List Requirements” of this Circular
<b>“NAV”</b>	:	Net asset value
<b>“Netting Off”</b>	:	Has the meaning ascribed to it in <b>Section 2.1(a)</b> entitled “Consideration for the Proposed Transactions – Xingnong Acquisition” of this Circular
<b>“New Board”</b>	:	The board of the Proposed Directors of the Company upon Completion
<b>“Notice of SGM”</b>	:	The notice of the SGM set out on pages N-1 to N-12 of this Circular

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## DEFINITIONS

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- “NTA”** : Net tangible assets
- “Office Building”** : Office building located in Chibi City in the PRC, further details of which are set out in **Section A3.12** entitled “Material Properties and Fixed Assets” of Appendix A to this Circular
- “Other Proposals”** : Has the meaning ascribed to them in **Section 19** entitled “Directors’ Recommendations” of this Circular
- “Packing Facilities”** : The central facilities where packing and storage operations of the kiwifruits are conducted, including one (1) refrigerated/cold storage facility and one (1) packing workshop, located in Chibi City in the PRC, with a gross floor area of approximately 12,605.35 m<sup>2</sup>
- “Parties”** : Parties which entered into the Agreement, being Keen Wind and the Company
- “Period Under Review”** : In respect of the Xingnong Group, FY2017, FY2018, FY2019 and 9M2020
- “Physical Meeting”** : Has the meaning ascribed to it in **Section 21.1** entitled “**Special General Meeting**” of this Circular
- “Plaintiff”** : Has the meaning ascribed to it in **Section 9.13** entitled “Material Background Information on the Proposed Directors, Proposed Executive Officers and Controlling Shareholders of the Company” of this Circular
- “PRC” or “China”** : The People’s Republic of China, and unless the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and the Republic of China (Taiwan)
- “PRC GAAP”** : Has the meaning ascribed to it in **Section 9.3(e)** entitled “Risk Factors relating to the Restructured Group – Risks relating to the Shares” of this Circular
- “Previous Shortfall”** : Has the meaning ascribed to it in **Section A3.15** entitled “Licences, Permits and Government Regulations – Labour Regulations” of Appendix A to this Circular
- “Previous Xingnong Shareholders”** : Has the meaning ascribed to them in **Section 3.2** entitled “Information on the Xingnong Group” of this Circular
- “Proposed Change of Name”** : The proposed change of name of the Company from “Dukang Distillers Holdings Limited” to “China Shenshan Orchard Holdings Co. Ltd.” and the proposed adoption of “中国神山果农控股有限公司” as the secondary name of the Company
- “Proposed Directors”** : The proposed directors of the Restructured Group upon Completion
- “Proposed Executive Officers”** : The proposed executive officers of the Restructured Group upon Completion
- “Proposed General Share Issue Mandate”** : The proposed grant of a general mandate and authority to the directors of the Company to allot and issue new Shares and convertible securities, as described in **Section 15** entitled “Proposed General Share Issue Mandate” of this Circular
- “Proposed Listing Transfer”** : The proposed transfer of the quotation and listing of the Shares from the Main Board to the Catalist and the admission of the Company to the Catalist following the Completion of the Proposed Transactions
- “Proposed New Directors”** : The proposed directors of the Company to be appointed to the board of directors of the Company upon Completion, being Hu Chao and David Zhao

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## DEFINITIONS

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<b>“Proposed Transactions”</b>	: Collectively, the Xingnong Acquisition and the Dukang Disposal
<b>“Proxy Form”</b>	: The Depositor Proxy Form and/or the Shareholder Proxy Form, as the context may require
<b>“Release Condition”</b>	: Has the meaning ascribed to it in <b>Section A2.4</b> entitled “Restructuring Exercise in respect of Xingnong Agriculture” of Appendix A to this Circular
<b>“Red Heart”</b>	: <u>红心</u> Red Heart
<b>“Relevant Period”</b>	: The period from 1 October 2020 up to the Latest Practicable Date
<b>“Risk Factors”</b>	: Has the meaning ascribed to it in <b>Section 9.3</b> entitled “Risk Factors” of this Circular
<b>“Roma Xingnong Group Valuation Report”</b>	: The valuation report issued by the Independent Xingnong Appointed Valuer dated 26 March 2021, as reproduced in <b>Appendix F</b> to this Circular
<b>“Sea Will Shares”</b>	: All the issued shares in Sea Will
<b>“Securities Account”</b>	: A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a depository agent
<b>“Service Agreements”</b>	: Has the meaning ascribed to it in <b>Section 9.11</b> entitled “Service Agreements” of this Circular
<b>“Settlement Agreement”</b>	: Has the meaning ascribed to it in <b>Section A11.2</b> entitled “Past Interested Person Transactions – Provision of corporate guarantee by Zhengzhou Synear” of Appendix A to this Circular
<b>“SFA”</b>	: Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
<b>“SFR”</b>	: Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018, as amended, modified or supplemented from time to time
<b>“SGM”</b>	: The special general meeting of the Company to be convened and held at Minto Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 on 6 May 2021 at 2.30 p.m., notice of which is set out in the Notice of SGM
<b>“Shareholders”</b>	: The registered holders of the Shares, except in the present case where the registered holder is CDP, the term <b>“Shareholders”</b> in relation to the Shares held by CDP shall, in relation to such Shares and where the context so admits, mean the persons named as Depositors in the Depository Register maintained by CDP and whose Securities Accounts are credited with the Shares
<b>“Shareholder Proxy Form”</b>	: The shareholder proxy form in respect of the SGM, to be despatched to Shareholders
<b>“Shares”</b>	: Ordinary shares in the capital of the Company
<b>“Shortfall Amount”</b>	: Has the meaning ascribed to it in <b>Section 2.1(c)</b> entitled “Consideration for the Proposed Transactions – Cash Top-Up and Material Default” of this Circular
<b>“SRS”</b>	: Supplementary Retirement Scheme
<b>“SRS investors”</b>	: Investors holding Shares in the Company through the SRS

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## DEFINITIONS

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<b>“SRS Operators”</b>	:	The relevant approved financial institutions in which SRS investors hold their SRS accounts
<b>“Storage Barracks”</b>	:	Nine (9) storage barracks situated in the Xingnong Orchards for the storage of farming equipment which are utilised for kiwifruit cultivation and harvest
<b>“Substantial Shareholder”</b>	:	A person which has an interest in one or more voting shares of a company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the company
<b>“Sunshine Kiwi”</b>	:	<u>阳光金果</u> Sunshine Kiwi
<b>“Switch Board Room”</b>	:	Switch board room located in Chibi City in the PRC, further details of which are set out in <b>Section A3.12</b> entitled “Material Properties and Fixed Assets” of Appendix A to this Circular
<b>“Synear Undertaking”</b>	:	The deed of undertaking executed by Zhengzhou Synear in favour of the Company in relation to certain specific risks pertaining to the Vendor Undertaking
<b>“SZS Moratorium Undertaking”</b>	:	Has the meaning ascribed to it in <b>Section 11</b> entitled “Moratorium Undertakings” of this Circular
<b>“SZS Shares”</b>	:	Has the meaning ascribed to it in <b>Section 11</b> entitled “Moratorium Undertakings” of this Circular
<b>“Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
<b>“TDRs”</b>	:	Has the meaning ascribed to it in <b>Section 9.3(f)</b> entitled “Risk Factors relating to the Restructured Group – Risks relating to the Company’s listing on the Taiwan Stock Exchange” of this Circular
<b>“TDRs Acquisition”</b>	:	Has the meaning ascribed to it in <b>Section 9.3(f)</b> entitled “Risk Factors relating to the Restructured Group – Risks relating to the Company’s listing on the Taiwan Stock Exchange” of this Circular
<b>“TW Lock-up Shares”</b>	:	Has the meaning ascribed to it in <b>Section 11</b> entitled “Moratorium Undertakings” of this Circular
<b>“TW Moratorium Undertaking”</b>	:	Has the meaning ascribed to it in <b>Section 11</b> entitled “Moratorium Undertakings” of this Circular
<b>“TW Shares”</b>	:	Has the meaning ascribed to it in <b>Section 11</b> entitled “Moratorium Undertakings” of this Circular
<b>“TWSE Application”</b>	:	Has the meaning ascribed to it in <b>Section 9.3(f)</b> entitled “Risk Factors relating to the Restructured Group – Risks relating to the Company’s listing on the Taiwan Stock Exchange” of this Circular
<b>“TWSE Concurrence”</b>	:	Has the meaning ascribed to it in <b>Section 9.3(f)</b> entitled “Risk Factors relating to the Restructured Group – Risks relating to the Company’s listing on the Taiwan Stock Exchange” of this Circular
<b>“Unpaid Consideration”</b>	:	Has the meaning ascribed to it in <b>Section A2.4(e)</b> entitled “Restructuring Exercise in respect of Xingnong Agriculture – Xingnong Group Restructuring Exercise” of Appendix A to this Circular



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## DEFINITIONS

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<b>“US”</b>	:	United States of America
<b>“Valuation Date”</b>	:	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
<b>“Vendor Undertaking”</b>	:	The deed of indemnity and undertaking executed by Wang Peng and Keen Wind in favour of the Company in relation to certain specific risks pertaining to the Xingnong Group
<b>“WP Loans”</b>	:	Has the meaning ascribed to it in <b>Section A11.2</b> entitled “Past Interested Person Transactions” of Appendix A to this Circular
<b>“Xingnong Acquisition”</b>	:	The proposed acquisition by the Company of all the issued and fully-paid shares in Great Resolute from Keen Wind, on the terms and subject to the conditions of the Agreement
<b>“Xingnong Agriculture Directors”</b>	:	The directors of Xingnong Agriculture as at the date of this Circular
<b>“Xingnong Equity Transfer Agreements”</b>	:	The equity transfer agreements entered between the Previous Xingnong Shareholders and Go National on 15 July 2019
<b>“Xingnong Group Directors”</b>	:	The GR Directors and the Xingnong Agriculture Directors
<b>“Xingnong Group Restructuring Exercise”</b>	:	Has the meaning ascribed to it in <b>Section 3.2</b> entitled “Information on the Xingnong Group” of this Circular
<b>“Xingnong Group Value”</b>	:	The average of the two (2) market values of Xingnong Group as determined by the Independent Company Appointed Valuer and the Independent Xingnong Appointed Valuer 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
<b>“Xingnong Key Management”</b>	:	The Executive Officers of the Xingnong Group as at the date of this Circular
<b>“Xingnong Orchards”</b>	:	The nine (9) orchards which are operated by Xingnong Agriculture (comprising eight (8) orchards for which Xingnong Agriculture has obtained the necessary forest use rights and the remaining orchard located on the Luzhuang 2 Land (also known as 红菱Hongling)), further details of which are set out in <b>Section A3.2</b> entitled “Principal Activities” of Appendix A to this Circular
<b>“Xingnong Undertaking”</b>	:	Has the meaning ascribed to it in <b>Section A3.15</b> entitled “Licences, Permits and Government Regulations – Indemnity and Undertakings” of Appendix A to this Circular
<b>“XN Loan”</b>	:	Has the meaning ascribed to it in <b>Section A2.4</b> entitled “Restructuring Exercise in respect of Xingnong Agriculture” of Appendix A to this Circular
<b>“Zhengzhou Fruit Research Institute Licence Agreement”</b>	:	The kiwifruit variety licence agreement dated 15 May 2019 entered between Xingnong Agriculture and Zhengzhou Fruit Research Institute
<b>“Zhengzhou Synear Guarantee”</b>	:	Has the meaning ascribed to it in <b>Section A11.2</b> entitled “Past Interested Person Transactions – Provision of corporate guarantee by Zhengzhou Synear” of Appendix A to this Circular

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## DEFINITIONS

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### **Currencies and Units of Measurement**

<b>“HK\$”</b>	: Hong Kong dollars
<b>“kg”</b>	: Kilogram
<b>“m<sup>2</sup>”</b>	: Square metre
<b>“mu”</b>	: Mu (亩)
<b>“RMB”</b>	: Renminbi
<b>“S\$” or “cent”</b>	: Singapore dollars and cents, respectively
<b>“US\$” or “US cent”</b>	: US dollars and cents, respectively
<b>“%” or “per cent”</b>	: Percentage or per centum

The terms **“Depositor”**, **“depository agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively by Section 81SF of the SFA.

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

The terms **“associate”** and **“associated company”** shall have the meanings ascribed to them respectively in the Section headed “Definitions and Interpretation” of the Listing Manual or the Fourth Schedule to the SFR (as the context may require). As used in this Circular, an **“entity at risk”** and **“interested person”** is a person falling within the meaning of the term in Paragraph 1 of the Fourth Schedule to the SFR or the Listing Manual (as the context may require).

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

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Bermuda Companies Act, SFA (and the regulations promulgated thereunder, including without limitation, the SFR) and the Listing Manual or any modification thereof and used in this Circular shall have the same meaning assigned to it under the Companies Act, the Bermuda Companies Act, SFA (and the regulations promulgated thereunder, including without limitation, the SFR) and the Listing Manual or any modification thereof.

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

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Where any word or expression is defined in this Circular, such definition shall extend to the grammatical variations and cognate expressions of such word or expression.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain Chinese names and characters, such as those of entities, properties, cities, governmental and regulatory authorities, laws and regulations and notices, have been translated into English or from English names and characters, solely for your convenience, and such translations should not be construed as representations that the English names actually represent Chinese names and characters or that the Chinese names actually represent the English names and characters.

The information on the Company’s website or Xingnong Agriculture’s website, or any website directly or indirectly linked thereto or the websites of any of their related corporations or other entities in which the Current Group or the Restructured Group may have an interest, or any website, is not incorporated by reference into this Circular and should not be relied on.

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## GLOSSARY OF TECHNICAL TERMS

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The following glossary contains explanations of certain technical terms and abbreviations used in this Circular in connection with the Company, the Dukang Group, the Xingnong Group and their respective businesses. The terms and their assigned meanings may not correspond to standard industry meanings or usages of these terms.

- “arbor”** : An axle or spindle on which the vine can revolve around
- “baijiu (白酒)”** : A category of Chinese liquor distilled from sorghum and rice
- “bearer plants” or “bearer trees”** : Kiwifruit trees located in the woodlands
- “GPS”** : Global positioning system, a satellite-based navigation system that can be utilised to provide location information
- “QR Code”** : Quick Response code, which contains a type of barcode that contains information that is readable by machines

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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All statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, Great Resolute, Xingnong Agriculture, their respective directors, key executives or employees, which are not statements of historical fact, constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", "could" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Current Group's or the Restructured Group's expected financial position, business strategy, plans and prospects are forward-looking statements and accordingly involve known and unknown risks, uncertainties and other factors that may cause the Current Group's or the Restructured Group's actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

These forward-looking statements and other matters discussed in this Circular, including but not limited to:

- revenue and profitability;
- goodwill on acquisition and associated impairment (if any);
- any expected growth;
- any expected industry trends;
- anticipated completion of proposed plans;
- expansion plans; and
- other matters that are not historical facts,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company and the Restructured Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risks, uncertainties and other factors are discussed in more detail in this Circular, in particular, but not limited to, the risk factors set out in **Section 9.3** entitled "Risk Factors relating to the Restructured Group" of this Circular.

Given the risks and uncertainties which may cause the Current Group's or the Restructured Group's actual future results, performance or achievements to be materially different from those expected, expressed or implied by forward-looking statements in this Circular, press releases and oral statements that may be made by the Company, undue reliance must not be placed on those statements.

The Company, the Current Group, Great Resolute, the Xingnong Group, the Restructured Group, their respective directors and executive officers and the Financial Adviser and Proposed Sponsor are not representing or warranting to you that the actual future results, performance or achievements of the Company, the Current Group, Great Resolute, the Xingnong Group and the Restructured Group will be as those discussed in those statements. The respective actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. Further, the Company, the Current Group, Great Resolute, the Xingnong Group, the Restructured Group and the Financial Adviser and Proposed Sponsor disclaim any responsibility for updating any of those forward-looking statements or publicly announcing any revisions to those forward looking statements to reflect their future developments, events or circumstances or to reflect any change in events, conditions or circumstances on which any such statements were based subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any regulatory or supervisory body or agency.

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## MARKET AND INDUSTRY INFORMATION

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The Company, the Current Group, Great Resolute, the Xingnong Group, the Restructured Group, and their respective directors, executive officers and employees have derived certain facts and statistics in this Circular relating to the alcohol and kiwifruit industries from various publicly-available industry, government and research publications. This Circular also includes industry data and forecasts that the Company, the Current Group, Great Resolute, the Xingnong Group, the Restructured Group and their respective directors, executive officers and employees have obtained from industry publications and surveys and reports of governmental agencies. The Company, the Current Group, Great Resolute, the Xingnong Group, the Restructured Group, and their respective directors, executive officers and employees have taken reasonable action to ensure that the facts and statistical data used in this Circular have been extracted from their respective sources in their proper form and context. However, the Company, the Current Group, Great Resolute, the Xingnong Group, the Restructured Group, and their respective directors, executive officers and employees have not verified the accuracy of the information extracted and do not make any representation as to its accuracy. None of the Company, the Current Group, Great Resolute, the Xingnong Group, the Restructured Group, and their respective directors, executive officers and employees has obtained the specific consent of these sources for the inclusion of such information in this Circular unless otherwise specified. The Company, the Current Group, Great Resolute, the Xingnong Group, the Restructured Group, and their respective directors, executive officers and employees are also not aware of any disclaimers made by these sources in relation to reliance on such information.

## EXCHANGE RATES

The consolidated financial statements of the Current Group and the Xingnong Group are prepared in RMB.

The following table sets forth, for the financial periods indicated, the exchange rate of RMB to S\$1.00, based on the average of the closing exchange rate on the last trading day of each month during each financial period and the closing exchange rate on the last trading day of the financial year. Where applicable, the exchange rates in this table are used for the Company's financial statements disclosed elsewhere in this Circular:

Period <sup>(1)</sup>	RMB / S\$1.00	
	Average <sup>(2)</sup>	Closing
FY2017	4.9065	4.8689
FY2018	4.9145	5.0462
FY2019	5.0622	5.1783
9M2020	5.0320	4.9779
1 October 2020 to the Latest Practicable Date	4.8956	4.8281

Source: Bloomberg L.P.

### Notes:

- (1) Based on the financial year end of the Xingnong Group based on 31 December.
- (2) The average exchange rates between RMB and S\$ have been calculated using the average of the exchange rates on the last day of each month during the relevant financial period.

The following table sets forth the highest and lowest exchange rates of RMB to S\$1.00 for each month for the six (6) months prior to the Latest Practicable Date. The table below indicates how much RMB can be bought with S\$1.00:

Month	RMB / S\$1.00	
	Highest	Lowest
September 2020	5.0214	4.9500
October 2020	4.9979	4.9063
November 2020	4.9325	4.8818
December 2020	4.9402	4.8819
January 2021	4.9369	4.8463
February 2021	4.8989	4.8366
March 2021 (through 17 March 2021)	4.8632	4.8281

Source: Bloomberg L.P.

As at 3 March 2021, the exchange rate was S\$1.00: RMB4.8543.

For the convenience of potential investors, certain parts of this Circular contain translations of RMB and HK\$ amounts into S\$ and vice versa. Unless otherwise specified, the exchange rates used in respect of RMB amounts were as follows:

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## EXCHANGE RATES

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### For the Xingnong Group

- (i) S\$1.00:RMB5.1783 and S\$1.00:RMB4.9779 for items in the consolidated statements of financial position for Xingnong Group as at 31 December 2019 and 30 September 2020 respectively; and
- (ii) S\$1.00:RMB5.0632 and S\$1.00:RMB5.0314 for items in the consolidated statements of comprehensive income for Xingnong Group for FY2019 and 9M2020 respectively.

### For the Dukang Group

- (i) S\$1.00:RMB5.0682 and S\$1.00:RMB4.9402 for items in the consolidated statements of financial position for Sea Will as at 30 June 2020 and 31 December 2020; and
- (ii) S\$1.00:RMB5.0820 and S\$1.00:RMB4.9765 for items in the consolidated statements of comprehensive income for Sea Will for FY2020 and 1H2021.

The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RMB amounts actually represent such S\$ amounts, or could have been, or could be, converted into S\$ at any particular rate, the rate indicated above or at all.

Bloomberg L.P. has not provided its consent for the purposes of Section 249 of the SFA, to the inclusion of the above information extracted from the relevant report published by it and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company and Great Resolute have taken reasonable actions to ensure that the relevant information has been reproduced in its proper form and context, neither the Company, Great Resolute nor any other party has conducted an independent review or verified the accuracy or completeness of such information.

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## EXCHANGE CONTROLS

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### *Singapore*

As at the Latest Practicable Date, there are no Singapore governmental laws, decrees, regulations and other legislation regarding the following:

- (i) the import or export of capital, including the availability of cash and cash equivalents for use by the Company and the Xingnong Group; and
- (ii) the remittance of dividends, interest or other payments to non-resident holders of the Company's securities.

### *Bermuda*

The Company has been designated by the Bermuda Monetary Authority as non-resident for Bermuda exchange control purposes.

Exchange control is operated under the Exchange Control Act 1972 of Bermuda (and the regulations made thereunder) and is administered by the Bermuda Monetary Authority. Generally, any payment by a person resident in Bermuda to or for the credit of a person resident outside Bermuda will require prior approval from the Bermuda Monetary Authority.

Exempted companies are normally designated non-resident for exchange control purposes and are able to conduct their day-to-day operations free of exchange control formalities. Such companies are able to pay dividends, distribute capital, open and maintain bank accounts in any foreign currency and to acquire assets and meet all liabilities without reference to the Bermuda Monetary Authority.

Issues and transfers of securities in exempted companies involving non-residents for exchange control purposes must receive prior approval from the Bermuda Monetary Authority. However, the Bermuda Monetary Authority has granted to all Bermuda companies with voting shares listed on an appointed stock exchange a general permission for the issue and subsequent transfer of any securities of such companies from and/or to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed.

### *British Virgin Islands*

As at the Latest Practicable Date, there are no exchange control regulations or currency restrictions in the British Virgin Islands.

### *Hong Kong*

There are currently no exchange control restrictions in Hong Kong.



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## EXCHANGE CONTROLS

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PRC

### Restrictions on Conversion of RMB into Foreign Currency

Pursuant to the Foreign Exchange Administration Regulations, as amended in August 2008, payments of current account items, including goods, services, earnings and frequent transfers-related foreign exchange transactions, can be made in foreign currencies without prior approval of the State Administration of Foreign Exchange (the “SAFE”) by complying with certain procedural requirements, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside the PRC, unless the prior approval of the SAFE is obtained, and prior registration with SAFE is made.

Pursuant to the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (the “SAFE Circular No. 37”), promulgated by the SAFE and which became effective on 4 July 2014, (a) a PRC resident (“**PRC Resident**”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or indirectly controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to the SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the *Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (the “SAFE Circular No. 13”), which was promulgated on 13 February 2015 and came into effect from 1 June 2015 and amended in 2019, registrations of foreign exchange under domestic and overseas direct investments are directly reviewed and handled by banks in accordance with the SAFE Circular No. 13, and the SAFE and its branches shall perform indirect regulation over the registrations of foreign exchange via banks.

However, the relevant PRC government authorities (especially the SAFE), which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign-invested enterprises to purchase and remit foreign currencies in the future.

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## INDICATIVE TIMETABLE

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The following indicative timetable assumes the approval for all resolutions proposed at the SGM is obtained:

Last date and time for lodgment of Proxy Form	: 4 May 2021, 2.30 p.m.
Date and time of SGM	: 6 May 2021, 2.30 p.m.
Expected Completion Date	: 30 June 2021

Shareholders should note that the dates above which are stated to be “expected” are indicative only and may be subject to change. Please refer to future announcement(s) by the Company on the SGXNET for the exact dates and times of these events.

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## LETTER TO SHAREHOLDERS

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### DUKANG DISTILLERS HOLDINGS LIMITED

(Incorporated in Bermuda)  
(Company Registration No. 41457)

#### Directors

Zhou Tao (*Executive Chairman and Chief Executive Officer*)  
Huo Lei (*Executive Director*)  
Calvin Tan (*Lead Independent Director*)  
Ho Teck Cheong (*Independent Director*)  
Jack Chia (*Independent Director*)  
Jia Guobiao (*Non-Executive and Non-Independent Director*)

#### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

31 March 2021

**To: The Shareholders of DUKANG DISTILLERS HOLDINGS LIMITED**

Dear Sir/Madam

- (1) **THE PROPOSED ACQUISITION OF ALL THE ISSUED AND FULLY-PAID SHARES IN GREAT RESOLUTE LIMITED 宏堅有限公司 AS A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION;**
- (2) **THE PROPOSED DISPOSAL OF ALL THE ISSUED AND FULLY-PAID SHARES IN SEA WILL INTERNATIONAL LIMITED AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION;**
- (3) **THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM “DUKANG DISTILLERS HOLDINGS LIMITED” TO “CHINA SHENSHAN ORCHARD HOLDINGS CO. LTD.” AND THE PROPOSED ADOPTION OF THE CHINESE NAME “中国神山果农控股有限公司” AS THE SECONDARY NAME OF THE COMPANY;**
- (4) **THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS OF THE COMPANY UPON COMPLETION OF THE PROPOSED TRANSACTIONS;**
- (5) **THE PROPOSED CONTINUED RE-APPOINTMENT OF THE EXISTING INDEPENDENT DIRECTORS OF THE COMPANY AS INDEPENDENT DIRECTORS;**
- (6) **THE PROPOSED TRANSFER OF THE LISTING OF THE COMPANY FROM THE MAIN BOARD TO THE CATALIST FOLLOWING THE COMPLETION OF THE PROPOSED TRANSACTIONS; AND**
- (7) **THE PROPOSED GENERAL SHARE ISSUE MANDATE**

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## LETTER TO SHAREHOLDERS

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### 1. INTRODUCTION

#### 1.1. Background

On 17 November 2018, the Company announced that it had entered into the Agreement with Keen Wind in respect of the Xingnong Acquisition and the Dukang Disposal, pursuant to which, subject to the terms and conditions of the Agreement:

- (a) the Company agreed to acquire, and Keen Wind agreed to sell, all the issued and fully-paid shares in Great Resolute held by Keen Wind, representing 100% of the issued and paid-up shares in Great Resolute; and
- (b) the Company agreed to dispose, and Keen Wind agreed to purchase, all the issued and fully-paid shares in Sea Will held by the Company, representing 100% of the issued and paid-up shares in Sea Will.

As announced by the Company on 15 November 2019 and 30 June 2020, the long-stop date of the Agreement was extended to 30 June 2020 and 31 March 2021 respectively. On 9 December 2020, the Company announced that it had entered into a supplemental agreement to, *inter alia*, further extend the long stop date of the Agreement to 30 June 2021 (or such later date as may be agreed by the Parties in writing). On 30 March 2021, the Company announced that it had entered into a supplemental agreement to, *inter alia*, further extend the long stop date of the Agreement to 30 September 2021 (or such later date as may be agreed by the Parties in writing).

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

The Xingnong Acquisition constitutes:

- (a) a "Very Substantial Acquisition" as defined under Chapter 10 of the Main Board Rules; and
- (b) an interested person transaction as defined under Chapter 9 of the Main Board Rules,

which is subject to, *inter alia*, and as the case may be, the approval of the SGX-ST and the Shareholders at the SGM to be convened.

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

Please refer to **Sections 2.1(a) and 2.1(b)** entitled "Xingnong Acquisition" and "Dukang Disposal" respectively of this Circular for further details.

In connection with the Xingnong Acquisition and the Dukang Disposal, the Company is also seeking approval from the Shareholders at the SGM for the Proposed Change of Name, the proposed appointment of the Proposed New Directors, the proposed continued re-appointment of the existing Independent Directors of the Company as Independent Directors, the Proposed Listing Transfer and the Proposed General Share Issue Mandate.

#### 1.2. Opinion of the IFA

The IFA has been appointed pursuant to Chapter 9 of the Listing Manual as well as to advise the Directors who are considered independent in relation to the Proposed Transactions as to whether each of the Xingnong Acquisition and the Dukang Disposal, as interested person transactions, is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. The IFA Letter is set out in **Appendix B** to this Circular.

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## LETTER TO SHAREHOLDERS

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### 1.3. Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information pertaining to and to explain the rationale for the Xingnong Acquisition, the Dukang Disposal, the Proposed Change of Name, the proposed appointment of Hu Chao and David Zhao as new directors of the Company upon the Completion, the proposed continued re-appointment of the existing Independent Directors of the Company as Independent Directors, the Proposed Listing Transfer and the Proposed General Share Issue Mandate, for which the approval of the Shareholders will be sought by way of special and/or ordinary resolutions at the SGM (as the case may be). Specifically, approval will be sought by way of ordinary resolution for the Xingnong Acquisition (see Ordinary Resolution 1), the Dukang Disposal (see Ordinary Resolution 2), the proposed appointment of Hu Chao and David Zhao as new directors of the Company upon Completion (see Ordinary Resolutions 3 and 4), the re-election of Mr. Tan Siok Sing, Mr. Ho Teck Cheong and Mr. Chia Seng Hee as independent directors of the Company (see Ordinary Resolutions 5, 6, 7, 8, 9 and 10) and the Proposed General Share Issue Mandate (see Ordinary Resolution 11), while approval will be sought by way of special resolution for the Proposed Change of Name (see Special Resolution 1) and the Proposed Listing Transfer (see Special Resolution 2).

**Shareholders should note that the Xingnong Acquisition is conditional, *inter alia*, upon the passing of the resolution relating to the Dukang Disposal by the Independent Shareholders, and vice versa. Shareholders should further note that certain resolutions for which approval is sought at the SGM are conditional on the passing of certain other resolutions and are advised to refer to Section 21.2 entitled “Conditionality of Resolutions” of this Circular for further details.**

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purpose.

## 2. PRINCIPAL TERMS OF THE PROPOSED TRANSACTIONS

### 2.1. 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)<sup>1</sup>. It was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*:

- (i) the market value of the Kiwifruit Business of RMB1,234,000,000 as at 30 June 2018, based on the valuations performed by the Independent Company Appointed Valuer and the Independent Xingnong Appointed Valuer;
- (ii) future revenue and growth prospects of the Xingnong Group; and
- (iii) 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 (“**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) or through the issuance or transfer of Shares.

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<sup>1</sup> 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 are traded, as quoted by Bloomberg L.P.

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## LETTER TO SHAREHOLDERS

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### (b) Dukang Disposal

The consideration for the Dukang Disposal (“**Disposal Consideration**”) is RMB1,111,000,000 (equivalent to approximately S\$220,645,000)<sup>1</sup>. It was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*:

- (i) the market value of Dukang Group of RMB1,111,000,000 as at 30 June 2018, based on an earlier desktop valuation performed by the Independent Dukang Group Valuer;
- (ii) the Dukang Group’s reported net losses for the financial year ended 30 June 2018; and
- (iii) the ongoing uncertainties of the Current Business in respect of, *inter alia*, its financial performance.

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.

### (c) Cash Top-up and Material Default

#### Cash Top-up:

In the event where the Xingnong Group Value 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: “**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.

For the purpose of the Agreement: “**Xingnong Group Value**” refers to the average of the market value of Xingnong Group as ascribed respectively by the Independent Company Appointed Valuer and the Independent Xingnong Appointed Valuer, which are determined on the same valuation bases as at the Valuation Date,

#### Material Default:

In the event that the Shortfall Amount represents more than 10% of the Acquisition Consideration, and/or the Xingnong Group 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 the Independent Dukang Group Valuer), this will be considered a material default on the part of Keen Wind and the Company will be entitled to terminate the Agreement.

The Xingnong Group Value is RMB1,573,000,000 (equivalent to approximately S\$315,000,000) (being the average of the market values of RMB1,536,000,000 and RMB1,610,000,000 ascribed respectively by the Independent Company Appointed Valuer and the Independent Xingnong Appointed Valuer) as at the Valuation Date of 30 September 2020. As it exceeds the Acquisition Consideration of RMB1,111,000,000, there will be no Cash Top-Up on Completion. The details of the JLL Xingnong Group Valuation Report and Roma Xingnong Group Valuation Report are set out in **Appendix E** and **Appendix F** of this Circular respectively.

## 2.2. Conditions Precedent

Completion of the Xingnong Acquisition and the Dukang Disposal is subject to the fulfilment (or waiver) of the following conditions precedent:

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

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## LETTER TO SHAREHOLDERS

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- (c) approval being obtained at an SGM to be convened by the Company 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 Proposed Sponsor 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 (including tax liabilities), contracts, financial condition, accounts, results, 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 current shareholders of Xingnong Agriculture and/or such other persons (as may be required by the Company and/or the Financial Adviser and Proposed Sponsor) against any and all losses which the Restructured Group may suffer or incur, directly or indirectly, in connection with or arising from matters affecting the Xingnong Group and/or the Restructured 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) in connection with the Xingnong Group Restructuring Exercise, (i) Keen Wind putting Go National in funds (such sum being free and clear) by way of a shareholder's loan<sup>2</sup> to Great Resolute and Go National to satisfy the transfer consideration payable by Go National to the Previous Xingnong Shareholders pursuant to their respective transfers of equity interests in Xingnong Agriculture to Go National, and thereafter waiving such loan<sup>3</sup> in such manner satisfactory to the Company, and (ii) any and all outstanding taxation matters arising from the Xingnong Group Restructuring Exercise having been fully resolved to the satisfaction of the Company in its sole discretion;

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<sup>2</sup> In this regard, Keen Wind will ensure Go National is funded through the following manner:

- (i) Keen Wind and Great Resolute had on 2 December 2020 entered into a loan agreement (as amended by the deed of amendment dated 29 March 2021), pursuant to which Keen Wind agreed to grant an interest-free shareholder's loan of RMB115,990,000 ("**XN Loan**") to Great Resolute, to be repaid or waived by 31 May 2021 or such other later date as may be mutually agreed; and
- (ii) Great Resolute had, in turn, on the same day entered into a loan agreement (as amended by the deed of amendment dated 29 March 2021) pursuant to which Great Resolute agreed to grant an interest-free shareholder's loan representing the same amount of the XN Loan to Go National, to be repaid or waived by 31 May 2021 or such other later date as may be mutually agreed.

The XN Loan will be disbursed directly to a bank account belonging to Go National for the purpose of effecting full settlement of the Unpaid Consideration due to the Previous Xingnong Shareholders. The proposed Financial Controller of the Restructured Group (Ho Hin Yip) and the directors of Great Resolute (Wang Peng and David Zhao) and Go National (Wang Peng) will be responsible in overseeing the disbursement of the XN Loan from the date of the Shareholders' approval being obtained by the Company for the Proposed Transactions at the SGM and in any case no later than 31 May 2021.

<sup>3</sup> Great Resolute had on 7 December 2020, entered into deeds of release and discharge (as amended by the respective deeds of amendment dated 29 March 2021) separately with Keen Wind and Go National ("**Deeds of Release and Discharge**") pursuant to which (i) Keen Wind shall irrevocably and unconditionally waive the XN Loan payable by Great Resolute to Keen Wind; and (ii) Great Resolute shall irrevocably and unconditionally waive the XN Loan payable by Go National to Great Resolute, upon the Shareholders' approval being obtained by the Company for the Proposed Transactions at the SGM (i.e. satisfaction of the Release Condition), and in any case no later than 1 June 2021. Upon settlement of the Unpaid Consideration and pursuant to the Deeds of Release and Discharge, all outstanding liabilities, obligations and undertakings owing by the Xingnong Group to Keen Wind shall be fully released and discharged.

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## LETTER TO SHAREHOLDERS

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- (j) written concurrence of the TWSE<sup>4</sup> being obtained that all the outstanding TDRs in respect of shares in the Company may remain listed on the Taiwan Stock Exchange following Completion, and if such concurrence is subject to conditions, such conditions being reasonably acceptable to the Company and if required by the TWSE, such conditions being fulfilled or satisfied before Completion, and such concurrence remaining in full force and effect;
- (k) the following undertakings each in form and substance satisfactory to the Company in its sole discretion duly executed by the relevant parties:
  - a. the deed of indemnity and undertaking executed by Wang Peng and Keen Wind in favour of the Company in relation to certain specific risks pertaining to the Xingnong Group ("**Vendor Undertaking**"). Please refer to **Section 8.3(f)** of this Circular entitled "Risk relating to the Company's listing on the Taiwan Stock Exchange", **Section A3.16** entitled "Licences, Permits and Government Regulations" and **Section A11** entitled "Interested Person Transactions" of Appendix A to this Circular for further details on the salient terms of the Vendor Undertaking;
  - b. the deed of undertaking executed by Zhengzhou Synear in favour of the Company in relation to certain specific risks pertaining to the Vendor Undertaking ("**Synear Undertaking**"). Please refer to **Section 8.3(f)** of this Circular entitled "Risk relating to the Company's listing on the Taiwan Stock Exchange", **Section A3.16** entitled "Licences, Permits and Government Regulations" and **Section A11** entitled "Interested Person Transactions" of Appendix A to this Circular for further details on the salient terms of the Synear Undertaking; and
  - c. the deed of undertaking executed by the Legal Representative of Xingnong Agriculture in favour of the Company ("**Legal Representative Undertaking**"). Please refer to **Section A3.16** entitled "Licences, Permits and Government Regulations" of this Circular for further details on the salient terms of the Legal Representative Undertaking;
- (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 and Proposed Sponsor;
- (m) the Xingnong Group having met all applicable listing requirements of the SGX-ST to the satisfaction of the Company and/or the Financial Adviser and Proposed Sponsor;
- (n) the Company remaining listed on the SGX-ST and there being no notice or proposal for the delisting of the Company;
- (o) all representations, undertakings and warranties provided by Keen Wind under the Agreement being complied with, true, accurate and correct in all material respects as at the date of the Agreement and as of the Completion Date, and Keen Wind having performed all of its obligations under the Agreement to be performed;
- (p) all representations, undertakings and warranties provided by the Company under the Agreement being complied with, true, accurate and correct in all material respects as at the date of the Agreement and as of the Completion Date, and the Company having performed all of its obligations under the Agreement to be performed;

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<sup>4</sup> According to Article 53.30 of the TWSE Operating Rules and as advised by the TWSE, the Company is required to file an application to the TWSE at least 30 business days before the effective date of transfer of its shares in its subsidiary (i.e. the Dukang Disposal) for purposes of seeking concurrence that the Company continues to meet the Listing Maintenance Conditions following the Dukang Disposal (which has to be approved by Shareholders at the SGM). In addition, the Company intends to seek formal confirmation that the TDRs will not be delisted as a result of the Proposed Listing Transfer.

The Company intends to submit the TWSE Application upon obtaining Shareholders' approval for the Proposed Transactions at the SGM. Obtaining the TWSE's concurrence for the Company's TDRs to remain listed following Completion will be a condition precedent to Completion. The Company will make an announcement via SGXNET upon obtaining written concurrence from the TWSE or on any other material developments arising thereof. Please see Section 8.3(f) entitled "Risk relating to the Company's listing on the Taiwan Stock Exchange" for details in the event the Company does not receive TWSE's concurrence and the Company waives this condition precedent with a view to proceed with Completion.



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## LETTER TO SHAREHOLDERS

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- (q) independent auditors and reporting accountants' reports from BDO Limited and BDO LLP on the Restructured Group and where necessary, the Xingnong Group, in form and substance satisfactory to the Company in its sole discretion;
- (r) a statement by the appointed independent financial adviser as to whether or not they are of the view that each of the Proposed Transactions is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders in accordance with Rule 921(4)(a) of the Main Board Rules;
- (s) an internal auditors' report from Ascenda Cachet Risk Consulting Limited on Xingnong Agriculture or, where appropriate, the Xingnong Group in form and substance satisfactory to the Company and the Financial Adviser and Proposed Sponsor 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 and Proposed Sponsor in their sole discretion;
- (t) all necessary approvals, consents or waivers by contracting third parties of Great Resolute and/or Sea Will in relation to the sale and purchase of the GR Shares and the Sea Will Shares pursuant to the Xingnong Acquisition and the Dukang Disposal respectively (including but not limited to bankers, creditors, suppliers and customers, to the extent such approvals, consents or waivers are material in the context of the sale and purchase of the GR Shares and the Sea Will Shares, respectively) being obtained or made on terms reasonably acceptable to the Parties, and all such approvals, consents or waivers remaining in full force and effect as of and including the Completion Date;
- (u) all necessary approvals, filings, exemptions or waivers by authorities in relation to the sale and purchase of the GR Shares and the Sea Will Shares pursuant to the Xingnong Acquisition and the Dukang Disposal respectively being obtained or made on terms reasonably acceptable to the Parties, and all such approvals, and filings remaining in full force and effect as of and including the Completion Date;
- (v) no Authority or court of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law, rule, regulations, judgment, decree, executive order or award having the effect of making the sale and purchase of the GR Shares and the Sea Will Shares pursuant to the Xingnong Acquisition and the Dukang Disposal respectively illegal or otherwise prohibiting consummation thereof as of and including the Completion Date; and
- (w) there not having been any time prior to or on Completion the occurrence of any of the following events, other than as required or contemplated by the sale and purchase of the GR Shares and the Sea Will Shares pursuant to the Xingnong Acquisition and the Dukang Disposal respectively:
  - (i) liquidation, bankruptcy or insolvency of Keen Wind, the Company or any of the entities of the Xingnong Group or the Dukang Group (as the case may be);
  - (ii) an injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the sale and purchase of the GR Shares and the Sea Will Shares;
  - (iii) termination of any part of the Kiwifruit Business or the Current Business (as the case may be);
  - (iv) appointment of any assignee, receiver or liquidator for any part of the assets or business of Keen Wind, the Company or any of the entities of the Xingnong Group or the Dukang Group (as the case may be); or
  - (v) attachment, sequestration, execution or seizure of any part of the assets of any of Keen Wind, the Company or any of the entities of the Xingnong Group or the Dukang Group (as the case may be).

As at the date of this Circular, the conditions precedent set out under paragraphs (a), (b), (e), (g), (k), (q), (r) and (s) above have been satisfied. The Company will make an announcement via SGXNet as and when the outstanding conditions are met.

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## LETTER TO SHAREHOLDERS

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### 2.3. Simultaneous completion and inter-conditionality of the Proposed Transactions

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

### 2.4. 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).

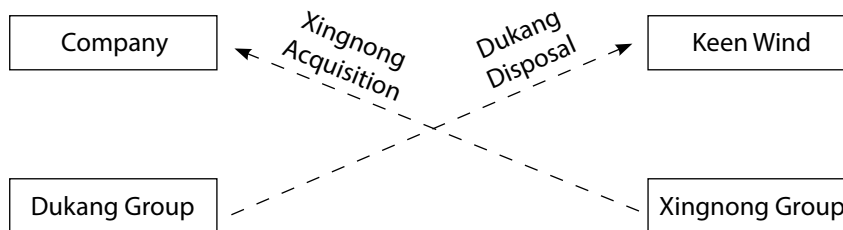
If any of the conditions precedent of the Agreement is not fulfilled or waived in accordance with the Agreement by 30 September 2021 (or such other date as may be mutually agreed in writing between the Parties), the Agreement will cease and determine and none of the Parties shall have any claim against 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.

### 2.5. Moratorium on the Shares in the Company

Pursuant to the Agreement, in connection with the Proposed Transactions, Keen Wind agreed to procure and ensure that each of Wang Peng and Treasure Winner (being the investment holding vehicle through which Wang Peng holds all his shareholding interests in the Company), each a Controlling Shareholder of the Company, 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 and Proposed Sponsor 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 and Proposed Sponsor on such Shares. Please refer to **Section 11** entitled "Moratorium Undertakings" of this Circular for further details.

### 2.6. Diagrammatic Illustration of the Proposed Transactions

For illustration purposes, please see below a diagram setting out the Xingnong Acquisition and the Dukang Disposal:



Please refer to **Section 3.2** entitled "Information on the Xingnong Group" of this Circular for a detailed illustration of the Xingnong Group, and **Section 4.2** entitled "Information on the Dukang Group" of this Circular for a detailed illustration of the Dukang Group. Please also refer to **Appendix K** of this Circular for a more detailed illustration of the Proposed Transactions.

### 2.7. 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 difficulties in meeting sales demands from distributors due to the disruptions in the production of baijiu(白酒). In particular, the implementation of emission reduction control measures has caused a high customer attrition rates in the purchase of baijiu(白酒) products. Further, the Company has experienced declining profitability and reduced demand for its baijiu (白酒) products in recent years due to the profound and lingering impact of the austerity measures and restrictions in the PRC. The economic impact of the COVID-19 pandemic is expected to exacerbate the difficulties faced by the Current Business, since baijiu(白酒) is not a food staple and the demand for it is dependent on the discretionary budget of consumers.

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## LETTER TO SHAREHOLDERS

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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. In 2016, the Board commissioned a third-party consulting and research firm to undertake a strategic review of the competitive industry landscape of the Current Business. The ensuing report highlighted that the baijiu (白酒) market had not only shrunk but was expected to decline further. The Board also commissioned a separate third-party review of future strategic options for the Company's consideration, which included the acquisition of a new business and a possible exit from the Current Business. 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 planting industry with steady revenue stream**

The Xingnong Acquisition will present the Company with an investment opportunity to enter the kiwifruit market in the PRC and to 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**

Based on the results of the Xingnong Group for FY2019 and the positive business outlook for the Xingnong Group, the Xingnong Acquisition will allow the Company to not only turn around its loss-making position, but also provide a potential for growth of the Company, which would result in an increase in investor interest and an improvement in the trading liquidity in the Shares.

**(d) Preserve listing status of the Shares**

The Company was placed on the SGX-ST watch-list pursuant to then Rule 1311(1) of the Main Board Rules with effect from 4 December 2019. The Company must take active steps to meet the requirements of Rules 1314 of the Main Board Rules within 36 months from 4 December 2019, failing which the SGX-ST would either delist the Company or suspend trading of the Company's shares with a view to delisting the Company.

In view of this, the Xingnong Acquisition would provide the Company with a new business, the Kiwifruit Business, which would enable the Company to exit the SGX-ST watch-list as well as preserve and capitalise on its listing status.

Please refer to **Section 14.2** entitled "Rationale for the Proposed Listing Transfer" of this Circular for further details.

As set out in **Section 2.1(a)** above, satisfaction of the Acquisition Consideration and the Disposal Consideration will be made 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.

### 3. XINGNONG ACQUISITION

#### 3.1. Acquisition of Great Resolute

In accordance with the terms and conditions of the Agreement, the Company will on Completion acquire the GR Shares (and not part thereof only) free from all encumbrances and with the benefit of all rights, benefits and entitlements attaching thereto as at the Completion Date and thereafter (including the right to any dividends or other distributions declared and payable thereon on or after that date).

The Xingnong Acquisition constitutes a very substantial acquisition as set out under Rule 1015 of the Main Board Rules as the relative figures computed based on Rule 1006(c) of the Main Board Rules exceed 100% with no resultant change in control of the Company. The Company will be seeking the approval of the Shareholders for, among other things, the Xingnong Acquisition at the SGM.

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## LETTER TO SHAREHOLDERS

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### 3.2. Information on the Xingnong Group

#### Great Resolute

Great Resolute is a business company limited by shares incorporated in the British Virgin Islands on 21 November 2017. The sole shareholder of Great Resolute is Keen Wind and its principal activity is investment holding. Great Resolute is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. As at the Latest Practicable Date, Great Resolute has 100 shares with a par value of US\$1.00 each, all of which are issued and fully paid-up. The directors of Great Resolute are Wang Peng and David Zhao.

#### Go National

Go National is a private company limited by shares incorporated in Hong Kong on 5 January 2018, with an issued and paid-up share capital of HK\$100 comprising 100 ordinary shares. As at the date of this Circular, Great Resolute is the legal and beneficial owner of 100% of the shares in Go National and its sole director is Wang Peng. Its principal activity is investment holding.

#### Xingnong Agriculture

Xingnong Agriculture is a limited liability enterprise (wholly foreign-owned enterprise) incorporated on 27 April 2009 in the PRC, with a paid-up registered capital of RMB115,990,000. At the date of its incorporation, its shareholders were five (5) individuals who are unrelated to the Dukang Group. In December 2011, Wang Peng, a Controlling Shareholder of the Company, became the majority shareholder of Xingnong Agriculture. Its principal activities are planting, cultivation and sales of kiwifruit in the PRC. As at the date of this Circular, Go National is the legal and beneficial owner of 100% of equity interest in the registered capital of Xingnong Agriculture, including all rights, interests and obligations related thereto. The directors of Xingnong Agriculture are Hu Chao, Shi Dongkai, Jia Guobiao, Xu Bin and Xiao Weibiao.

As at 17 November 2018 (being the date on which the Company and Keen Wind entered into the Agreement), Xingnong Agriculture was owned by five (5) individuals, namely Wang Peng (王鹏) (66.76%), Cao Pingfeng (曹平峰) (7.76%), Zhang Yuya (张玉娅) (12.52%), Zhang Feng (张锋) (6.26%), Xu Shiduo (徐士铎) (1.70%) and Kaihui Group Incorporated (凱匯集團有限公司) (5.00%) ("**Kaihui Group**")<sup>5</sup> (collectively, the "**Previous Xingnong Shareholders**").

#### *Xingnong Group Restructuring Exercise*

As a condition precedent under the Agreement, Xingnong Agriculture was required to carry out an internal group restructuring exercise ("**Xingnong Group Restructuring Exercise**"), pursuant to which the Previous Xingnong Shareholders would transfer all of the equity interests in Xingnong Agriculture to Go National.

On 15 July 2019, each of the Previous Xingnong Shareholders entered into an equity transfer agreement with Go National ("**Xingnong Equity Transfer Agreements**") in relation to the transfer of their respective equity interests in Xingnong Agriculture to Go National. On 20 October 2020 and 29 March 2021, they each entered into supplemental agreements to, *inter alia*, extend the date of payment of the consideration under the respective Xingnong Equity Transfer Agreements.

The payment of consideration by Go National to the respective Previous Xingnong Shareholders under the Xingnong Equity Transfer Agreements would be fully satisfied by the proceeds of the XN Loan granted by Great Resolute to Go National. Pursuant to the Deeds of Release and Discharge, Great Resolute shall irrevocably and unconditionally waive the XN Loan payable by Go National to Great Resolute. Please refer to **Section A2.4** entitled "Restructuring Exercise in respect of Xingnong Agriculture" of Appendix A to this Circular for further details.

As at the Latest Practicable Date, following the completion of the Xingnong Group Restructuring Exercise, the Xingnong Group comprises Great Resolute and its wholly-owned subsidiaries, namely:

- (a) Go National, an investment holding company incorporated in 2018 in Hong Kong, which is currently 100% owned by Great Resolute; and
- (b) Xingnong Agriculture, a company incorporated in the PRC, which is in turn 100% owned by Go National.

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<sup>5</sup> Kaihui Group is a business company incorporated in the BVI on 3 July 2018. Its principal activity is investment holding and its sole shareholder and director is Mr. Chow, Wing Tung (周永東), an unrelated third-party who is not a director or employee of the Xingnong Group or the Current Group.

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## LETTER TO SHAREHOLDERS

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There is no change in the direct shareholdings in Go National pursuant to the Xingnong Group Restructuring Exercise.

On 5 September 2019, the Xianning AMR issued to Xingnong Agriculture its business license which reflected that Go National's 100% shareholding in Xingnong Agriculture has been duly registered and filed on 5 September 2019.

The Xingnong Group's corporate structure as at the Latest Practicable Date is illustrated below:



For completeness of disclosure, none of the Previous Xingnong 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.

Please refer to **Section A2.4** entitled "Restructuring Exercise in respect of Xingnong Agriculture" of Appendix A to this Circular for further details.

### Kiwifruit Business

Since its establishment in April 2009, Xingnong Agriculture has been principally engaged in the business of planting, cultivating and sale of kiwifruits (also known as Chinese gooseberries) ("**Kiwifruit Business**"). As at the Latest Practicable Date, Xingnong Agriculture holds, *inter alia*, (i) the land use rights for one (1) plot of industrial land in Jianshe Road, Chimagang Office, Chibi City, Hubei Province in the PRC, spanning approximately 64,999.1 m<sup>2</sup>, on which its Office Building, Switch Board Room, Guard Room and Packing Facilities are located; (ii) the forest use rights for eight (8) plots of forest land in Chibi City, Hubei Province in the PRC, spanning in aggregate 9,805 mu (equivalent to approximately 6,536,666 m<sup>2</sup>) on which eight (8) out of the nine (9) Xingnong Orchards are located; and (iii) a lease of two (2) warehouse units at Chibi City, Chima Port Office, Chibi Avenue, Hubei Province in the PRC. As at the Latest Practicable Date, Xingnong Agriculture has completed the harvest of its kiwifruits for 2020.

Xingnong Agriculture currently produces and sells several varieties of kiwifruits, which are classified under four (4) main commercial names, namely 精灵果 Fairy Gold ("**Fairy Gold**"), 阳光金果 Sunshine Kiwi ("**Sunshine Kiwi**"), 翠玉 Jade Green ("**Jade Green**") and 红心 Red Heart ("**Red Heart**"). As at the Latest Practicable Date, kiwifruits marketed as 精灵果 Fairy Gold constituted a significant portion of Xingnong Agriculture's kiwifruit production.

Please refer to **Section A3.2** entitled "Principal Activities" of Appendix A to this Circular for further details.

### Other Business Activities

From December 2019, Xingnong Agriculture has also engaged in the ad-hoc trading of apples and oranges during the off-seasons of its Kiwifruit Business. The aforesaid trading activities are staffed by its existing employees and allow consistent utilisation of its resources (including employees) throughout the year. Such fruits are purchased from agricultural farmers and fruit wholesalers and sold to, *inter alia*, small businesses in the PRC. Revenue earned from such trading business was RMB54,000 and RMB5,038,000 in FY2019 and 9M2020 respectively, constituting only approximately 0.05% and 5.60% of the Xingnong Group's revenue for the respective financial period.

### Financial information on the Xingnong Group

Great Resolute and Go National were incorporated in 2017 and 2018, respectively. 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.

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## LETTER TO SHAREHOLDERS

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Based on the audited consolidated financial statements of Xingnong Group for FY2019 and 9M2020:

- (a) the book value and NTA<sup>6</sup> of Xingnong Group were as follows:
  - (i) approximately RMB134.6 million (equivalent to approximately S\$26.0 million) and approximately RM127.2 million (equivalent to approximately S\$24.6 million), respectively, as at 31 December 2019; and
  - (ii) approximately RMB197.4 million (equivalent to approximately S\$39.7 million) and approximately RMB190.4 million (equivalent to approximately S\$38.2 million), respectively, as at 30 September 2020; and
- (b) the net profit after tax of Xingnong Group for FY2019 was approximately RMB53.4 million (equivalent to S\$10.5 million), and the net profit after tax for 9M2020 was approximately RMB62.8 million (equivalent to S\$12.5 million), respectively.

### Market Value of Xingnong Group

In preparation of the Xingnong Acquisition and pursuant to Rule 1015(2) of the Main Board Rules, the Company has commissioned the Independent Company Appointed Valuer to undertake an independent valuation of the market value of the 100% equity interest in Xingnong Group. The Xingnong Group has commissioned the Independent Xingnong Appointed Valuer to undertake the same. Both valuations were conducted with reference to the International Valuation Standards issued by the International Valuation Standards Council.

The value of Xingnong Group was valued on the basis of “market value”, which for the purposes of the Xingnong Acquisition, is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Based on the results of the investigations and analysis outlined in the JLL Xingnong Group Valuation Report and the Roma Xingnong Group Valuation Report, the market value of the 100% equity interest in Xingnong Group as at 30 September 2020 was RMB1,536,000,000 (equivalent to approximately S\$309,000,000) and RMB1,610,000,000 (equivalent to approximately S\$323,000,000), respectively.

The market value of the 100% equity interest in Xingnong Group as at 30 September 2020 has taken into consideration the Unpaid Consideration of RMB115,990,000. In this regard, the Deeds of Release and Discharge, which were entered into on 7 December 2020, do not have any bearing on such market value as the Unpaid Consideration was still outstanding as at 30 September 2020.

For illustrative purposes only, assuming the Unpaid Consideration is fully settled with the proceeds from the XN Loan on the Valuation Date as at 30 September 2020 and excluding the impact of the resultant one-off, non-recurring item “other income” arising from the Deeds of Release and Discharge which does not relate to the general business operations of the Xingnong Group, the market value of the Xingnong Group will increase by RMB115,990,000.

The above information should be read in conjunction with the full text of this Circular, the audited consolidated financial statements for the Xingnong Group for the Period Under Review and the JLL Xingnong Group Valuation Report and Roma Xingnong Group Valuation Report as set out in Appendix E and Appendix F to this Circular.

### Profile of the Independent Company Appointed Valuer

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL CAA**”) is a fully-owned subsidiary of Jones Lang LaSalle Incorporated, a Fortune 500 company which is focused in real estate services and investment management.

JLL CAA provides business valuation as well as tangible asset valuation and advisory services in the context of fundraising, transactions and financial reporting, with core focus in China, Hong Kong and Singapore. JLL CAA is registered as a firm regulated by Royal Institution of Chartered Surveyors.

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<sup>6</sup> The NTA of Xingnong Group as at 31 December 2019 and 30 September 2020 excluded intangible assets of RMB7.4 million and RMB7.0 million respectively.

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## LETTER TO SHAREHOLDERS

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### Profile of the Independent Xingnong Appointed Valuer

Roma Appraisals Limited (“**Roma Appraisal**”) is a wholly-owned subsidiary of Roma Group Limited, a listed company on the Hong Kong Stock Exchange. Roma Appraisal is primarily engaged in the provision of valuation and technical advisory services across various industries. Roma Appraisal is accredited by the Hong Kong Institute of Surveyors and regulated by the Surveyors Registration Board in Hong Kong.

### **3.3. Information on the Vendor for the Xingnong Acquisition**

Keen Wind, being the Vendor for the Xingnong Acquisition, is an investment holding company incorporated in the British Virgin Islands.

Following the completion of the Xingnong Group Restructuring Exercise, Keen Wind’s shareholders comprise investment holding companies beneficially held by the Previous Xingnong Shareholders, none of whom is a Controlling Shareholder, Director, CEO of the Company or an associate of any such persons, save for Wang Peng who holds an indirect shareholding interest of approximately 66.76% in the total number of shares of Keen Wind through his wholly-owned investment holding vehicle, Palm Ambition Limited. The current director of Keen Wind is Wang Peng.

### **3.4. No introducer or consultant**

No introducer or consultant was engaged to assist with the Xingnong Group Restructuring Exercise by the Company and the Xingnong Group in connection with the Xingnong Acquisition.

### **3.5. Xingnong Acquisition as a “Very Substantial Acquisition” transaction**

Based on the latest announced unaudited consolidated financial statements of the Current Group for 1H2021, the relative figures for the Xingnong Acquisition computed on the bases set out under Rule 1006 of the Main Board Rules are as follows:

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative figure (%)</b>
(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 <sup>(1)</sup>
(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 <sup>(2)</sup>
(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 its latest available audited consolidated financial statements for 9M2020, amounted to RMB63.1 million (equivalent to S\$12.5 million) while the Current Group’s unaudited net loss for the full calendar year 2020 (comprising the aggregate unaudited net loss of RMB35.8 million for the 6-months period ended 30 June 2020 and RMB34.0 million for 1H2021) amounted to approximately RMB69.8 million (equivalent to S\$14.0 million). 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).

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## LETTER TO SHAREHOLDERS

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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, with his shareholding interests in the Company held through his investment holding vehicle, Treasure Winner. As such, the Xingnong Acquisition constitutes a very substantial acquisition under Rule 1015 of the Main Board Rules and shall be subject to the approval of the Shareholders.

### 3.6. Rule 1015(2) of the Main Board Rules

Under Rule 1015(2) of the Main Board Rules, for very substantial acquisitions, the target business to be acquired must be profitable and meet the requirement in Rule 210(4)(a), and the enlarged group must comply with the requirements in Rules 210(5) and 210(6). The issuer must appoint a competent and independent valuer to value the assets. The SGX-ST may approve the very substantial acquisition unconditionally or subject to condition(s), or may reject, as it thinks appropriate.

As described below, as at the Latest Practicable Date, the Company has met the above requirements:

#### (a) Xingnong Group is profitable and meets the requirement in Rule 210(4)(a) of the Main Board Rules

The Directors are of the opinion that, to the best of their knowledge and belief, the Xingnong Group is profitable and is in a healthy financial position, taking into consideration the following factors:

- (i) The Xingnong Group recorded net profits after tax of RMB62.8 million for 9M2020;
- (ii) The net current liabilities position of the Xingnong Group as at 30 September 2020 mainly arose from the Unpaid Consideration due to the Previous Xingnong Shareholders pursuant to the Xingnong Equity Transfer Agreements, which was a necessary restructuring step to facilitate the completion of the Xingnong Acquisition. Such Unpaid Consideration shall be fully settled by Go National prior to Completion, from the proceeds of the XN Loan. The XN Loan will be subsequently waived pursuant to the Deeds of Release and Discharge, pursuant to which (i) Keen Wind shall irrevocably and unconditionally waive the XN Loan payable by Great Resolute to Keen Wind; and (ii) Great Resolute shall irrevocably and unconditionally waive the XN Loan payable by Go National to Great Resolute, upon satisfaction of the Release Condition. Upon settlement of the Unpaid Consideration and pursuant to the Deeds of Release and Discharge, all outstanding liabilities, obligations and undertakings owing by the Xingnong Group to Keen Wind shall be fully released and discharged. Please refer to **Section A2.4(e)** entitled “Restructuring Exercise in respect of Xingnong Agriculture - Xingnong Group Restructuring Exercise” of Appendix A to this Circular for further details. For illustrative purposes only and assuming the Unpaid Consideration is fully settled with the proceeds from the XN Loan, and pursuant to the Deeds of Release and Discharge as at 30 September 2020, the Xingnong Group would have recorded a net current asset position of RMB105.4 million as at 30 September 2020. In the reasonable opinion of the Proposed Directors and the Proposed Sponsor, and taking into consideration the other factors stated in **Section A9** entitled “Liquidity and Capital Resources of the Restructured Group” of Appendix A to this Circular, the working capital available to the Restructured Group as at the date of this Circular is sufficient for its present requirements and for at least 12 months after Completion and (if applicable) the date of the Proposed Listing Transfer (whichever is later);
- (iii) the Xingnong Group had generated net cash flows from operating activities during the Period Under Review, except for 9M2019 and 9M2020. Such negative operating cash flows in the interim financial periods were due to seasonality effects leading to timing differences on the sale of harvested kiwifruits, and the collection of cash proceeds arising from such sales. Kiwifruits are typically harvested in the months of August to September (which fall during the interim financial periods), while sales are undertaken in the months of September to December (which fall outside the interim financial periods). Cash proceeds from such sales will be collected thereafter, within the typical credit period granted to customers of up to 45 days. Please refer to **Sections A3.3 and A3.8** entitled “Business Operation” and “Credit Management” of Appendix A to this Circular for more details. The Xingnong Group recorded trade receivables of RMB84.1 million as at 30 September 2020, on the back of revenue of RMB90.0 million mainly from the sale of the harvested kiwifruits. Most of such outstanding trade receivables were current and within their respective credit period. As at the Latest Practicable Date, all such outstanding trade receivables had been fully collected;



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## LETTER TO SHAREHOLDERS

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- (iv) as at the Latest Practicable Date, there are no debts owing to the Xingnong Group by its directors, substantial shareholders and companies controlled by the aforesaid directors and substantial shareholders; and
- (v) there is no surplus arising from revaluation of plant and equipment recorded in the financial statements of the Xingnong Group.

Please refer to **Section A6** entitled “Selected Consolidated Financial Information” of Appendix A, **Appendix C** entitled “Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020”, and **Appendix E** entitled “JLL Xingnong Group Valuation Report” to this Circular for more information.

**(b) The Restructured Group complies with the requirements in Rules 210(5) and 210(6) of the Main Board Rules**

The Restructured Group is in compliance with Rules 210(5) and 210(6) of the Main Board Rules as follows:

- (i) The Board is of the view that the directors and management of the Company following Completion have the appropriate experience and expertise to manage the Restructured Group’s business. While Hu Chao and David Zhao do not have prior experience as directors of an issuer listed on the SGX-ST, they have been briefed on the roles and responsibilities of a director of a listed company and have undertaken to attend the prescribed mandatory training as specified under Schedule 1 of Practice Note 2.3 of the Main Board Rules and if the Proposed Listing Transfer is approved, Schedule 1 of Practice Note 4D of the Catalist Rules within one (1) year from Completion.

Nothing materially adverse has come to the attention of either the Board or the Proposed Sponsor in respect of the character and integrity expected of any of the proposed directors, management and Controlling Shareholders of the Company as a listed issuer following Completion.

The Board has and will, following Completion, continue to have at least two (2) non-executive directors who are independent within the meaning set out in Rule 210(5) of the Main Board Rules and free of any material business or financial connection with the issuer.

The Board has and will, following Completion, continue to have in place its Audit Committee, Nominating Committee and Remuneration Committee, with written terms of reference which clearly set out the authority and duties of such committees.

- (ii) The Xingnong Acquisition does not involve a chain listing of a subsidiary or parent company of the Company.

**(c) The Company must appoint a competent and independent valuer to value the assets.**

In connection with the Xingnong Acquisition, the Company has commissioned the Independent Company Appointed Valuer to undertake an independent valuation of the market value of the 100% equity interest in Xingnong Group. The valuation was conducted with reference to the International Valuation Standards issued by the International Valuation Standards Council.

Please refer to **Appendix E** entitled “JLL Xingnong Group Valuation Report” of this Circular for more information.

SGX-ST’s in-principle Approval for the Proposed Acquisition

On 31 March 2021, the Company had obtained the approval in-principle of the SGX-ST for the Proposed Acquisition, subject to the following conditions:

- (a) Compliance with the SGX-ST’s listing requirements;
- (b) Shareholders’ approval being obtained for the Proposed Acquisition and for all other necessary and relevant proposals to be put forth at the forthcoming SGM;

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## LETTER TO SHAREHOLDERS

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- (c) Submission of the following documents:
  - (i) Pursuant to Main Board Rules, the moratorium undertakings in compliance with Rules 227, 228 and 229 of the Main Board Rules;
  - (ii) A written confirmation from the Financial Adviser that the signed moratorium agreements with the relevant parties pursuant to Rule 227 of the Main Board Rules, are in accordance with the requirements of Rules 228 and 229 of the Main Board Rules;
  - (iii) A written confirmation from the Company that the Proposed Acquisition will not result in a change of control of the Company;
  - (iv) A written confirmation from the Financial Adviser that the Proposed Acquisition has complied with Rule 210(4)(a) of the Main Board Rules; and
  - (v) An undertaking from Wang Peng that he will maintain his shareholding in Zhengzhou Synear and Synear until either: (1) the date on which the TDRs Acquisition is completed; or (2) the date on which the Company obtains TWSE's concurrence that all the outstanding TDRs in respect of shares in the Company may remain listed on the Taiwan Stock Exchange following Completion;
- (d) performance of a cash audit on the cash and cash equivalents as at 31 December 2020 by the Joint Reporting Accountants;
- (e) in the event that the resolution for the Proposed Listing Transfer is not carried at the SGM, the Company will appoint the financial adviser, ZICO Capital Pte Ltd, as its compliance adviser for a period of three (3) years post-Completion;
- (f) make an immediate announcement via SGXNet, of the following:-
  - (i) any material developments in relation to its application for the Land Management Certification;
  - (ii) upon obtaining the TWSE Concurrence, or on any other material developments arising thereof;
  - (iii) the results of the cash audit procedures prior to the extraordinary general meeting to be convened. Should there be any material changes to the cash and cash equivalents balance post-cash audit, an updated Circular shall be re-lodged with the Exchange and thereafter be despatched to shareholders; and
  - (vi) as and when the outstanding conditions precedents are met.

Further, the SGX-ST drew attention to Rule 712 of the Main Board Rules, which stipulates that an issuer must appoint a suitable accounting firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the accounting firm and the persons assigned to the audit, the firm's audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. The SGX-ST noted that BDO LLP and BDO Limited are currently the joint auditors of the Company. The Company is to seek the prior consent of the SGX-ST for any proposed change in the auditors of the Company or its significant subsidiaries and associated companies.

The SGX-ST noted that the Company intends to appoint JLL CAA for the valuation of the Restructured Group's biological assets post-Completion. The Company is required to seek the prior consent of the SGX-ST for any proposed change in the independent valuation firm.

The SGX-ST's in-principle approval above is not to be taken as an indication of the merits of the Proposed Acquisition, the Company and/or its subsidiaries.

## LETTER TO SHAREHOLDERS

### 3.7. Xingnong Acquisition as an “Interested Person Transaction”

#### (a) Requirements under the Main Board Rules

- (i) Chapter 9 of the Main Board Rules governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for that transaction.

Under Rule 904 of the Main Board Rules,

an “entity at risk” means:-

- (1) the listed company;
- (2) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
- (3) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (“listed group”), or the listed group and its interested person(s), has control over the associated company.

An “interested person” means:-

- (1) a director, chief executive officer or controlling shareholder of the listed company; or
- (2) an associate of any such director, chief executive officer or controlling shareholder.

The SGX-ST may deem any person or entity to be an “interested person” if the person or entity has entered into, or proposes to enter into (A) a transaction with an “entity at risk”; and (B) an agreement or arrangement with an “interested person” in connection with that transaction.

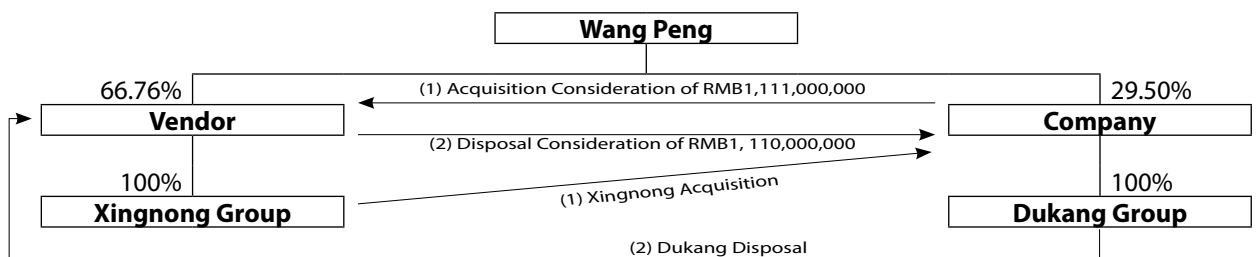
An “interested person transaction” means a transaction between an entity at risk and an interested person.

- (ii) Under Rule 906 of the Main Board Rules, Shareholders’ approval is required for an interested person transaction of a value which is equal to or greater than 5.0% of the Current Group’s latest audited NTA or when aggregated with other interested person transactions entered into during the same financial year, the value which is equal to or greater than 5.0% of the Current Group’s latest audited NTA. In obtaining such approval, pursuant to Rule 919 of the Main Board Rules, the interested person and its associates are required to abstain from voting on the resolution approving the interested person transaction.

#### (b) Details of the Interested Person

Wang Peng, who is a Controlling Shareholder of the Company, indirectly owns approximately 66.76% of the issued shares in Keen Wind, which is the Vendor for the Xingnong Acquisition and the purchaser for the Dukang Disposal. Pursuant to Chapter 9 of the Main Board Rules, 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.

Please see below diagrammatic illustration of the abovementioned interested person transactions:



#### Notes:

- (1) Wang Peng holds an indirect shareholding interest of approximately 66.76% in the Vendor (Keen Wind), through his wholly-owned investment holding vehicle, Palm Ambition Limited.
- (2) Wang Peng holds an indirect shareholding interest of approximately 29.50% in the Company, through Treasure Winner which is wholly-owned by him.

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## LETTER TO SHAREHOLDERS

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### (c) Materiality Thresholds under Chapter 9 of the Main Board Rules

Based on the audited consolidated financial statements of the Current Group for FY2020, the NTA of the Current Group was approximately RMB945.7 million (equivalent to approximately S\$186.6 million).

The Acquisition Consideration is RMB1,111,000,000 (equivalent to approximately S\$228,755,000), representing approximately 117.5% of the NTA of the Current Group as at 30 June 2020.

As the Acquisition Consideration exceeds 5.0% of the NTA of the Current Group, the Company is required to seek Shareholders' approval for the Xingnong Acquisition. Pursuant to Rule 919 of the Main Board Rules, Wang Peng and his associates are required to abstain from voting on the ordinary resolution approving the Xingnong Acquisition at the SGM.

### (d) Other interested person transactions

Save as disclosed in this Circular, from 1 July 2020 to the Latest Practicable Date, no other interested person transaction (excluding transactions with a value of less than S\$100,000) has been entered into by the Current Group in FY2021, whether with Wang Peng, his associates or otherwise.

## 4. DUKANG DISPOSAL

### 4.1. Disposal of Sea Will

In connection with the Xingnong Acquisition, under the terms of the Agreement, the Company shall on Completion sell to Keen Wind the Sea Will Shares (and not part thereof only), and Keen Wind shall purchase the Sea Will Shares free from all encumbrances and with the benefit of all rights, benefits and entitlements attaching thereto as at the Completion Date and thereafter (including the right to any dividends or other distributions declared and payable thereon on or after that date).

Keen Wind shall, on the Completion Date, be the beneficial owner of all the shares of all the companies under the Dukang Group, directly or indirectly held by the Company, as follows:-

- (a) Sea Will International Limited;
- (b) Trump Dragon Investment Limited;
- (c) Henan Zhongxin Haifu Ltd. (河南中新海富商贸有限公司);
- (d) Hugefield Holdings Limited;
- (e) Greater Fortune Investments Limited;
- (f) Henan Siwu Wine Sales Company Limited (河南四五酒业销售有限公司);
- (g) Luoyang Dukang Holdings Limited (洛阳杜康控股有限公司);
- (h) Ruyang Dukang Distillers Company Limited (汝阳杜康酿酒有限公司);
- (i) Henan Dukang Distillers Company Limited (河南杜康酒业股份有限公司);
- (j) Ruyang Siji Trading Company Limited (汝阳四季商贸有限公司);
- (k) Luoyang Dukang Sales Company Limited (洛阳杜康酒销售有限公司);
- (l) Luoyang Dukang Baiyi Wine Sales Company Limited (洛阳杜康佰亿酒业销售有限公司); and
- (m) Yichuan Dukang Jiuzu Asset Management Limited,

The Company's existing business is carried out entirely by the Dukang Group.

Accordingly, the Dukang Disposal will result in the Company entirely disposing of the Current Business. Upon Completion, the Company's business will comprise wholly of the business carried out by the Xingnong Group.

### 4.2. Information on the Dukang Group

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 published annual report for the financial year ended 30 June 2020 for further information on the present businesses and operations of the Dukang Group.

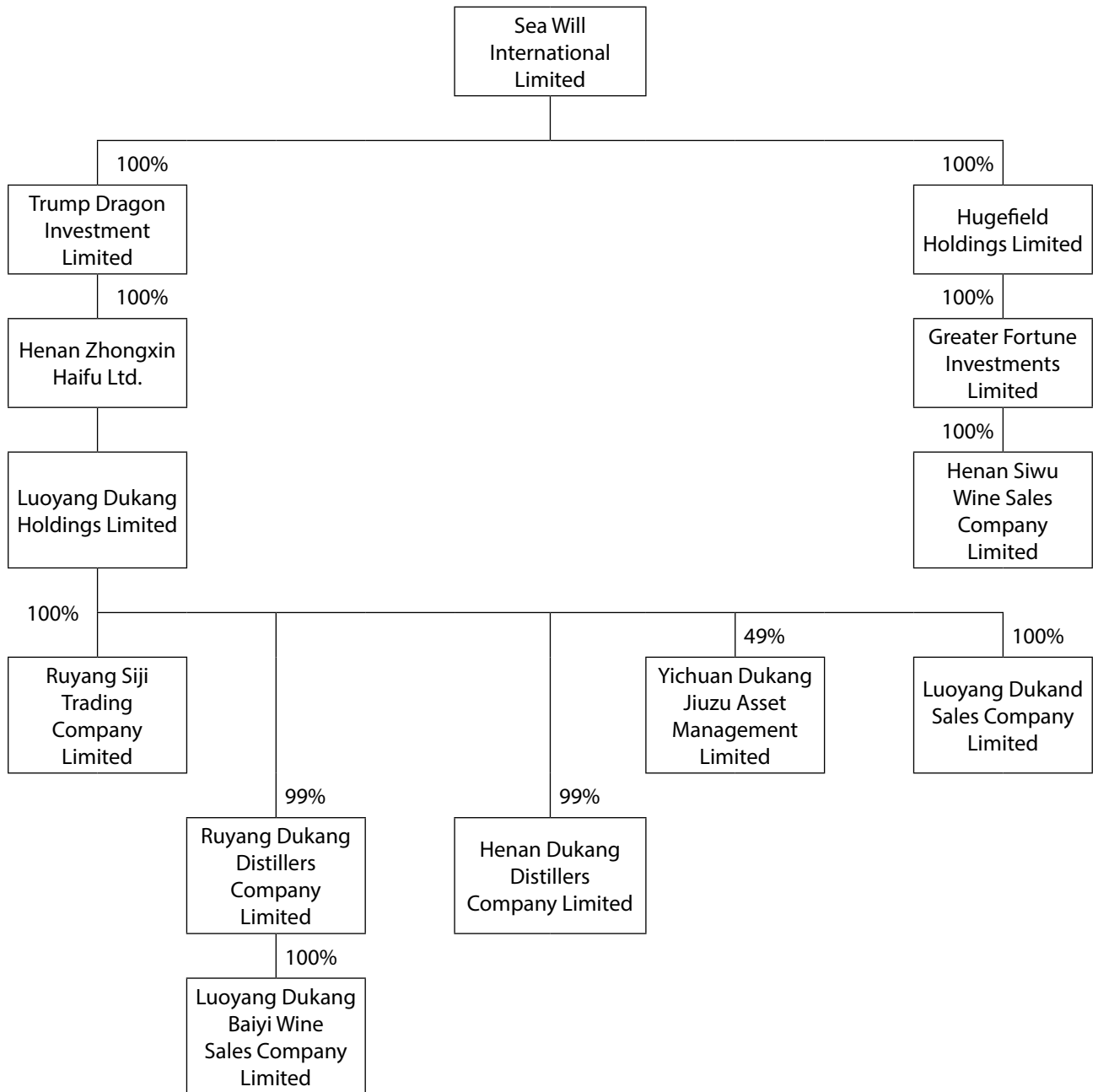
## LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, details of the entities under the Dukang Group are as follows:

Name of Disposal Entity	Country / Date of Incorporation	Issued / Registered and Paid-Up Capital	Proportionate Ownership Held by the Current Group	Principal Activity
Sea Will International Limited	British Virgin Islands / 22 January 2007	US\$10,000	100%	Investment holding
Trump Dragon Investment Limited	Hong Kong / 5 December 2003	HK\$10,000	100%	Investment holding
Henan Zhongxin Haifu Ltd. (河南中新海富商贸有限公司)	PRC / 8 May 2006	US\$45,000,000	100%	Sale and marketing of baijiu (白酒) products
Hugefield Holdings Limited	British Virgin Islands / 21 January 2009	US\$50,000	100%	Investment holding
Greater Fortune Investments Limited	Hong Kong / 5 March 2009	HK\$10,000	100%	Investment holding
Henan Siwu Wine Sales Company Limited (河南四五酒业销售有限公司)	PRC / 29 September 2009	US\$300,000	100%	Sale and marketing of baijiu (白酒) products
Luoyang Dukang Holdings Limited (洛阳杜康控股有限公司)	PRC / 24 November 2009	RMB600,000,000	100%	Investment holding
Ruyang Dukang Distillers Company Limited (汝阳杜康酿酒有限公司)	PRC / 16 November 2008	RMB165,000,000	100%	Manufacture and sale of baijiu (白酒) products
Henan Dukang Distillers Company Limited (河南杜康酒业股份有限公司)	PRC / 20 November 2003	RMB145,800,000	100%	Manufacture and sale of baijiu (白酒) products
Ruyang Siji Trading Company Limited (汝阳四季商贸有限公司)	PRC / 4 June 2009	RMB100,000	100%	Trade marks management
Luoyang Dukang Sales Company Limited (洛阳杜康酒销售有限公司)	PRC / 22 April 2010	RMB1,000,000	100%	Sale and marketing of baijiu (白酒) products
Luoyang Dukang Baiyi Wine Sales Company Limited (洛阳杜康佰亿酒业销售 有限公司)	PRC / 19 April 2013	RMB20,000,000	100%	Sale and marketing of baijiu (白酒) products
Yichuan Dukang Jiuzu Asset Management Limited (伊川杜康酒祖资产管理 有限公司)	PRC / 21 September 2009	RMB100,000	49%	Trade marks management

## LETTER TO SHAREHOLDERS

Please see below a diagrammatic illustration of the Dukang Group as at the Latest Practicable Date:



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## LETTER TO SHAREHOLDERS

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### Financial information on the Dukang Group

Based on the audited consolidated financial statements of the Current Group for FY2020 and the unaudited consolidated financial statements for the Current Group for 1H2021:

- (a) the consolidated book value/NTA of the Dukang Group was approximately RMB952.2 million (equivalent to approximately S\$187.9 million) as at 30 June 2020 and approximately RMB914.0 million (equivalent to approximately S\$185.0 million) as at 31 December 2020; and
- (b) (b) the consolidated net loss of the Dukang Group for FY2020 and 1H2021 was approximately RMB66.3 million (equivalent to approximately S\$13.0 million) and approximately RMB29.5 million (equivalent to approximately S\$5.9 million), respectively.

### Dukang Group Value

In preparation of the Dukang Disposal, the Company has commissioned the Independent Dukang Group Valuer to undertake an independent valuation of the market value of the entire equity interest in Sea Will. The Independent Dukang Group Valuation Report has been prepared and presented in accordance with the reporting guidelines set by the International Valuation Standards issued by the International Valuation Standards Council.

The Dukang Group Value was valued on the basis of “market value” in continued use or as a going concern business. For the purposes of the Dukang Disposal, “**market value**” is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Based on the results of the investigations, analysis, assumptions, limitations, reasoning and data as outlined in the Independent Dukang Group Valuation Report, the possible market value of Sea Will (before taking into consideration any transaction cost) as at 30 September 2020 was in the region of RMB991,000,000 (equivalent to approximately S\$199,000,000).

The above information should be read in conjunction with the full text of this Circular, the audited consolidated financial statements for the Current Group for FY2020 and the Independent Dukang Group Valuation Report as set out in **Appendix G** to this Circular.

### Profile of the Independent Dukang Group Valuer

LCH (Asia-Pacific) Surveyors Limited (“**LCH**”) is a firm of professional surveyors and international valuation consultants with offices/associates in Hong Kong and Beijing of the PRC. LCH provides such services for purposes of merger and acquisition, public flotation of equity interest, feasibility study, incorporation in company accounts and financial statements, statutory requirement, litigation and compensation claims, internal management reference, allocation of overall business purchase price and, fairness opinion. LCH is accredited by the Hong Kong Institute of Surveyors and regulated by the Surveyors Registration Board in Hong Kong.

### **4.3. Information on the purchaser for the Dukang Disposal**

Keen Wind is the purchaser for the Dukang Disposal. Further details on Keen Wind is set out in **Section 3.3** entitled “Information on the Vendor for the Xingnong Acquisition” of this Circular.

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## LETTER TO SHAREHOLDERS

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### 4.4. Dukang Disposal as a “Major Transaction”

Based on the latest announced unaudited consolidated financial statements of the Current Group for 1H2021, the relative figures for the Dukang Disposal computed on the bases set out in Rule 1006 of the Main Board Rules 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.	100.4 <sup>(1)</sup>
(b)	The net profits attributable to the assets disposed of, compared with the group’s net profit.	88.5 <sup>(2)</sup>
(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 <sup>(3)</sup>
(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 Dukang Group’s net asset value of RMB914.0 million (equivalent to S\$185.0 million) as at 31 December 2020 and the Current Group’s net asset value of RMB910.1 million (equivalent to approximately S\$184.2 million) as at 31 December 2020.
- (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 RMB30.0 million (equivalent to S\$6.0 million) for 1H2021 and the Current Group’s audited net loss of approximately RMB34.0 million (equivalent to S\$6.8 million) for 1H2021.
- (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 Main Board Rules and shall be subject to the approval of the Shareholders.

### 4.5. Dukang Disposal as an “Interested Person Transaction”

Please refer to **Section 3.7(a)** entitled “Xingnong Acquisition as an “Interested Person Transaction” – Requirements under the Main Board Rules” of this Circular for the requirements under the Main Board Rules specific to interested person transactions.

#### (a) Details of the Interested Person

As mentioned in **Section 3.7(b)** entitled “Xingnong Acquisition as an “Interested Person Transaction” – Details of the Interested Person” of this Circular, Keen Wind is an associate of Wang Peng and is regarded as an “interested person” and the Dukang Disposal constitutes an “interested person transaction”. The Disposal Consideration would constitute the “amount at risk” for the Dukang Disposal.

Please refer to **Section 3.7(b)** entitled “Xingnong Acquisition as an “Interested Person Transaction” – Details of the Interested Person” of this Circular for the diagrammatic illustration of the abovementioned interested person transaction.



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## LETTER TO SHAREHOLDERS

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**(b) Materiality Thresholds under Chapter 9 of the Main Board Rules**

Based on the audited consolidated financial statements of the Current Group for FY2020, the NTA of the Current Group was approximately RMB945.7 million (equivalent to approximately S\$186.6 million).

The Disposal Consideration is RMB1,111,000,000 (equivalent to S\$228,755,000), representing approximately 117.5% of the NTA of the Current Group as at 30 June 2020.

As the Disposal Consideration exceeds 5.0% of the NTA of the Current Group, the Company is required to seek Shareholders' approval for the Dukang Disposal. Pursuant to Rule 919 of the Main Board Rules, Wang Peng and his associates are required to abstain from voting on the ordinary resolution approving the Dukang Disposal at the SGM.

**(c) Other interested person transactions**

Please refer to the relevant confirmation set out in **Section 3.7(d)** entitled "Xingnong Acquisition as an "Interested Person Transaction" – Other interested person transactions" of this Circular.

**5. THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS OF THE COMPANY UPON COMPLETION**

Upon Completion and the successful appointment of the Proposed New Directors, the Board will comprise the following members:

- (a) Calvin Tan (*Non-Executive Chairman and Independent Director*)
- (b) Hu Chao (*Executive Director, and CEO and Legal Representative of Xingnong Agriculture*)
- (c) David Zhao (*Executive Director*)
- (d) Huo Lei (*Non-Executive Director*)
- (e) Ho Teck Cheong (*Independent Non-Executive Director*)
- (f) Jack Chia (*Independent Non-Executive Director*)

There will not be any change to the composition of the various Board committees. The Proposed New Directors are Hu Chao and David Zhao. Please refer to **Section 9.6** for further details of the proposed Board composition following Completion.

Further details of the Proposed New Directors can also be found in **Sections A10.2** and **Section A10.4** entitled "GR Directors" and "Xingnong Key Management", respectively, of Appendix A to this Circular.

Shareholders' approval by ordinary resolution will be sought for the appointment of the Proposed New Directors at the SGM.

**6. THE PROPOSED CONTINUED RE-APPOINTMENT OF THE EXISTING INDEPENDENT DIRECTORS OF THE COMPANY AS INDEPENDENT DIRECTORS**

As at the date of this Circular, all the Independent Directors have served on the Board for more than nine (9) years. The Nominating Committee has conducted, on an annual basis, a rigorous review to determine if these Directors remain independent and can carry out their duties objectively, taking into account the need for progressive refreshing of the Board. The Nominating Committee has reviewed the annual declarations and completed questionnaires submitted by the Independent Directors confirming their independence in accordance with prevailing corporate governance requirements. In addition, for purposes of the Proposed Transactions, the Independent Directors have each further confirmed in writing, *inter alia*, that none of them and their associates have:

- (a) any relationship with any of the existing and proposed employees of the Dukang Group and the Restructured Group;
- (b) any relationship with any of the substantial shareholders of the Company and/or Great Resolute; or
- (c) been involved in the management of any supplier or customer of the Dukang Group and the Restructured Group.

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## LETTER TO SHAREHOLDERS

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Furthermore, the Nominating Committee has observed the performance of the Independent Directors at Board and Board Committee meetings, and has no reason to doubt their independence and capability in the course of discharging their duties, particularly noting that they (i) express their views objectively and seek clarification and amplification when deemed necessary; (ii) debate issues objectively; (iii) scrutinise and challenge the management on important issues raised at meetings; and (iv) are able to bring their knowledge and judgement to bear in the discharge of their duties as Board members and committee members. In view of the foregoing, the Nominating Committee is satisfied that there are no conflicts of interest or relationship that will affect the independence of the Independent Directors.

The Nominating Committee also takes the view that a Director's independence cannot be determined solely on the basis of the length of service and as disclosed in the Company's annual report for the financial year ended 30 June 2020, after considering the aforementioned declarations of independence and completed questionnaires of independence submitted by each of the independent directors (which were updated as at the date of this Circular), as well as the circumstances set out under Listing Rule 210(5)(d) and Guideline 2.4 of the Corporate Governance Code 2012 / Principle 2.1 of the Corporate Governance Code 2018, the Board, with the concurrence of the Nominating Committee is of the view that all Independent Directors are free from any relationships outlined in the Guideline 2.4 of the Corporate Governance Code 2012 / Principle 2.1 of the Corporate Governance Code 2018, remain independent in conduct, character and in the exercise of their judgement on Board matters despite having been on the Board for more than nine (9) years. Their appointments as independent directors would be subject to approval by Shareholders at the SGM of the Company convened for purposes of the Proposed Transactions.

At the SGM, all the independent directors would be subject to Shareholders' approval by way of separate resolutions, through a two-tier vote<sup>7</sup> by (i) all Shareholders; and (ii) all Shareholders, excluding the Proposed Directors and the CEO of the Company, and their respective associates. The Board is of the opinion that it would be most effective to draw on the appropriate competencies and diversity of experience from the longer serving directors while it endeavours to concurrently take progressive steps to review and consider opportunities to refresh the composition of the Board as and when deemed required. In this respect, the Board expects to replace two (2) incumbent Independent Directors with new independent directors within five (5) months from Completion.

Please refer to Ordinary Resolutions 5, 6, 7, 8, 9 and 10 in the **Notice of SGM** for more information.

### 7. THE PROPOSED CHANGE OF FINANCIAL YEAR END

The Company's current financial year end falls on 30 June, whereas Xingnong Agriculture's financial year end falls on 31 December.

In connection with the Proposed Transactions, it is proposed that the Company change its financial year end from 30 June to 31 December in order to align the financial year end of the Company with that of Xingnong Agriculture following Completion.

The change of financial year end is subject to the approval of Shareholders for the Xingnong Acquisition and the Dukang Disposal. Upon such change, it is expected that the first financial period of the Restructured Group will be from 1 July 2020 to 31 December 2021.

The Company will make further announcements to update Shareholders of the change of financial year end as may be necessary from time to time.

### 8. FINANCIAL EFFECTS OF THE XINGNONG ACQUISITION AND THE DUKANG DISPOSAL

#### 8.1. 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 based on (i) the latest audited consolidated financial statements of the Current Group for FY2020 and (ii) the unaudited *pro forma* consolidated financial statements of the Restructured Group for financial year ended 30 June 2020, and taking into account that the Xingnong Acquisition and the Dukang Disposal are inter-conditional and will be completed concurrently.

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<sup>7</sup> Pursuant to Listing Rule 210(5)(d)(iii)

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## LETTER TO SHAREHOLDERS

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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 Restructured Group.

For the purposes of illustrating and computing the pro forma financial effects of the Proposed Transactions, the following key assumptions were adopted:

- (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 2019;
- (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 2020;
- (e) the financial effects have taken into account the full settlement of the Unpaid Consideration from the proceeds of the XN Loan, as well as the waiver of the XN Loan pursuant to the Deeds of Release and Discharge, assuming Completion was on 30 June 2020;
- (f) the financial effects do not take into account any potential impact on the profit or loss or net assets of the Restructured Group arising from fair value adjustments as a result of acquisition accounting;
- (g) no adjustments have been made to account for the different financial year-ends for the Company and the Xingnong Group;
- (h) necessary adjustments were made to account for estimated professional fees and transaction costs incurred by the Company in connection with the Proposed Transactions; and
- (i) corporate expenses of the Company for FY2020 have been retained and included in this computation.

### 8.2. Share Capital

As there will be no issue of new 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.

	Before the Proposed Transactions	After the Proposed Transactions
Number of Shares ('000)	79,829	79,829
Share Capital (RMB'000)	279,499	279,499

### 8.3. (Loss) / Earnings per Share

	Before the Proposed Transactions	After the Proposed Transactions
(Loss) / Earnings after tax attributable to Shareholders (RMB'000)	(73,934)	35,087
Weighted average number of shares in the Company	79,828,927	79,828,927
(LPS) / EPS (RMB)	(0.93)	0.44

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## LETTER TO SHAREHOLDERS

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### 8.4. NTA<sup>(1)</sup>

	Before the Proposed Transactions	After the Proposed Transactions
NTA attributable to the owners of the Company (RMB'000)	945,737	289,245
Number of issued shares in the Company	79,828,927	79,828,927
NTA per share (RMB)	11.85	3.62

**Note:**

- (1) Based on the carrying values of the respective assets or liabilities being considered. NTA is based on the consolidated total equity after deduction of intangible assets, as the case may be.

### 8.5. Gearing<sup>(1)(2)</sup>

	Before the Proposed Transactions	After the Proposed Transactions
Net debt (RMB'000)	2,010	1,546 <sup>(4)</sup>
Shareholders' equity ('000)	945,737	296,285
Gearing (times)	Not meaningful <sup>(3)</sup>	0.01

**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 (with the exclusion of the Unpaid Consideration as further elaborated in footnote (4) below), less cash and cash equivalents.
- (3) Gearing was less than 0.01 times.
- (4) Excludes the Unpaid Consideration which amounted to RMB115.99 million. The Unpaid Consideration, which was a necessary restructuring step to facilitate the completion of the Xingnong Acquisition, will be repaid by Go National prior to Completion, from the proceeds of the XN Loan. The XN Loan will be subsequently waived pursuant to the Deeds of Release and Discharge. Please refer to **Section A2.4(e)** entitled "Restructuring Exercise in respect of Xingnong Agriculture – Xingnong Group Restructuring Exercise" of Appendix A to this Circular for further details.

## 9. THE RESTRUCTURED GROUP

### 9.1. Information on the Restructured Group

As at the Latest Practicable Date, the Current Group is principally engaged in the Current Business. Subject to the approval of the Shareholders being obtained at the SGM and following the Completion of the Proposed Transactions, the business of the Restructured Group will be that of the Xingnong Group, mainly the Kiwifruit Business.

**Appendix A** to this Circular sets out salient information on the Xingnong Group.

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## LETTER TO SHAREHOLDERS

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### 9.2. Restructured Group Structure after Completion of the Proposed Transactions

Following Completion, Great Resolute will become a wholly-owned subsidiary of the Company and the Restructured Group structure will be as set out below:



### 9.3. Risk Factors relating to the Restructured Group

An investment in the Shares following the completion of the Proposed Transactions involves a number of risks some of which could be substantial, including market, liquidity, credit, operational, legal and regulatory risks relating to the Restructured Group.

Shareholders should evaluate carefully the information set out in this **Section 9.3** of this Circular (collectively, “**Risk Factors**”), and the other information in this Circular before deciding on the Xingnong Acquisition and the Dukang Disposal and how to cast their votes at the SGM. Shareholders should consider the Risk Factors in light of your own investment objectives, risk appetite and financial circumstances. If you are in any doubt as to the action that you should take, you should consult your legal, financial, tax or other professional adviser immediately. You are responsible for your own investment choices.

The Risk Factors are not the only risks which the Restructured Group will face and/or the Xingnong Group currently faces. Some risks are not yet known to the Current Group, Keen Wind and/or the Xingnong Group, and there may be others which they currently believe are not material but may subsequently turn out to be so. Factors that affect the price of Shares may change and the Risk Factors should not be construed as a comprehensive listing of all the risk factors and the listing is not set out in any particular order.

To the best of the knowledge and belief of the Directors, all Risk Factors which are material to Shareholders in making an informed judgment of the Xingnong Group, the Proposed Transactions and the Restructured Group have been set out in this Circular.

Following Completion, if any of the Risk Factors develops into actual events, the financial position, results, cash flow, performance, business operations and prospects of the Restructured Group could be, directly or indirectly, materially and adversely affected. In the event that any of the foregoing occurs, the trading price of the Shares could fluctuate and/or decline and Shareholders may lose all or part of their investment in the Shares.

This Circular also contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results could differ materially from those anticipated or implied in these forward-looking statements as a result of certain Risk Factors.

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## LETTER TO SHAREHOLDERS

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(a) **Risks relating to the Business and Operations of the Restructured Group**

**The Restructured Group is susceptible to risks arising from concentration on a single product, namely kiwifruits, and in the PRC.**

Following Completion, the Restructured Group's business will comprise mainly the Kiwifruit Business and will be undertaken in the PRC. Such concentration on a single product and in one country may entail a higher level of risk as compared to companies with a more diverse range of businesses and/or products and/or operations across various geographies.

As the Company's earnings will depend entirely on the continued strength and performance of the Xingnong Group and the Kiwifruit Business in the PRC, the Restructured Group is directly and materially exposed to risks relating to the regulatory, economic and social conditions faced by the Kiwifruit Business and the general industry and business conditions in the PRC, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group. In particular, in the event of a prolonged downturn in economic conditions and discretionary consumer spending in the PRC, the Xingnong Group's prospects, results of operations, and financial performance and position may be adversely and materially affected. The market value of the Xingnong Orchards and the outlook of the Kiwifruit Business may also be adversely affected by changes in the local real estate land-use and agricultural conditions, as well as the regulatory framework in the PRC.

**The Restructured Group's financial results may fluctuate due to increases or decreases in the fair value less costs to sell of the Xingnong Group's kiwifruits**

Pursuant to the International Accounting Standard 41 ("IAS 41"), the Xingnong Group recognises its agricultural produce, being the harvested kiwifruits, as biological assets. Such harvested kiwifruits are measured at their fair value less costs to sell at the point of their harvest, as assessed by an independent valuer appointed by Xingnong Agriculture. In accordance with IAS 41, the Xingnong Group recognises changes in fair value of its biological assets less costs to sell of its biological assets as a gain or loss (as applicable) in its consolidated statements of comprehensive income.

Based on the Xingnong Group's audited consolidated financial statements, the Xingnong Group recognised gains arising from changes in fair value less costs to sell of biological assets of approximately RMB80.7 million and RMB89.5 million for FY2019 and 9M2020, respectively. The fair value less costs to sell of its biological assets may fluctuate further in the future, and such historical results should not be regarded as an indicator of the future gains to be recognised by the Restructured Group following Completion. Any decrease in the fair value less costs to sell of its biological assets could have a material adverse effect on the Restructured Group's profitability, overall financial condition and results of operations.

**The financial performance of the Xingnong Group may be affected by fluctuations in its costs of production (including fluctuations in the prices and availability of key raw materials)**

The Xingnong Group is exposed to fluctuations in the prices of the raw materials and other supplies, as well as the price of energy used in its production process, which are subject to global as well as regional supply and demand conditions. The key raw materials required for the Xingnong Group's operations include fertiliser, kiwi pollen and pesticides. These key raw materials accounted for 52.4%, 61.1%, 51.7% and 19.5% of the total purchases of the Xingnong Group in FY2017, FY2018, FY2019 and 9M2020 respectively. The Xingnong Group also depends on third parties for all of its other key raw materials such as packaging materials, the prices and availability of which may be affected by factors such as changes in global demand and supply for these materials, availability of other substitute products, operational and kiwifruit cultivation requirements of the Xingnong Group, the state of the global economy, environmental regulations, tariffs, natural disasters, forest fires, weather conditions and labour unrest. Any significant fluctuation in the prices and availability of such materials may result in a corresponding fluctuation in the cost of sales for the Restructured Group, which may in turn adversely affect the business, financial condition, results of operations and prospects of the Restructured Group.

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## LETTER TO SHAREHOLDERS

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In addition, increases in utility prices such as the price of water and electricity could increase the production costs of the Xingnong Group. The Xingnong Group's ability to pass on any increase in the prices of raw materials and utilities to its customers may be limited by competitive pressures. There is no assurance that the Xingnong Group will be able to raise the prices of its products sufficiently to cover the increased costs of its raw materials and utilities or overcome the supply disruptions of quality raw materials. If the Xingnong Group is unable to pass on such increase in costs to its customers or find alternative sources for such materials at competitive prices, the Xingnong Group's profitability could decline and consequently, the business, financial condition and results of operations of the Restructured Group could be materially and adversely affected.

**The Restructured Group is exposed to risks of natural disasters and adverse weather conditions affecting the Xingnong Orchards, and social and political unrest and other events beyond the Xingnong Group's control**

The Xingnong Group's kiwifruits are cultivated and grown in the Xingnong Orchards located in Chibi City, Hubei Province in the PRC, with an annual harvest which occurs during the months of September to October. The annual harvest and supply of kiwifruits is vulnerable to the occurrence of natural disasters and unfavourable and adverse weather conditions such as droughts, forest fires, floods, earthquakes and hailstorms, windstorms affecting the Xingnong Orchards. Any such occurrence in or in close proximity to the Xingnong Orchards could result in damages to properties, loss of crops or costly delays in harvesting the kiwifruits. In such event, the Xingnong Group may incur losses from the destruction or loss of crops. Further, the Xingnong Group may also be unable to fulfil advanced orders placed by their customers and may be exposed to claims from such customers arising from the delay in the delivery of their orders.

While such seasonal fluctuations in weather conditions do occur during the summer season in the PRC (between the months of June to August) during the cultivation schedule (please see **Section A3.3** entitled "Business Operations" of Appendix A to this Circular for more information), the Xingnong Group has increasingly relied on hybridised variants of kiwifruits which are more resistant to fluctuations in weather conditions, in order to mitigate such weather risks, as well as cold storage technology in its Packing Facilities to prolong the shelf life of the harvested kiwifruits. However, there is no assurance that such weather risks can be accurately predicted, will not worsen and/or will not materially affect the Xingnong Orchards, the quality or the annual harvest of kiwifruits, and should any of such events occur, the Kiwifruit Business may be adversely affected and this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

The Xingnong Group's business and operations may also be affected by macroeconomic factors, such as general economic conditions, market sentiment and consumer confidence in the PRC, social and political unrest, regulatory, fiscal and other governmental policies, all of which are beyond the Xingnong Group's control. There may also be terrorist attacks or other acts of violence which may materially and adversely affect the global financial markets and business and consumer confidence, thus leading to a decrease in consumer spending. Any such events may cause damage or disruption to the Xingnong Group's business, markets, customers and suppliers, any of which could materially and adversely affect the Xingnong Group's business, prospects, financial condition and results of operations.

**The Restructured Group is exposed to risks in respect of the COVID-19 pandemic and any other outbreaks of any contagious or virulent diseases**

The Xingnong Group's business has been and may continue to be adversely affected by the COVID-19 pandemic (coronavirus disease) and from time to time, the spread or outbreak of any contagious or virulent diseases, such as SARS (severe acute respiratory syndrome), H1N1 (swine) flu, avian flu (including the H5N1 and H7N9 strains), the Ebola virus or other similar events.

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## LETTER TO SHAREHOLDERS

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At the height of the COVID-19 pandemic outbreak in the PRC which began in early 2020, travel restrictions were implemented and there was an extended delay and/or suspension of some business activities in the PRC. In particular, the central government of PRC imposed a lockdown in Wuhan and other cities in the Hubei province, where the Xingnong Orchards are located on 23 January 2020 in an effort to combat and curb the spread of COVID-19. Travel and movement restrictions were imposed, and all non-essential companies and businesses were ordered to cease operations. On 25 March 2020, Hubei province lifted the lockdown, even as certain health monitoring procedures remained in place. Businesses were allowed to resume operations, after seeking the necessary approvals from the relevant governmental authorities. As a result of the said lockdown, the Xingnong Group faced minor disruptions to its plantation operations during the first quarter of 2020, where it experienced delays in fertilisation and other ancillary cultivation processes at the Xingnong Orchards. These resulted in the Xingnong Group recording a lower than expected growth in its kiwifruit harvest yield for the 2020 harvest.

Notwithstanding the COVID-19 pandemic outbreak, the Xingnong Group's financial performance and business operations were largely unaffected, and its kiwifruit harvest yield increased from 3,186 tonnes in the 2019 harvest to 3,394 tonnes in the 2020 harvest due to the following key reasons:

- (a) the continued development, maturity and increasing yield of the existing kiwifruit bearer plants in the Xingnong Orchards, as these plants and vines were still being tended to throughout the lockdown period, as further elaborated below; and
- (b) the Kiwifruit Business was, during the aforementioned lockdown period, and continues to be considered an essential business as it is primarily involved in the cultivation and production of domestic agricultural produce. Furthermore, the Xingnong Orchards are located in Chibi City, which is not densely populated and is relatively less urbanised than the major cities in the Hubei Province. The relevant governmental authorities had therefore not considered Chibi City as a "high-risk pandemic area", and key operations in respect of the Kiwifruit Business were allowed to continue during the lockdown period, with only slight delays in fertilisation and other ancillary cultivation processes due to the implementation and enforcement of health and safety measures.

The COVID-19 pandemic and the various measures implemented by governments and authorities globally to curb the spread and resurgence of COVID-19 are evolving, and there is no comprehensive solution to ensure full containment of the COVID-19 pandemic at this juncture. Therefore, there is no assurance that the Xingnong Group will continue to be able to manage the impact of the COVID-19 pandemic on its business, operations and financial condition effectively in the future.

In the event that any of the Xingnong Group's employees or any of the employees of the Xingnong Group's customers or suppliers are infected with such communicable diseases, the Xingnong Group, its customers or its suppliers may be required to shut down all or part of its and/or their operations to prevent the spread of the disease. Such events may cause disruptions in the Xingnong Group's production and operations and which may result in delays in delivering the Xingnong Group's products and services in a timely manner, which may lead to a loss of revenue and profitability and consequently, have a material and adverse effect on business, prospects, financial condition and results of operations. The prolonged shut down of all or part of the Xingnong Group's operations may also result in the deterioration of its inventory of harvested kiwifruit, which has a limited shelf life. The occurrence of any such health epidemic or virus outbreak may also result in an adverse impact on the overall economic and market conditions, business sentiment and consumer spending in the market. As a result, the Xingnong Group's customers may choose to postpone, terminate or reduce any orders of its products and services. In such events, the Xingnong Group's business, financial condition and results of operations may be adversely affected, which would consequently, have a negative impact on the Restructured Group.



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## LETTER TO SHAREHOLDERS

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In addition, such outbreaks or other epidemics or pandemics could potentially disrupt the Restructured Group's ability to maintain normal operations and provide uninterrupted services to its customers, especially in the event that the Xingnong Orchards and Packing Facilities in the Hubei Province comes under a lockdown, travel and public transportation restrictions are imposed, and prolonged closures of workplaces are implemented, in an effort to curb the spread of the highly infectious epidemic or pandemic diseases. As a result, there may be disruptions to the harvest and transportation of the kiwifruits and the Packing Facilities may be temporarily shut down. Moreover, supply of raw materials and productivity of the employees may be adversely affected. Consequently, the delivery of kiwifruits to customers may be delayed, resulting in the lower than expected sales of kiwifruits, which might adversely affect the Restructured Group's profitability and cash flows. Such outbreak also poses risks to the wellbeing of the employees and raises concerns over workplace safety, which may materially and adversely affect the Restructured Group's business operations. Please refer to the risk factor below entitled "Any recurrence of the global financial crisis and economic downturn of 2008 and 2009, and the evolving COVID-19 pandemic could materially and adversely affect the Restructured Group's business, financial condition, results of operation and prospects" for more details.

### **The Xingnong Orchards may be adversely affected by pests or biological diseases**

The Xingnong Orchards are susceptible to pests and biological diseases. The outbreak of leaf-eating insects such as nettle caterpillars and bagworms is common in farming lands with single crop cultivation. Any outbreak of pest infestation and biological diseases may result in low yield, damaged or loss of crops, which may have a negative impact on the business operations and financial performance of the Xingnong Group. In addition, the Xingnong Group may have to incur additional expenditure to control or eradicate such outbreaks.

Since the commencement of its business, the Xingnong Group has not experienced any outbreaks of pest infestation or biological diseases that has had a significant impact on its operations. To ensure the viability of the crops against such outbreaks, the Xingnong Group has developed and cultivated hybrid variants of kiwifruits which are less susceptible to pest infestation and biological diseases. However, there can be no assurance that such hybrid variants will remain unsusceptible to any future pest infestation and biological diseases and/or that there will be no major outbreaks of pest infestation or biological diseases in the future that could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

A severe outbreak of biological diseases and/or pest infestation in the Xingnong Orchards may result in poor yields during the annual harvest of kiwifruits, damaged crops, the deployment of additional resources to remove and/or prune the affected bearer plants, and additional costs incurred in the application of biological agents to control the spread of such biological diseases or infestation. This will result in a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

### **Any significant or prolonged disruption in the supply of utilities or an outbreak of fire or other calamities at the Packing Facilities may result in disruption in operations and damaged kiwifruits**

The Xingnong Group faces several operational risks at its Packing Facilities where packing and storage operations of its harvested kiwifruits are carried out. Any prolonged and/or significant downtime arising from major and unexpected repairs or maintenance or mechanical failure of any of the machinery and/or equipment may materially affect the Xingnong Group's ability to properly pack and/or store its harvested kiwifruits. As kiwifruits are perishable goods with a finite shelf life, failure to carry out proper packing and/or storage of kiwifruits in appropriate conditions on a timely basis upon harvest could lead to diminished product quality or fruit loss.

In January 2016, during a daily inventory and quality inspection, it was discovered that some of the kiwifruits in one of the rooms within the Xingnong Group's cold storage facility had quality defects. Upon further investigation, it was found that the refrigeration system had broken down and caused a discrepancy between the temperature of the cold storage room displayed on the system and the room's actual temperature. The lower than optimal ambient temperature resulted in 267,908 kilograms of kiwifruits becoming frozen and non-saleable. Consequently, inventory amounting to approximately RMB 5.4 million was written off. While Xingnong Agriculture had taken steps including but not limited to instituting periodic checks every two (2) hours on the (i) temperature and humidity; (ii) inlet and outlet pressure and temperature; (iii) liquid refrigerant, oil, coolant levels; (iv) coolant pump fan; and (v) current and voltage levels of each cold storage facility system in its Packing Facilities, to prevent such a recurrence, there can be no assurance that the cold storage facility will continue to maintain full functionality with no future breakdowns. Please refer to **Section A3.5** entitled "Quality Assurance – Storage of kiwifruits" of Appendix A to this Circular for more details.

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## LETTER TO SHAREHOLDERS

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The Packing Facilities are also subject to a number of risks, such as fires, floods, explosions, natural disasters, third-party interference, war, terrorism, communal unrest and is dependent on a continuous supply of utilities such as electricity and water. This could lead to significant disruption to the Xingnong Group's operations or result in significant damage to its Packing Facilities or inventories. In the event of a shortage or disruption of utilities, operations within the Packing Facilities may be adversely impacted and may be halted. Any disruption to the supply of electricity and/or water or any outbreak of fire or similar calamities at the Packing Facilities may result in the breakdown of electrical and infrastructure systems, such as the cold storage facility, which will in turn lead to kiwifruit deterioration or loss of inventories. This could adversely affect the Xingnong Group's ability to fulfill their sales orders and consequently, this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

**As the Xingnong Group's sole operating subsidiary is located in the PRC and is therefore subject to PRC laws and regulations, the operations and profitability of the Xingnong Group may be affected by changes in government policies, laws or regulations, and non-renewal of and/or inability to obtain or maintain the relevant regulatory permits and licences required for the Kiwifruit Business**

Pursuant to prevailing PRC laws and regulations, the sole operating subsidiary of the Xingnong Group, is required to hold and maintain various regulatory licences, approvals and permits issued by various PRC government authorities and regulatory agencies for the conduct of its business in the PRC. For more information, see **Section A3.15** entitled "Licences, Permits and Government Regulations" of Appendix A to this Circular.

In the ordinary course of business, the Xingnong Group is required to obtain or undertake the renewal of various licences and permits from time to time. There is no assurance that Xingnong Agriculture will be able to obtain new licences and permits or renew all necessary licences and permits as required by PRC laws and regulations in light of its business scope in the future in a timely manner or at all or that it will not be subject to suspension, withdrawal or termination of its licenses and permits due to non-fulfilment of certain requisite conditions. Any loss of, or failure to obtain or secure renewal of, a required licence or permit, could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

These licences and permits are generally subject to a variety of conditions which are either stipulated within the licences and permits themselves, or under the particular legislation and/or regulations governing the issuing authorities. The continuation of these licences and permits may be subject to annual examinations and/or random inspections by the relevant authorities to ensure that Xingnong Agriculture's premises comply with all relevant regulations of the issuing authority. The failure by Xingnong Agriculture to comply with the necessary obligations and/or fulfil certain stipulated conditions may result in the inability to renew licences and permits as they expire and/or subject Xingnong Agriculture, to amongst others, suspension, withdrawal or termination of the relevant licences and permits, financial penalties or the cessation of operations, as the case may be.

In addition, if the Xingnong Group or its employees are found to be in breach of any applicable laws, rules, regulations or conditions of such licences and permits, the relevant government or regulatory authority may take action against the Xingnong Group, such as issuing warnings, imposing penalties, suspending or reducing the term of the licences and permits, imposing additional conditions or restrictions and/or revoking the licences and permits. If the Xingnong Group is unable to obtain, maintain or renew any of the licences or permits for its operations in the PRC, it may have to suspend its operations for the Kiwifruit Business, which would also materially and adversely affect the Restructured Group's business, prospects, financial condition and results of operations.

In particular, Xingnong Agriculture has not obtained certain permits and licences, such as the forest/land use rights as elaborated further below.

Forest/land use right in respect of Luzhuang 2 Land (also known as 红菱Hongling)

Currently, the business and operations of the Xingnong Group are located in the PRC and are subject to regulations in relation to land use and occupation, particularly with respect to its forest use rights, which consist of the rights to use the trees, the rights to use the forest land, and the rights to own the trees.

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## LETTER TO SHAREHOLDERS

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The Xingnong Group's forest/land use rights are critical to its operations as such forest/land use rights must be obtained in order to exploit the forests on which the Xingnong Orchards are located. The PRC practises a socialist public ownership system of lands, including forest lands, which means that ownership of the lands is collectively held by the whole people or collective ownership by the working people in the PRC. Land collectively owned by peasants is collectively owned by the village peasants according to PRC laws, and the land is operated and managed by a village collective economic organization or the village committee. However, the forest use rights thereon can be transferred or leased to entities or individuals in accordance with PRC laws.

The forest use rights certificates are generally subject to a term of 30 to 70 years, and the term of Xingnong Group's forest use rights certificates is 50 years. There is no assurance that the Xingnong Group can renew the existing forest use rights certificates upon expiry, or that they will always obtain or maintain the forest use rights certificates due to the continued development of PRC forestry policies.

The Xingnong Group did not manage to obtain the land use right certificates to secure valid land use rights over 630.5 mu (equivalent to 420,333 m<sup>2</sup>) of the land in Luzhuang Village, Chimagang Office, Chibi City ("**Luzhuang 2 Land**") (also known as 红菱Hongling), of which one (1) of the nine (9) Xingnong Orchards is located and forms approximately 6.0% of the total acreage of the Xingnong Orchards with a carrying value of RMB8.6 million as at 30 September 2020. The production volume of kiwifruits from the Luzhuang 2 Land was approximately 11.3% to 13.5% of total production volume of the Xingnong Orchards in the Period Under Review. This was because the usage classification of the Luzhuang 2 Land (also known as 红菱Hongling) was unclear and the local government authorities were unable to provide further clarity on the nature of such land. As at the Latest Practicable Date, as advised by the relevant government authorities and as an alternative to obtaining the forest use rights certificate, Xingnong Agriculture has applied to the Chibi Real Estate Registration Centre (赤壁市不动产登记中心) for the certification of land management rights in respect of the Luzhuang 2 Land (also known as 红菱Hongling), in order to obtain an official confirmation on the usage of the Luzhuang 2 Land (also known as 红菱Hongling) and the accompanying land use rights ("**Land Management Certification**"). Based on the written confirmation issued by the Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) dated 21 August 2020, the Bureau confirmed that there are no legal obstacles to the registration procedures for such application. As at the Latest Practicable Date, the application for the Land Management Certification is still pending approval, and there is no assurance that the Xingnong Group will be able to obtain the Land Management Certification on a timely basis, if at all.

Based on the written confirmation issued by the Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) dated 21 August 2020 and the written confirmation issued by the Chibi Forestry Bureau (赤壁市林业局) dated 28 August 2020, the aforementioned Bureaus also confirmed that as at the date of the confirmations, no penalties have been imposed by them, and there will be no future penalties imposed on Xingnong Agriculture in respect of Xingnong Agriculture's existing contractual arrangements over the Luzhuang 2 Land (also known as 红菱Hongling). Based on the aforementioned written confirmations, it is further confirmed that the use and occupation of the land by Xingnong Agriculture is in compliance with PRC laws and Xingnong Agriculture has the right to possess, use and benefit from the land and its agricultural products and other fixtures.

Please refer to **Section A3.12** entitled "Material Properties and Fixed Assets" of Appendix A to this Circular for more details.

In the event that the Xingnong Group is able to obtain the Land Management Certification, the continued validity of such certification may also be subject to periodic examinations and/or random inspections by the relevant authorities to ensure that the Luzhuang 2 Land (also known as 红菱Hongling) complies with all relevant regulations of the issuing authority. Any breach or material non-compliance with the regulations of the issuing authorities may result in suspension, withdrawal or termination of the Land Management Certification and the accompanying land use rights over the Luzhuang 2 Land (also known as 红菱Hongling).

Without such forest/land use rights, the Xingnong Group will not be able to commercially exploit any of its forest assets, particularly the kiwifruit trees located on the Xingnong Orchards. Consequently, this may have a material adverse effect on the Kiwifruit Business, which could then have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

In spite of the foregoing, there is also no assurance that the legislation and regulations or the implementation and/or application thereof, will not change, be amended or be subject to stricter enforcement in the future.

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## LETTER TO SHAREHOLDERS

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### Ownership and lease of rural and suburban agricultural land

The legal framework and the administrative and registration system for rural and suburban agricultural land in the PRC lack a uniform title system and are not as developed as the framework and system installed for urban land. Under the laws and regulations in the PRC, it is required for contractual arrangements in respect of forest land in the PRC to be registered with the relevant land administrative authorities.

Accordingly, significant regulatory changes in the PRC, including but not limited to, changes in government policies, applicable legislation and regulations in relation to forest and/or land use rights and other aspects of the Kiwifruit Business cannot be reasonably anticipated and could result in consequences which would materially and adversely affect the business, financial condition, financial performance, results of operations and prospects of the Xingnong Group. These consequences include, but are not limited to, additional cost arising from increased compliance activities and restrictions to the scale and scope of the Xingnong Group's operations, the extent of which cannot be predicted. Such material adverse effect on the Kiwifruit Business could then have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

### **The Xingnong Group holds uncertified forest/land use rights, the rights to which may be the subject of disputes**

The forest use rights in respect of the forest lands can be transferred or leased to entities or individuals in accordance with PRC laws. The Xingnong Group does not own the title to the land and forest lands but has, instead, contracted the land for management for the purposes of cultivation and forestry and has been granted usage right of the forest land according to the forest use agreements entered into by the Xingnong Group and the relevant villagers' committees and the relevant forest use rights certificates.

Due to the number of individual villagers and difficulty in tracing every individual villager, there could be disputes and/or claims over the failure, perceived or otherwise, by the relevant villagers' assemblies in seeking the relevant approvals and authorisations from the individual villagers prior to the entry into the respective forest use agreements with the Xingnong Group. Accordingly, there is no assurance that individual villagers will not challenge the authority of their respective villagers' assemblies. For example, in 2014, a group of villagers of Luzhuang Village, Chimagang Office, Chibi City filed a contractual claim to Chibi People's Court, Hubei Province against its village committee and Xingnong Agriculture in relation to the interests and forest/land use rights of the land owned by Luzhuang Village, on the grounds that they were not informed of the transfer of forest/land use rights to Xingnong Agriculture and that the contract period was in violation of the PRC laws. This claim was subsequently withdrawn by the claimants. In the event that any of the villagers' committees is found not to have the valid authority to execute the relevant forest/land use agreements and/or the forest/land use right certificates, such agreements and/or certificates may be invalidated, and the Xingnong Group may no longer have the right to use the relevant land for the Kiwifruit Business, which could then have a material adverse effect on the reputation, business, financial condition, results of operations and prospects of the Restructured Group.

Please also see the above risk factor entitled "As the Xingnong Group's sole operating subsidiary is located in the PRC and is therefore subject to PRC laws and regulations, the operations and profitability of the Xingnong Group may be affected by changes in government policies, laws or regulations, and non-renewal of and/or inability to obtain or maintain the relevant regulatory permits and licences required for the Kiwifruit Business" on the lack of land use right certificates and consequently, the absence of valid forest/land use rights over the Luzhuang 2 Land (also known as 红菱Hongling). There is also no assurance that the aforementioned forest use agreements entered into by the Xingnong Group will not be rendered invalid on the basis that there is no clear indication on the usage classification of the Luzhuang 2 Land (also known as 红菱Hongling), as referred to in the abovementioned risk factor.

Without such forest/land use rights, the Xingnong Group will not be able to commercially exploit the kiwifruit bearer plants located in the Xingnong Orchards. Consequently, this may have a material adverse effect on the Kiwifruit Business, which could then have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

Please refer to **Section A3.12** entitled "Material Properties and Fixed Assets" of Appendix A to this Circular for more details.

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## LETTER TO SHAREHOLDERS

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The proposals for land contracting operations involving the interests of the villagers shall be conducted upon discussion and decision of the villagers' assemblies and all forest/land use agreements must be approved by the resolution of the respective village assemblies in order to take effect. Based on the written confirmation provided by each of the relevant villagers' committees<sup>8</sup> and town governments ("**Committees and Governments Confirmations**"), the forest/land use agreements that were respectively entered into with Xingnong Agriculture were approved by the relevant villagers' assemblies<sup>9</sup> by way of resolution and the necessary ratification steps had been taken to ensure that the relevant villagers have no objection to such forest/land use agreements. In view of the foregoing and the Committees and Governments Confirmations, Jingtian is of the opinion that the risk of the forest/land use agreements which Xingnong Agriculture has entered into being invalidated due to a lack of approval by the respective villagers' assemblies is remote.

### **Failure to comply with environmental regulations could adversely affect the operating results, financial condition and reputation of the Xingnong Group**

The Xingnong Group is required to comply with the applicable environmental protection, health and safety laws and regulations of the PRC. Some of these regulations govern (i) the conducting of environmental impact assessment and the obtaining of relevant approvals prior to construction of buildings and the environmental inspection by the relevant competent authorities upon completion of construction; and (ii) the level of fees payable to government entities providing environmental protection services and the prescribed standards relating to the discharge of effluent. The PRC laws and regulations relating to the discharge of effluent require the Xingnong Group to adopt measures to effectively control and properly dispose of waste gases, waste water, industrial waste, dust and other environmental waste materials. Pursuant to the Agricultural Product Quality Safety Law of the PRC, it is prohibited to discharge or dump waste water, waste gas, solid waste or other poisonous and harmful substances to a place of origin of agricultural products, and the performance of such would be in violation of the relevant law or regulation. The water used for agricultural production and the solid waste used as fertilizers shall meet the criteria of the relevant state provisions. Chemical products such as chemical fertilizers, pesticides, veterinary drugs and agricultural films, shall be used in a reasonable way by producers of agricultural products, to prevent such chemical products from polluting the producing areas of agricultural products.

The Xingnong Group's principal environmental concern relates to the discharge of effluent resulting from land and forest clearance for plantation development and its principal social concern relates to possible conflicts with local communities around the agriculture farming land of the Xingnong Group located in Chibi City, Hubei Province in the PRC. Although the Xingnong Group has installed water treatment systems and adopted the necessary measures to control the disposal of waste gases, waste water and other environmental waste materials and also to reduce the environmental impact of any waste discharge, there is no assurance that these measures will continue to be sufficient in the future. Any environmental claims or the failure to comply with any present or future regulations could result in the imposition of fines or the suspension or cessation of the Xingnong Group's operations.

In the event that environmental laws, regulations or government policies are amended and more stringent requirements are imposed, the Xingnong Group may incur significantly increased costs and expenses and need to allocate additional resources to comply with such requirements.

In the course of its operations, the Xingnong Group may have unknowingly emitted pollutants or otherwise caused environmental damage or been in breach of applicable environmental laws and regulations. Even with a combination of knowledge and careful and regular monitoring, such environmental issues may remain until they are brought to its attention. Any failure to comply with environmental laws and regulations may lead to claims, liabilities or the suspension of the operations of the Xingnong Group, and thereby materially and adversely the business, financial condition, results of operations and prospects of the Restructured Group.

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8 Pursuant to the relevant PRC laws, a villagers' committee comprises grassroots members elected by villagers of a village, who are responsible for, *inter alia*, managing the land and other properties collectively owned by the villagers in the village.

9 Pursuant to the relevant PRC laws, a villagers' assembly comprises all villagers who are 18 years old and above in a village. A villagers' assembly will vote on key decisions proposed at a villagers' meeting, including but not limited to the election of members of the villagers' committee.

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## LETTER TO SHAREHOLDERS

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Where the Xingnong Group fails to comply with any of the relevant environmental laws and regulations, depending on the type and severity of any violation, the Xingnong Group may be subject to, among other things, warnings from relevant authorities, imposition of fines and/or criminal liability, stop-orders being imposed on its business operations and the suspension and/or revocation of relevant permits of the Xingnong Group. As a result, the reputation of the Xingnong Group may be adversely affected and the business, financial condition, results of operations and prospects of the Restructured Group could be materially and adversely affected. In addition, although the Xingnong Group has not been the subject of any sanctions, investigations, penalties, or had their licences and/or permits revoked as a result of breaches or failures to comply with the current relevant environmental laws and regulations as at the Latest Practicable Date, as these laws and regulations and the enforcement thereof are becoming increasingly stringent, there can be no assurance that the Xingnong Group will not incur significant costs to comply with such laws and regulations in the future.

### **The Xingnong Group may be exposed to complaints and/or claims from consumers and negative publicity about food safety in the PRC**

The Xingnong Group may be the subject of complaints or legal and regulatory proceedings, whether valid or alleged, from consumers with regard to the quality of the kiwifruits it produces. The Xingnong Group may also be affected by factors such as negative publicity resulting from the publication of industry findings, research reports or health concerns concerning food safety of agricultural produce from the PRC in general. Such complaints and negative publicity may lead to a loss of consumer confidence, reduction in the demand of the kiwifruits, thereby resulting in a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group. While the Xingnong Group has not received any material complaint and/or claims from consumers with respect to the quality of its kiwifruits, there is no assurance that such complaint and/or claims will not arise in the future.

In the event the kiwifruits are found to be unfit for consumption or detrimental to health as a consequence of contamination or negligence, resulting in illnesses or deaths of any persons, the Xingnong Group may be subject to product liability and compensation claims. Furthermore, some of these product liability and compensation claims may escalate into lawsuits against the Xingnong Group, which may deplete the Xingnong Group's financial resources, and consume the management's time and attention. The corporate and brand image of the Xingnong Group will consequentially be adversely affected. In the event any lawsuits are brought against the Xingnong Group pursuant to any of the aforementioned matters, this could have a material adverse effect on the reputation, business, financial condition, results of operations and prospects of the Restructured Group.

### **The Xingnong Group may face risks associated with contamination or deterioration of the kiwifruits and may be exposed to product liability claims**

The contamination or deterioration of the kiwifruits, whether actual or alleged, deliberate or accidental, could adversely affect the reputation and business of the Xingnong Group. A risk of contamination or deterioration exists during each stage of the Xingnong Group's production cycle, including cross-breeding or hybridisation, cultivation, harvesting, packing, stocking and delivery of the kiwifruits, as well as the storage of the kiwifruits at the Packing Facilities. Any such contamination or deterioration could result in damaged kiwifruits, a recall of the kiwifruits, expose the Xingnong Group to product liability and compensation claims and restrict the Xingnong Group's ability to sell the kiwifruits. This would consequently have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

Contaminated or deteriorated kiwifruits may result from tampering by unauthorised third parties or product contamination, including of the exposure of kiwifruits to foreign contaminants, chemicals, substances or other agents or residues during the various stages of the harvesting, production, packing, transportation and storage processes.

While the Xingnong Group has in place appropriate quality control systems and are subject to government inspections and regulations, there is no assurance that the consumption of the kiwifruits will not cause health-related illnesses as a result of contamination or degeneration of such kiwifruits or that the Xingnong Group will not be subject to claims or lawsuits relating to such matters. In instances where some of these product liability claims escalate into lawsuits against the Xingnong Group, such litigation will draw on resources including time and money. Furthermore, the corporate and brand reputation of the Xingnong Group as well as the Kiwifruit Business may be adversely affected.

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## LETTER TO SHAREHOLDERS

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In addition, the Xingnong Group does not presently maintain any product liability insurance. Notwithstanding that as at the Latest Practicable Date, there has been no material litigation brought against the Xingnong Group in relation to product liability claims since its inception, there is no assurance that there will not be any such litigation brought against the Xingnong Group in the future. Furthermore, even if a product liability claim is unsuccessful or is not fully pursued, the ensuing negative publicity surrounding the Xingnong Group and/or its kiwifruits could adversely affect its reputation. This could have a material adverse effect on the reputation, business, financial condition, results of operations and prospects of the Restructured Group. For further information, please refer to **Section A3.14** entitled "Insurance" of Appendix A to this Circular.

### **The continued growth and success of the Xingnong Group are largely dependent on its experienced management team**

The success of the Xingnong Group is attributable to, *inter alia*, the expertise and experience of the key management personnel of the Xingnong Group, in particular the Xingnong Key Management (including Hu Chao and Xiao Weibiao), David Zhao, who is an existing GR Director, a Proposed New Director of the Company and a proposed new director of Xingnong Agriculture, and Wang Peng, who is an existing GR Director, each of whom has accumulated years of experience and expertise with the operating companies and in the fruit cultivation and planting industry, and would be difficult to replace. The loss of any of the aforesaid persons, in particular, Hu Chao, without timely and suitable replacement may materially and adversely affect the operations and expansion plans of the Restructured Group. As at the Latest Practicable Date, the Xingnong Group has not obtained any key person insurance in respect of any of the Xingnong Key Management and does not intend to obtain the same for David Zhao and Wang Peng.

The Board believes the continued growth and success of the Restructured Group will largely depend on its ability to attract, retain and motivate skilled, qualified and experienced managerial, sales, technical and production personnel and to train its staff to cultivate, produce and to sell the kiwifruits successfully. If the Restructured Group is unable to attract, retain and motivate highly skilled, qualified and experienced personnel, the Restructured Group's business, financial condition, results of operations and prospects may be materially and adversely affected. Please refer to **Sections A10.2 and A10.4** entitled "GR Directors" and "Xingnong Key Management" of Appendix A to this Circular for more details on the qualifications and working experience of the directors and management team of the Xingnong Group.

### **The operational activities of the Xingnong Group are dependent upon availability of a pool of labour force with varied skillsets and expertise, and may be adversely affected by work stoppages and other labour relations matters**

The planting, cultivating and harvesting activities at the Xingnong Orchards, and the packing and storing of the harvested kiwifruits at the Packing Facilities of the Xingnong Group are labour-intensive and are dependent on the availability of a large pool of labour force with varied skillsets and expertise. Shortage of labour, inefficient labour management or any labour disputes may result in disruption of its business operations and/or increased labour costs, which may in turn cause the Kiwifruit Business to be adversely affected, thus resulting in a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group. Please refer to the risk factor below entitled "The Xingnong Group is exposed to rising labour costs" for further details.

The Xingnong Group generally has a good working relationship with its employees and has not experienced any material work stoppages, strikes or other labour issues in the past. However, there is no assurance that work stoppages, strikes or other labour issues will not arise in the future. If the Xingnong Group's employees were to engage in strikes or other forms of work stoppages, the Xingnong Group could experience a significant disruption of operations and/or incur higher ongoing labour costs, which may have a material adverse impact on the Kiwifruit Business and consequently, the business, financial condition, results of operations and prospects of the Restructured Group.

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## LETTER TO SHAREHOLDERS

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### **The Xingnong Group is dependent on temporary labour for planting, maintenance and production processes**

The Xingnong Group through third-party recruitment agents will from time to time, engage temporary workers to augment its existing work force at the Xingnong Orchards and Packing Facilities, especially during the annual harvest season where increased workload is expected, to carry out certain aspects of the planting, maintenance and packing processes. Please refer to **Section A3.11** entitled “Employees” of Appendix A to this Circular for more details on the temporary workers engaged by the Xingnong Group. While the Xingnong Group has to-date not experienced difficulties in obtaining the required temporary labour, there can be no assurance that the Xingnong Group can continue to secure and engage sufficient temporary labour on a timely basis to support its planting, maintenance and production processes or obtain such temporary labour at acceptable costs. In the event that the Xingnong Group is unable to secure sufficient temporary labour or to do so at acceptable costs, its ability to harvest and process the kiwifruits may be adversely affected and accordingly, the Kiwifruit Business and the business, financial condition, results of operations and prospects of the Restructured Group may be adversely affected.

### **The Xingnong Group is exposed to rising labour costs**

The total labour costs accounted for approximately 23.8%, 27.7%, 27.4% and 30.7% of the total expenses of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020 respectively. The Xingnong Group has observed an overall tightening of the labour market and increase in labour costs in the PRC in recent years and expects such increase to continue in the near future. The continued growth of the Kiwifruit Business and the increasingly competitive industry landscape in the PRC will result in an increased exposure by the Xingnong Group to rising labour costs, as the Xingnong Group continues to attract and retain qualified and experienced employees. Any increases in such labour costs may also impact the packing costs of the kiwifruits. The Xingnong Group may not be able to pass on these increased costs to consumers by increasing the selling prices of the kiwifruits, considering the various competitive pressures in the markets where the kiwifruits are distributed and sold. In such circumstances, the profit margin of the Xingnong Group may decrease and the business, financial condition, results of operations and prospects of the Restructured Group may be materially and adversely affected.

### **The Xingnong Group faces competition from both foreign and local producers**

The fruit planting and cultivation industry, and specifically the kiwifruits produce market, in the PRC is highly fragmented, involving a large number of small-scale growers comprising farmers and villagers with self-owned farms producing other types of vegetables and fruits in addition to kiwifruits. The Xingnong Group also faces competition from foreign kiwifruit producers such as those from New Zealand, Chile and Italy. With the PRC's accession to the World Trade Organization, import tariffs of agricultural products may be lowered, and the related import quotas and restrictions may be eliminated, thereby resulting in a further increase in competition from local and overseas fruit producers in general. Any unexpected price fluctuation in agricultural products may also affect the market value of the Xingnong Group and could also result in a material adverse effect on the Kiwifruit Business.

Please refer to **Section A4** entitled “Competition and Competitive Strengths” of Appendix A to this Circular for more details.

Certain competitors of the Xingnong Group may have substantially greater financial, technical, research and development, marketing, distribution and other resources. Additionally, a change in the competitive landscape in the PRC including but not limited to, the number of competitors, level of marketing or investment undertaken by its competitors, its competitors' pricing policies, foreign exchange rates, an increase in the volume of competing products, the introduction of competing products into the markets where the Xingnong Group distributes or sells the kiwifruits, or other changes in the operating environment in such markets could cause a reduction in demand for kiwifruits and in the market share of the Xingnong Group, and could consequently lead to a decline in its revenue and an increase in its marketing or investment expenditures, which could have a material adverse effect on the Kiwifruit Business.



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## LETTER TO SHAREHOLDERS

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There is no assurance that the Xingnong Group will be able to compete successfully with its competitors in the future. Unless the Xingnong Group is able to stay ahead in the face of progressively increasing competition from local and foreign producers, the business, financial condition, results of operations and prospects of the Restructured Group will be materially and adversely affected.

**The Xingnong Group is subject to certain risks associated with the transportation and delivery of the kiwifruits**

The Xingnong Group engages third-party transportation companies to deliver the kiwifruits from the Packing Facilities to its retailers and wholesalers in the PRC, and the Xingnong Group relies on these third-party transportation companies to deliver the kiwifruits safely with minimal damage and in accordance with its delivery timelines. However, there is no assurance that these third-party transportation companies will always deliver the kiwifruits according to the Xingnong Group's requirements. If any unforeseen events beyond its control occur during transportation, such as poor handling resulting in damage to the kiwifruits, transportation bottlenecks, natural disasters or labour strikes, the delivery services could be suspended or disrupted, which could in turn interrupt the supply, quality and the timely delivery of the kiwifruits to the customers of the Xingnong Group. If the kiwifruits are not delivered on time or are damaged during their transportation and delivery, the Kiwifruit Business may be materially and adversely affected, which could result in a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

In addition, if a substantial number of these third-party transportation companies increase their transportation charges as a result of, *inter alia*, vehicle or manpower shortages or a spike in demand for similar services, the transportation costs of the Xingnong Group will increase accordingly and to the extent such increased costs cannot be passed to its customers, the business, financial condition, results of operations and prospects of the Restructured Group will be materially and adversely affected.

**Any failure to invest in and undertake continued research and development programs may adversely affect the Xingnong Group's cost competitiveness and ability to develop new variants of kiwifruits**

There is no assurance that the Xingnong Group can continue to keep pace with changing consumer tastes and preferences, as well as the evolving nature of kiwifruit cultivation and production. The technology and expertise required for its business and operations will continue to evolve, particularly in the field of biotechnology. Any failure by the Xingnong Group to invest in and undertake continued research and development programs and/or any failure of such programs in yielding tangible results, could have a material bearing on its ability to compete efficiently and effectively, its cost competitiveness, ability to develop new variants of kiwifruits and the consequential quality of the kiwifruits (for instance, in terms of production yield or resistance to new or evolving biological diseases), and could also impact the sales and profitability of the Kiwifruit Business, thus resulting in a material adverse impact on the business, financial condition, results of operations and prospects of the Restructured Group.

**The success of the Xingnong Group depends to a large extent on its intellectual property rights and plant variety rights and failure to protect such intellectual property rights and plant variety rights may materially and adversely affect its ability to compete or enforce its intellectual property rights and plant variety rights**

The trade marks, patents and copyrights of the Xingnong Group are critical to its business. All of the Xingnong Group's trade marks and patents relate to its kiwifruit branding, kiwifruit varieties, as well as the kiwifruit planting, cultivation and hybridisation processes. Please refer to **Section A3.13** entitled "Intellectual Property, Licensing Rights and Plant Variety Rights" of Appendix A to this Circular for more information on the Xingnong Group's intellectual property rights. There is no assurance that the Xingnong Group can renew its intellectual property rights upon their expiry. In the event that the Xingnong Group is unable to do so, its business and financial performance may be adversely affected.

Furthermore, as at the Latest Practicable Date, the Xingnong Group has some trade marks, patents, plant variety rights and other intellectual property rights that are pending registration. Please refer to **Section A3.13** entitled "Intellectual Property, Licensing Rights and Plant Variety Rights" of Appendix A to this Circular for further information. There is no assurance that the Xingnong Group will successfully secure the registration for such trade marks, patents, plant variety rights and other intellectual property rights. In the event that the Xingnong Group is unable to do so, its business and financial performance may be adversely affected.

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## LETTER TO SHAREHOLDERS

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The Xingnong Group seeks to protect its proprietary technology, trade marks, kiwifruit cultivation processes, documentation and other written materials primarily through intellectual property laws and contractual restrictions. The Xingnong Group also requires employees and external consultants with access to its proprietary information to enter into confidentiality agreements. However, there can be no assurance that these measures are effective, or that infringement of the intellectual property rights of the Xingnong Group by other parties does not exist now or will not occur in the future. In addition, the intellectual property rights of the Xingnong Group may not be adequately protected because:

- other parties may still misappropriate, copy or reverse engineer its technologies despite the internal governance processes of the Xingnong Group or the existence of laws or contracts prohibiting it;
- policing unauthorised use of the intellectual property of the Xingnong Group may be difficult, expensive and time-consuming, and the Xingnong Group may be unable to determine the extent of any unauthorised use; and
- enforcement of intellectual property laws in the PRC may be slow and difficult in light of the application of such laws and the uncertainties associated with the PRC legal system.

Reverse engineering, unauthorised copying or other misappropriation of the proprietary technologies of the Xingnong Group may enable third parties to benefit from its technologies without any prior consent or providing the Xingnong Group with appropriate compensation. Any inability of the Xingnong Group to adequately protect and enforce its proprietary rights may have a material adverse impact on its ability to compete, to generate revenue and to grow the Kiwifruit Business.

To protect and enforce its intellectual property rights, the Xingnong Group may file suits against parties whom they believe are infringing upon its intellectual property rights. Such litigation may be costly and may divert management attention and other resources away from its business. In certain situations, the Xingnong Group may have to bring lawsuits in foreign jurisdictions, in which case the Xingnong Group may be subject to additional risks as to the result of the proceedings and the amount of damages that can be recovered. In addition, the Xingnong Group has no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent the Xingnong Group is unable to recover them from other parties.

In addition, the success of the Xingnong Group depends largely on its ability to use and develop its proprietary rights and know-how without infringing the intellectual property rights of third parties. While the Xingnong Group attempts to ensure that its intellectual property and similar proprietary rights are protected when entering into business relationships, third parties may also take actions that could materially and adversely affect such rights or the value of its intellectual property, similar proprietary rights or reputation. There can be no assurance that the Xingnong Group will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to its planting, cultivation and hybridisation technology and know-how involves complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defence and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of the technical and management personnel of the Xingnong Group. An adverse determination in any such litigation or proceeding to which the Xingnong Group is a party of may subject the Xingnong Group to significant liabilities to third parties, require the Xingnong Group to seek licences from third parties, pay ongoing royalties, employ alternative methods of cultivation and harvesting of kiwifruits, or subject the Xingnong Group to injunctions prohibiting the sale of the kiwifruits, or the utilisation of certain know-hows. Protracted litigations may also result in customers or potential customers of the Xingnong Group deferring or limiting their purchase of the kiwifruits distributed and sold by the Xingnong Group until the resolution of such litigations. In such events, the business, financial condition, results of operations and prospects of the Restructured Group could be materially and adversely affected.

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## LETTER TO SHAREHOLDERS

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### **The Xingnong Group relies on the plant variety rights licensed from a third party**

The Xingnong Group relies on plant variety rights licensed from third parties for the cultivation of some of its kiwifruits. As at the Latest Practicable Date, the Xingnong Group has successfully obtained the exclusive perpetual licensing rights over the plant variety rights for the planting, cultivation and sale in the PRC (excluding Hong Kong, Macao and Taiwan) of the "楚源 11-48" (or "炎农一号 (Yannong No. 1)") kiwifruit variety, which is commercially marketed as "精灵果 Fairy Gold", and the non-exclusive licensing rights over the plant variety rights for the planting, cultivation and sale of the "红贝" kiwifruit variety, which is commercially marketed as "红心 Red Heart". The Xingnong Group has also obtained (i) the non-exclusive licensing rights over the plant variety rights for the "CY-38" (or "炎农三号 (Yannong No. 3)") kiwifruit variety from 30 July 2018 to 2 January 2038; and (ii) the non-exclusive perpetual licensing rights over the plant variety rights for the "YH-67" kiwifruit variety, for testing purposes. Please refer to **Section A3.13** entitled "Intellectual Property, Licensing Rights and Plant Variety Rights" of Appendix A to this Circular for further details on such licensing and plant variety rights.

There is no assurance that the necessary licensing rights over such plant variety rights for the abovementioned kiwifruit varieties can be obtained on acceptable terms, or at all. If the Xingnong Group fails to renew its existing kiwifruit variety licence agreements on acceptable terms or if such agreements are terminated, the Xingnong Group will not have access to the relevant plant variety rights and may not be able to cultivate kiwi fruits which are comparable to the standard, specification and quality of kiwifruits that it currently cultivates, which it believes are critical to the continued success of the Xingnong Group's business and operations. Seeking alternative licensing rights for other kiwifruit breeds and/or varieties may be costly, challenging and time-consuming, and the Xingnong Group may not be successful in finding suitable alternatives. Failure to obtain and/or maintain the right to use the relevant plant variety rights from third parties, or to be able to use such plant variety rights on commercially reasonable terms, may affect the quality of kiwifruits cultivated, which may have a material adverse impact on the Xingnong Group's financial condition and operating results.

The value of Xingnong Group's licensing rights is also dependent on the terms of protection for the underlying plant variety rights. Under the PRC laws, plant variety rights enjoy a 20-year term of protection commencing from the date of grant. Please see **Appendix H** entitled "Summary of PRC Laws and Regulations" to this Circular for more details on the applicable PRC laws and regulations in relation to plant variety rights. Upon expiry of the term of protection, the plant variety rights may be used freely by third parties. For example, the term of protection over the plant variety rights for the "楚源 11-48" (or "炎农一号 (Yannong No. 1)") kiwifruit variety subsists from 1 May 2016 to 30 April 2036. Once the terms of protection for the plant variety rights licensed and cultivated by the Xingnong Group expires, third parties will be able to cultivate and sell similar breeds of kiwifruits, which may affect the market supply of said kiwifruits, and may have a material adverse impact on the Xingnong Group's financial condition and operating results.

### **The Xingnong Group may be subject to claims for infringement of third parties' intellectual property rights and plant variety rights**

The Xingnong Group currently cultivates and sells five (5) kiwifruit breeds, which are marketed as the 精灵果 Fairy Gold, 阳光金果 Sunshine Kiwi, 翠玉 Jade Green and 红心 Red Heart kiwifruits. The Xingnong Group primarily cultivates and sells the Fairy Gold kiwifruit, which contributes to 47.4% of the Xingnong Group's revenue in 9M2020, while the Sunshine Kiwi and Jade Green kiwifruits are sold in smaller quantities, which contribute to 45.1% and 1% of the Xingnong Group's revenue in 9M2020 respectively. The Red Heart kiwifruits are newly cultivated kiwifruit breeds and first commenced trial sales in 2020, which contributed to 0.9% of the Xingnong Group's revenue in 9M2020 and the Xingnong Group does not expect the revenue contribution from the sales of the Red Heart Kiwifruits in the near term to be significant.

Xingnong Agriculture does not have any licence to plant, cultivate or sell the Sunshine Kiwi and Jade Green kiwifruits. To the best of Xingnong Agriculture's knowledge and belief, Sunshine Kiwi and Jade Green kiwifruits are common kiwifruit varieties widely cultivated and sold in the PRC. Such kiwifruit varieties are not protected by any registered intellectual property or plant variety rights and Jingtian has advised that under PRC laws and regulations, Xingnong Agriculture does not require any licence to plant, cultivate and sell the aforementioned two (2) kiwifruit varieties if there are no plant variety rights or any other intellectual property rights attached to them. Accordingly, the planting, cultivation and sale of the Sunshine Kiwi and Jade Green kiwifruit varieties by Xingnong Agriculture are in compliance with, and do not violate, any PRC laws and regulations, and do not infringe any existing plant variety rights of any third parties under the PRC laws and regulations, given that the abovementioned two (2) kiwifruit varieties are not protected by any existing intellectual property rights or plant variety rights.

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## LETTER TO SHAREHOLDERS

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Nonetheless, in the event that the Xingnong Group faces any successful third party claims in relation to the use of the Sunshine Kiwi and Jade Green kiwifruit breeds, the Xingnong Group may be subject to significant liabilities to third parties or be required to seek licences from third parties, pay ongoing royalties, or cease to cultivate or sell the Sunshine Kiwi and Jade Green kiwifruit breeds to its customers. In such events, the business, financial condition, results of operations and prospects of the Restructured Group could be materially and adversely affected.

The Xingnong Group may, during the ordinary course of business, inadvertently infringe upon other registered intellectual property rights or plant variety rights belonging to third parties. As such, the Xingnong Group may be subject to legal proceedings and claims relating to such infringement. As at the Latest Practicable Date, the Xingnong Group has not faced any third party claims in relation to and have not received any notice of any infringement of third party intellectual property rights or plant variety rights.

Notwithstanding so, there is no assurance that the Xingnong Group will not face any such legal proceedings and claims in the future. In the event of any claims or litigation involving the infringement of intellectual property rights or plant variety rights of third parties, whether with or without merit, such claims and/or litigation could result in a diversion of the Xingnong Group's management time and resources and its business operations may be materially and adversely affected. In addition, any successful claim against the Xingnong Group arising out of such proceedings could result in significant liabilities and may materially affect the Xingnong Group's reputation and consequently, the Xingnong Group's financial performance.

### **Damage to the Xingnong Group's reputation or brand name may have an adverse effect on its business**

Maintaining the Xingnong Group's reputation or brand name is vital to its ability to attract and secure customers, investors and employees. The Xingnong Group's reputation could be damaged through a variety of circumstances, including, among others, adverse litigation judgments or regulatory decisions, unfavourable outcomes of governmental inspections, publication of industry findings, research reports or health concerns, or complaints from customers with regard to the quality of its kiwifruits. Negative public coverage of the Xingnong Group, even if inaccurate or non-malicious, may have a materially adverse effect on its reputation, thereby affecting its business, financial condition and results of operations. These reputational harms could lead to a decreased number of customers purchasing kiwifruits from the Xingnong Group, reduced revenue and higher operating costs and may have a material adverse effect on the Xingnong Group's business, financial condition and results of operations.

### **The historical growth of the Xingnong Group is not indicative and does not offer assurance of similar growth rates in the future as there is no assurance that the Xingnong Group's future plans will be commercially successful or that the Xingnong Group will manage its growth and its growth strategies effectively**

During the last three financial years ended 31 December, the Xingnong Group has expanded significantly and its revenue increased from RMB49.5 million (approximately S\$10.1 million) in FY2017, to RMB61.7 million (approximately S\$12.6 million) in FY2018, and to RMB99.5 million (approximately S\$19.7 million) in FY2019. Such expansion was supported by the acquisition of forest use rights for the Xingnong Orchards, investment in infrastructure and the Packing Facilities, and increasing the research and breeding efforts to identify new cultivars.

The Xingnong Group expects to continue expanding its business, sales and operations. Please refer to **Section A5.3** entitled "Strategies and Future Plans" of Appendix A of this Circular for further details.

However, there is no assurance that the Xingnong Group's business strategies and future plans will be commercially successful, or that it will be able to maintain its historical growth rates. The Xingnong Group's growth may slow or decline for any number of reasons, some of which are beyond its control, including, changes in general economic and business conditions at local, regional and national levels, poor results of the Xingnong Group's research and breeding efforts for new cultivars, inclement weather and unexpected climate changes, as well as the outbreak of biological diseases. Additionally, any business expansion plans will be dependent on *inter alia*, the Xingnong Group's ability to acquire (i) forest use rights over suitable kiwifruit orchards; and (ii) rights to new kiwifruit breeds or cultivar from third parties, at a timely and cost-effective manner. Such acquisitions may be expensive and may divert the management's attention and expose the Xingnong Group to unforeseen liabilities or risks.

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## LETTER TO SHAREHOLDERS

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The Xingnong Group's ability to grow the Kiwifruit Business is subject to other risks and uncertainties, including its ability to:

- compete effectively with its competitors, some of whom may have longer operating histories and greater financial resources than the Xingnong Group;
- increase sales and marketing activities and promote consumer awareness of the kiwifruits;
- price its kiwifruits competitively;
- continue its existing arrangements with the retailers and wholesalers and enter into new arrangements with additional retailers and wholesalers and organically grow its sales network;
- package and deliver the kiwifruits in a timely manner;
- manage the raw material supplies and sourcing costs;
- translate its research and breeding efforts to the identification of new cultivars which are commercially viable;
- maintain sufficient cash and financing to fund the expansion plans and business operations;
- retain the management team and skilled staff with necessary expertise and track record in key areas such as technical development, production operations and sales and marketing; and
- attract new and qualified personnel in order to keep pace with its growth.

If the Xingnong Group is unsuccessful in addressing any of the above risks and uncertainties, the Kiwifruit Business will be materially and adversely affected, which will in turn cause the business, financial condition, results of operations and prospects of the Restructured Group to be materially and adversely affected.

There is also no assurance that the Xingnong Group's future plans will achieve the expected results or outcome that will be commensurate with the Xingnong Group's investment costs. If the Xingnong Group fails to achieve a sufficient level of revenue as a result of its expansion plans or its future plans are not successfully implemented, its business prospects, financial position and performance may be materially and adversely affected.

### **The Xingnong Group is exposed to credit risk and defaults in payments by its customers**

The financial position and profitability of the Xingnong Group are, to a certain extent, dependent on the creditworthiness of its customers. Any material default in payment by its customers will adversely affect the financial condition, profitability and cash flow of the Xingnong Group. As at 31 December 2019, the trade receivables of the Xingnong Group amounted to RMB7.6 million (approximately S\$1.5 million) and average trade receivables' turnover days in FY2019 was 20 days. As at 30 September 2020, the trade receivables of the Xingnong Group amounted to RMB84.1 million (approximately S\$16.9 million) and average trade receivables' turnover days in 9M2020 was 138 days. Trade receivables were higher as at 30 September 2020, as that period coincides with the harvest season. While the Xingnong Group has not made any allowance for impairment of trade receivables in its consolidated financial statements for the Period Under Review, there is no assurance that the customers of the Xingnong Group will not default in their payments in the future. In the event the Xingnong Group experiences a significant default by its customers, trade receivables written-off will increase, and this will have an adverse impact on the Kiwifruit Business and the business, financial condition, results of operations and prospects of the Restructured Group.

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## LETTER TO SHAREHOLDERS

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### **The insurance coverage of the Xingnong Group may not be adequate**

The Xingnong Group has obtained vehicle insurance, which insures the Xingnong Group against, amongst others, death, disability, medical expenses and property damage. The Xingnong Group also maintains the mandatory social insurance for its employees, which covers, amongst others, basic medical insurance and work-related injury insurance for its employees as required under PRC laws. During the course of the Xingnong Group's operations, it may face various claims and disputes against liabilities that are not insured adequately, or at all, or liabilities that cannot be insured. In the event that the amount of such claims exceeds the coverage of the insurance policies maintained by the Xingnong Group, the Xingnong Group may be exposed to and liable for any shortfalls in the amounts claimed. In line with general industry practice in the PRC, the Xingnong Group does not maintain product liability insurance, business interruption insurance or third-party liability insurance against claims for other property damage, personal injury and environmental liabilities. The Xingnong Group is also not insured against loss of key personnel and also may not be able to obtain certain types of insurance (such as insurance covering losses from acts of war and natural catastrophe) at a reasonable cost, or at all. It cannot be assured that the Xingnong Group's insurance policies are sufficient to cover all risks associated with its business and operations. Losses incurred due to liabilities not sufficiently covered by the Xingnong Group's insurance policies may have a material and adverse effect on the Kiwifruit Business and consequently, the business, financial condition, results of operations and prospects of the Restructured Group. Please refer to **Section A3.14** entitled "Insurance" of Appendix A to this Circular and **Section A3.15** entitled "Licences, Permits and Government Regulations" of Appendix A to this Circular for more details.

### **The Xingnong Group's operations may be materially and adversely affected if it is unable to maintain sufficient liquidity**

The Kiwifruit Business is a capital-intensive business. The Xingnong Group expends a significant amount of cash in its operations, principally on the purchase of raw materials such as fertiliser, kiwi pollen and pesticides. The Xingnong Group may also require substantial capital expenditures to purchase, maintain, upgrade and expand its machinery, research and development, technology and marketing services and other facilities to maintain its competitiveness and keep up with technological advances and evolving safety and environmental standards in the industry.

The Xingnong Group's ability to obtain adequate funding and generate sufficient cash flow from its operating activities to finance its operations and expansion plans depends on a number of factors, including but not limited to general economic and capital market conditions, credit availability from banks and other lenders, investor confidence, the performance of its operations, inventory purchases and the ability of its customers to settle their payments on a timely basis. If any of the situations above causes restrictions or affects the Xingnong Group for any reason, the business, financial condition and results of operations of the Restructured Group may be materially and adversely affected.

It cannot be assured that the Xingnong Group will not experience negative operating cash flows in the future or that external financing will be available to mitigate any such negative operating cash flows on terms that are satisfactory or commercially acceptable to the Xingnong Group, or at all. Without sufficient liquidity, the Xingnong Group may be forced to curtail its operations and future plans. As a result, the Xingnong Group's and as a result, the Restructured Group's business, financial condition and results of operations may be materially and adversely affected.

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## LETTER TO SHAREHOLDERS

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### **The Xingnong Group relies on bank borrowings to finance its capital expenditure requirements and infrastructure development**

Xingnong Agriculture relies on credit facilities from a financial institution, the terms of which include restrictive covenants which are common and standard covenants for credit facilities in the PRC, such as (i) requiring the Xingnong Group to seek consent from the relevant financial institution for the payment of dividends before the loans are paid off; and (ii) restricting the Xingnong Group's ability to undertake or requiring the Xingnong Group to obtain consents from the relevant financial institutions for corporate restructurings, mergers and acquisitions, additional financing or other fund raising exercises. On 16 August 2018 and 21 June 2019, Xingnong Agriculture obtained consent from Chibi Rural Commercial Bank for the Xingnong Group Restructuring Exercise in respect of the 2018 Fixed Assets Loan and the 2019 Fixed Assets Loan respectively, but have not obtained the approval from Chibi Rural Commercial Bank to discharge the restrictive covenants relating to dividend distribution in both loan agreements. Given that such restrictive covenants are not discharged, in the event that consent is not granted by the relevant financial institution in respect of such restrictive covenants or additional restrictive covenants that may be imposed on the Xingnong Group in the future, the operations and future expansion of the Kiwifruit Business and the attractiveness of the Shares as an investment may be adversely affected. For more details on the restrictive covenants applicable to its credit facilities, please refer to **Section A8** entitled "Capitalisation and Indebtedness" in Appendix A of this Circular and **Section A13.3** entitled "Dividend Policy" of Appendix A to this Circular. As at the Latest Practicable Date, the aggregate amount of credit facilities which were subject to one or more of these covenants was approximately RMB25.4 million (approximately S\$5.2 million).

Apart from the above and its internal resources, the Xingnong Group had also previously relied on loans from a director of Xingnong Agriculture (Shi Dongkai) who will resign upon completion of the Proposed Transactions and the Controlling Shareholder of Xingnong Agriculture (Wang Peng) to finance its operations. The loans from Shi Dongkai were fully repaid as at 7 November 2018, while the loans from Wang Peng were fully repaid as at 23 October 2019. Please refer to Section A11 entitled "Interested Person Transactions" of Appendix A to this Circular for more information.

If all or a substantial portion of its facilities are withdrawn and the Xingnong Group is unable to secure alternative funding on acceptable commercial terms, or if the cost of such alternative funding is higher than its present cost of funds, its operations and financial position will be materially and adversely affected.

### **The Xingnong Group is exposed to variations in interest rates**

The Xingnong Group finances the purchase of certain property, plant and equipment for the Xingnong Orchards, as well as working capital through bank borrowings. As at the Latest Practicable Date, the aggregate amount outstanding in respect of the Xingnong Group's bank borrowings was RMB25.4 million (approximately S\$5.2 million). Such loans carry a fixed interest rate of 0.69% per month, over a tenure of 4 years and 2 months to 5 years, and are secured against the Xingnong Group's buildings, prepaid land lease payments, certain forest use rights certificates over the Xingnong Orchards. Please refer to **Section A8** entitled "Capitalisation and Indebtedness" of Appendix A to this Circular for further details on the Xingnong Group's loans and borrowings.

The interest rate over such bank borrowings is subject to revision by the lending bank, which may be adjusted to remain aligned with the benchmark interest rates from the People's Bank of China ("**PBOC**"). Any fluctuations in interest rates will affect the cost of borrowings of the Xingnong Group. Should there be any significant increase or adverse fluctuations in such interest rates and the Xingnong Group is unable to obtain alternative facilities or refinance its borrowings with more favourable interest terms, the Xingnong Group will incur additional interest expense, which may have a significant and adverse impact on the Xingnong Group's ability to finance its existing indebtedness, operations and future expansion plans. These may result in an adverse and material impact on the Xingnong Group's financial condition and results of operations.

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## LETTER TO SHAREHOLDERS

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### **The Xingnong Group may require additional funding in the future**

The Xingnong Group may, from time to time, come across and pursue business opportunities that it considers to be favourable for its expansion plans and future growth and prospects. Please refer to **Section A5.3** entitled “Strategies and Future Plans” of Appendix A of this Circular for further details. To the extent that cash flows generated from its operations prove insufficient or are required to be deployed or retained for other uses, the Xingnong Group may need to obtain additional funding (through bank borrowings or from the debt or equity capital markets) to finance such opportunities. The Xingnong Group’s working capital and capital expenditure needs may also vary materially from those presently planned and this may also result in the need for substantial new capital or funding.

Further issuances of securities after the completion of the Proposed Transactions may lead to a dilution in the equity interests of Shareholders in the Company and may, in the case of a rights issue, require additional investments by Shareholders. Further debt financing (whether through bank borrowings or from the debt capital markets) may, apart from increasing gearing and interest expense, contain restrictions on dividend payments, future fund-raising ability, the Restructured Group’s flexibility to operate its business as lenders’ consent may have to be sought for certain corporate actions and other financial and operational matters. Additionally, there can be no assurance that the Xingnong Group will be able to obtain any additional funding, whether bank borrowings, equity or debt, at commercially reasonable terms, or at all. Any failure to obtain adequate or additional funding in the future may limit the expansion and growth of the business and may adversely affect the Xingnong Group’s business, prospects, financial performance and results of operation as a whole.

Any material disruptions, volatility or uncertainty in the credit markets could limit the Restructured Group’s ability to borrow funds or increase the Restructured Group’s cost of borrowing. As such, the Restructured Group may be subject to unattractive interest rates, thereby increasing its interest expense, decreasing its profitability and reducing its financial flexibility pursuant to such additional debt financing.

### **Legislation enacted in the British Virgin Islands as to Economic Substance may affect the operations of the Restructured Group**

Pursuant to the Economic Substance (Companies and Limited Partnerships) Act, 2018 of the British Virgin Islands (the “**BVI ES Act**”) that came into force on 1 January 2019, a “legal entity” (which includes a business company incorporated in the British Virgin Islands but does not include an entity that is resident for tax purposes outside the British Virgin Islands in a jurisdiction that is not on the European Union’s list of non-cooperative jurisdictions for tax purposes) carrying on any “relevant activity” is required to satisfy the economic substance test as set out in the BVI ES Act. The BVI ES Act may require in-scope British Virgin Islands business companies which are engaged in any “relevant activity” to be directed and managed in the British Virgin Islands, have an adequate number of qualified employees in the British Virgin Islands, incur an adequate level of expenditure in the British Virgin Islands, maintain physical offices or premises in the British Virgin Islands or perform core income-generating activities in the British Virgin Islands. The list of “relevant activities” includes the carrying on as a business of any one or more of banking business, insurance business, fund management business, finance and leasing business, distribution and service centre business, shipping business, holding business, intellectual property business and headquarters business.

Based on the BVI ES Act currently, and to the extent that Great Resolute is carrying on “holding business” on a passive basis, Great Resolute may be subject to the more limited substance requirements specified therein. As the legislation is new and remains subject to further clarification and interpretation, it is not currently possible to ascertain the precise impact of the BVI ES Act on Great Resolute. To the extent that Great Resolute is carrying on any other “relevant activity”, it will be required to increase its economic substance in the British Virgin Islands to satisfy the requirements as set out in the BVI ES Act which could result in additional costs which could adversely affect its financial condition or results of its operations.

In the event that Great Resolute is required to have economic substance in the British Virgin Islands in accordance with the BVI ES Act but fails to satisfy such requirements, Great Resolute may be liable to financial and other penalties in accordance with the BVI ES Act (including striking off).



**(b) Risks relating to the Fruit Planting and Cultivation Industry**

**Changes in consumer demand for fruits and seasonal fluctuations in consumer demand may affect the Xingnong Group**

The Xingnong Group's financial performance is materially dependent upon its ability to market and sell the cultivated kiwifruits. Demand for kiwifruits depends primarily on demographic factors, consumer preferences and trends, as well as factors relating to discretionary consumer spending, including the general condition of the economy, general level of consumer confidence and seasonal factors such as weather and festivities. Any decrease in consumer demand for kiwifruits may adversely affect the Kiwifruit Business and this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

**The Xingnong Group's kiwifruits are subject to changes in consumer preferences and may face significant competition from other fruits**

In addition to competition within the kiwifruit market in the PRC, the Xingnong Group faces competition from domestic and foreign producers of other fruits. Such competition might be further triggered by changes in consumer trends, preferences and tastes. Increased preference for substitute or imported fruits among PRC retailers, wholesalers and customers could decrease demand for the kiwifruits cultivated and sold by the Xingnong Group and have a material adverse effect on the Kiwifruit Business and the business, financial condition, results of operations and prospects of the Restructured Group.

**Changes in existing food safety laws may cause the Xingnong Group to incur additional costs to comply with more stringent laws and regulations**

Manufacturers within the food and beverage industry in the PRC must comply with relevant PRC food safety laws and regulations. These food safety laws require all enterprises engaged in the production of food and beverage products to obtain manufacturing licenses for products that they process. They also set out safety standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as safety requirements for food production and sites, facilities and equipment used for the transportation and sale of food. Pursuant to the Agricultural Product Quality Safety Law of the PRC (《农产品质量安全法》), the materials used in the packaging, preservation, storage and transport of agricultural products, such as preservatives, antiseptics and additives, etc. shall comply with the relevant compulsory technical norms of the state. The on-sale agricultural products must comply with the agricultural product quality safety criteria, and the producer can submit an application for the use of the commensurate pollution-free quality marks on its agricultural products. The producer will then be entitled to use the quality marks (when issued) for its unprocessed agricultural products or pre-treated edible agricultural products. If the quality of the agricultural products complies with the criteria prescribed by the state for relevant high-quality agricultural products, the producer can submit an application for the use of commensurate quality marks on its agricultural products. As at the Latest Practicable Date, the Xingnong Group has not applied for the use of any pollution-free marks for its agricultural products.

Failure to comply with food safety laws such as the Agricultural Product Quality Safety Law and the Food Safety Law (《食品安全法》) in the PRC or other jurisdictions in which the Xingnong Group distributes or sells the kiwifruits may result in fines, suspension of operations, loss of safety licenses and, in more extreme cases, criminal proceedings against the Xingnong Group and its management. While as at the Latest Practicable Date, the Xingnong Group is in compliance with existing laws, in the event that the relevant government or regulatory agencies in the PRC or other jurisdictions adopt a different interpretation or a more stringent enforcement of such laws, the production and distribution costs of kiwifruits may increase, and the Xingnong Group may be unable to pass these additional costs on to its customers and this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

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## LETTER TO SHAREHOLDERS

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### **The Xingnong Group is subject to trade, import and export policies and tariffs and may be adversely affected by the impact of any trade wars.**

As the Xingnong Group currently imports its kiwifruit sorting assembly equipment from an overseas supplier, any material changes in PRC import policies that affect the Xingnong Group's purchases of such equipment or any import or export bans or an increase in export or import taxes or tariffs or other similar or related actions by the relevant overseas governments may increase the Xingnong Group's capital expenditures and/or cause a significant disruption to the business and operations of the Xingnong Group and adversely affect its profitability.

### **Plantation operations may face disruption from environmental groups, non-governmental organisations and interested individuals**

Environmental groups, non-governmental organisations and interested individuals may from time to time seek to challenge or impair the ability of plantation companies to engage in plantation activities. For instance, groups and individuals may stage protests that disrupt harvesting or production plans and may file or threaten to file legal proceedings seeking to disrupt the operations of plantation companies. Such activities may generate negative press coverage, and any delay and/or disruption in kiwifruit production or cultivation activities imposed as a result of the intervention of environmental groups, non-governmental organisations or such interested individuals or other action that may give rise to negative perceptions about plantation companies, may adversely affect the Xingnong Group's reputation and disrupt its operations which in turn may adversely impact the Xingnong Group's financial performance. This could then have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

### **The Restructured Group faces risks relating to the expansion of its operations and the Xingnong Orchards**

In connection with the Kiwifruit Business, Xingnong Agriculture currently holds, amongst others, (i) the land use right for one (1) plot of industrial land in Jianshe Road, Chimagang Office, Chibi City, Hubei Province in the PRC, spanning approximately 64,999.1 m<sup>2</sup>, on which its Office Building and Packing Facilities are located; (ii) the forest use rights for eight (8) plots of forest land in Chibi City, Hubei Province in the PRC, spanning in aggregate 9,805 mu (equivalent to approximately 6,536,666 m<sup>2</sup>) on which eight (8) out of the nine (9) Xingnong Orchards are located; and (iii) a lease of two (2) warehouse units at Chibi City, Chima Port Office, Chibi Avenue, Hubei Province in the PRC. In the event that the Restructured Group wishes to expand its operations and orchards in the future, such expansion projects will involve various risks such as planning, engineering, construction, regulatory and other significant risks that may delay or prevent the successful completion, expansion or operation of new projects or result in a significant increase in costs. In particular, in order to expand its orchards, the Restructured Group will need to obtain sufficient parcels of suitable and homogenous land for the cultivation of kiwifruits as well as high quality cultivar. The Restructured Group's ability to successfully complete expansion projects on time is also subject to financing and other risks.

The Restructured Group's expansion plans may be adversely affected and/or unsuccessful because of, amongst others, the following factors:

- (i) government policies in the PRC could limit and/or hamper the Restructured Group's ability to obtain adequate land rights to additional land suitable for their orchards;
- (ii) there is no assurance that the Restructured Group would be able to purchase additional forest use rights over forestry land, secure land management rights and/or other relevant land/forestry use approvals or agreements in the future for expansion purposes, further details of which are elaborated in the risk factor entitled "The Restructured Group may encounter difficulties in future acquisitions of additional forest use rights and land titles" below;
- (iii) it may not be able to complete the expansion of its orchards on time or within budget;
- (iv) its new or expanded orchards may not be able to produce crops at the desired level or quality or may cost more to operate than expected;

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## LETTER TO SHAREHOLDERS

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- (v) environmental concerns or regulations may limit their ability to expand into certain geographical areas or at the speed that they have planned;
- (vi) it may not be able to sell kiwifruits at desired prices; and
- (vii) it may not be able to sell the additional volume of kiwifruits produced at profitable prices.

The realisation of any of the above factors could have a material adverse impact on the Restructured Group's business, financial condition or results of operations.

**(c) Risks relating to conducting the Kiwifruit Business in the PRC**

**Adverse changes in economic and political policies of the PRC government could materially and adversely affect the Kiwifruit Business**

All of the operations of the Xingnong Group are conducted in the PRC and all of its revenue is generated within the PRC. Accordingly, the Xingnong Group's business is influenced by economic, political and legal developments in the PRC. Economic reforms in the PRC begun in the late 1970s have resulted in significant economic growth. However, economic reform policies or measures in the PRC may constantly evolve. The PRC's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and periods and among various economic sectors.

The PRC government exercises significant control over the PRC's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as increasing the PBOC's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. Since 2008, however, in response to the global financial crisis, the PRC government has loosened such requirements and adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the PBOC's statutory deposit reserve ratio and lowering benchmark interest rates. In particular, the PBOC had in February 2020 escalated its monetary easing cycle by rolling out a raft of steps, including cuts in lending rates, banks' reserve requirement ratios and targeted support such as cheap loans for companies heavily impacted by the COVID-19 pandemic, to support economic recovery within the PRC. Particularly, any changes in the policies implemented by the PRC government which result in currency and interest rate fluctuations, capital restrictions, and changes in taxes detrimental to the Kiwifruit Business, will adversely impact the financial condition, results of operations and prospects of the Restructured Group.

Although the PRC economy has grown significantly in the past decade, such historical growth rates may not continue and any slow-down may have a negative effect on the Restructured Group's business. In particular, economic uncertainties brought about by the evolving COVID-19 pandemic, and the adoption of more protectionist trade policies and/or adversarial approaches against its global trading peers such as the United States of America, European Union and India, will adversely impact the economic growth and performance in the PRC. The overall PRC economy affects the Xingnong Group's profitability, since demand for its products may decrease in a slowing or declining economy. Any adverse changes in economic conditions in the PRC, in the policies of the PRC government or in the laws and regulations in the PRC, could have a material adverse effect on the overall economic growth and overall consumer discretionary spending in the PRC. Such developments could lead to reduction in demand for the products of the Xingnong Group and adversely affect its competitive position which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

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## LETTER TO SHAREHOLDERS

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### **The M&A Rules establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for the Xingnong Group to pursue growth through acquisitions in the PRC**

On 8 August 2006, six (6) PRC regulatory authorities, including the Ministry of Commerce of the PRC (“**MOFCOM**”), the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《关于外国投资者并购境内企业的规定》, the “**M&A Rules**”), which became effective on 8 September 2006, and were amended on 22 June 2009. The M&A Rules establish procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a non-foreign invested enterprise in the PRC.

Moreover, the Anti-Monopoly Law (《反垄断法》) requires that clearance of anti-monopoly review with the MOFCOM be required in advance of any concentration of undertaking if certain thresholds are triggered.

On 15 March 2019, the National People's Congress approved the Foreign Investment Law of the PRC (《外商投资法》), which came into effect from 1 January 2020. The newly promulgated Foreign Investment Law replaces the three (3) existing laws on foreign investment (being, the Wholly Foreign-owned Enterprise Law of the PRC (《外资企业法》), the Cooperative Joint Venture Law of the PRC (《中外合作经营企业法》) and the Equity Joint Venture Law of the PRC (《中外合资经营企业法》) and the Foreign Investment Law provides a 5-year transition period for the existing foreign-invested enterprises (“**FI**Es”), to adjust their business structures. The Foreign Investment Law emphasizes the principle of applying “national treatment” to foreign investors; industries that are not listed in the Foreign Investment Catalog or the Special Administrative Measures (Negative List) are generally open to foreign investment, unless specifically restricted by other PRC regulations.

On 23 June 2020, MOFCOM and the National Development and Reform Commission (the “**NDRC**”) jointly issued the Special Administrative Measures on Access of Foreign Investment (Negative List) (2020 Edition) (外商投资准入特别管理措施(负面清单)(2020年版)) effective from 23 June 2020. It provided that filing with the relevant authorities, instead of obtaining approvals, is required for the acquisitions of Chinese companies by foreign investors which are not subject to the special administration measures on foreign investment entry excluding the foreign entity established or controlled by PRC enterprises, companies or individuals to acquire its affiliated Chinese company.

Jingtian has advised that no approval by the China Securities Regulatory Commission and/or MOFCOM is required to be obtained for the Xingnong Acquisition. However, there are substantial uncertainties regarding the interpretation and application of the prevailing and future PRC laws and regulations, and there can be no assurance that the PRC government agencies will take a view that is not contrary to or otherwise different from the opinion given by Jingtian. The Xingnong Group may expand its business in part by acquiring complementary businesses. Accordingly, complying with the requirements of the M&A Rules, security review rules and other PRC regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit its ability to complete such transactions, which could affect its ability to expand the business and operations of the Xingnong Group or maintain its market share. Under such circumstances, this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

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## LETTER TO SHAREHOLDERS

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### **PRC regulations of loans to and direct investment in PRC entities by offshore holding companies may delay or prevent the Restructured Group from transferring funds to Xingnong Agriculture, its sole PRC operating subsidiary**

Following Completion, the Restructured Group may, from time to time, transfer funds to Xingnong Agriculture, its sole PRC operating subsidiary, or finance its operations by means of shareholder loans or capital contributions. Under the applicable PRC laws, any loans by the Xingnong Group to its PRC operating subsidiary is required to be registered with local branches of SAFE before being extended to its PRC operating subsidiary. In addition to the foregoing, any loans to its PRC operating subsidiary, which is a FIE cannot exceed statutory limits based on the difference between their registered capital and investment amount, or the upper limit as determined under the macro-prudential administration of full-covered cross-border financing mechanism as set by the PBOC. Under the Interim Measures on the Management of Foreign Debts, after a permanent body established according to law in the territory of the PRC, including but not limited to governmental agencies, domestic financial institutions, enterprises, public administrative entities and social organizations, has executed a contract for foreign loans or guarantees, it shall, in accordance with relevant provisions, apply to the foreign exchange administration departments for registration.

Furthermore, any capital contributions the Restructured Group makes to Xingnong Agriculture are required to be approved by or filed with the MOFCOM or its local counterparts before such capital contributions are made. Pursuant to the Notice on Further Simplifying and Improving the Direct Investment Foreign Exchange Administration Policies (《家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued by the SAFE on 13 February 2015, with effect from 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the SAFE Circular No. 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

Whilst the Xingnong Group had successfully taken, and the Restructured Group will continue to take, all necessary steps and submit all relevant applications to MOFCOM and SAFE, or their respective local counterparts, in accordance with prevailing PRC laws and regulations for capital contributions and loans (if any) to its PRC operating subsidiary, there is no assurance that the Xingnong Group will continue to be able to obtain these government registrations or approvals on a timely basis, or at all. If the Xingnong Group fails to receive such registrations or approvals, its ability to provide loans or capital contributions to its PRC operating subsidiary may be negatively affected, which could materially and adversely affect its liquidity and its ability to fund and expand the business and operations of the Xingnong Group. Under such circumstances, this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

### **The Restructured Group may be bound by the unauthorised actions of Xingnong Agriculture's legal representative**

The Restructured Group may be bound by the unauthorised actions of the legal representative of Xingnong Agriculture. Under PRC laws, the legal representative of a company has the authority to perform acts on behalf of the company regarding the general administration of the company and in accordance with its corporate purpose. The legal representative is also authorised to execute powers of attorney on behalf of the company and execute any legal transactions that are within the nature and the scope of business of the company. The scope of the legal representative's authority can be limited by provisions in the company's articles of association but the company may still be held liable if the legal representative acts outside his authority. For instance, if a bona fide third party reasonably believes that the legal representative has the authority to contract with it, the company may be held liable to such third party. Therefore, there is no assurance that the legal representative of Xingnong Agriculture will not act beyond his authority and cause the relevant company to be liable to a bona fide third party. While measures and control procedures have been implemented in order to mitigate such a risk, there is no assurance that the legal representative of Xingnong Agriculture will adhere to such measures and control procedures. Further information on the measures that have been taken in relation to the legal representative of Xingnong Agriculture are set out in **Section A10.8** of Appendix A to this Circular. In the event that Xingnong Agriculture is held liable for the unauthorised acts of its legal representative, this may have an adverse effect on the reputation of the Xingnong Group and/or expose the Restructured Group to various liabilities and obligations, which may adversely impact the financial condition, results of operations or prospects of the Restructured Group.

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## LETTER TO SHAREHOLDERS

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**It may be difficult to enforce against the Xingnong Group, the Directors or senior management of the Xingnong Group in the PRC any judgments obtained from non-PRC courts or to effect service of process on the Directors or senior management of the Xingnong Group who reside in the PRC**

Xingnong Agriculture, the principal operating subsidiary of the Xingnong Group, as well as its operations and assets are located in the PRC. Xingnong Agriculture is therefore subject to the relevant laws in PRC. The Companies Act which is applicable to a Singapore-incorporated group would provide shareholders of the Company with certain rights and protection which may not have corresponding or similar provisions under the laws of PRC. As such, investors in the Shares may or may not be accorded the same level of shareholder rights and protection that would be accorded under the Companies Act.

In addition, all the senior management members of the Xingnong Group reside in the PRC, and substantially all of the assets of those persons are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against the Xingnong Group or them in the PRC any judgments obtained from non-PRC courts. The PRC has not entered into any treaties providing for the reciprocal recognition and enforcement of judgments of courts with Bermuda, the British Virgin Islands, the US, the United Kingdom, Singapore, Japan and many other developed countries. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

**The Restructured Group is subject to labour regulations in the PRC**

The Xingnong Group is and following Completion, the Restructured Group, will continue to be required to comply with applicable PRC labour, social insurance and housing fund laws and regulations. For example, the PRC Labour Contract Law (《劳动合同法》), which became effective on 1 January 2008 and was amended on 28 December 2012 and the Implementing Rules for the PRC Labour Contract Law (《劳动合同法实施条例》), which were promulgated and became effective on 18 September 2008, set forth workers' rights including those relating to pensions, layoffs, employment contracts and the role of trade unions, and specified standards and procedures for the termination of an employment contract.

Pursuant to the PRC Labour Contract Law, the employer is required to make a compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. Otherwise, the compensation payment will be equal to (i) a month's wage if the employee has worked for the employer for six (6) months or more, but less than a year; or (ii) half a month's wage if the employee has worked for the employer for less than six (6) months. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed term employment contracts with employees who have previously entered into fixed term employment contracts for two (2) consecutive terms.

Furthermore, under the Regulations on Paid Annual Leave for Employee (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, generally, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law (《劳动合同法》), the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020 (《國民休閒旅遊綱要(2013-2020年)》), the Restructured Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labour Contract Law without cause.

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## LETTER TO SHAREHOLDERS

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These labour laws and regulations impose greater liabilities on employers and may significantly increase the costs to the Xingnong Group if it decides to reduce its workforce. In the event the Xingnong Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to enact such changes in a manner that is most advantageous to its business or in a timely and cost-effective manner, which may materially and adversely affect its business operations, financial condition and results of operations.

In addition, under the applicable PRC laws and regulations, companies must establish and implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Companies must also contribute to their employees' social insurance and housing provident fund. Please see **Appendix H** entitled "Summary of PRC Laws and Regulations" to this Circular for more details on the applicable PRC laws and regulations in relation to labour. Any failure by the Xingnong Group in complying with the applicable PRC labour, social insurance and housing provident fund laws and regulations may subject the Xingnong Group to penalties and liabilities under PRC laws and regulations, including but not limited to the issue of warnings and imposition of fines.

There is no assurance that the Xingnong Group has fully complied with and will be in full compliance with applicable PRC labour, social insurance and housing provident fund laws and regulations in the future. In the event the Xingnong Group is found to be in breach of the applicable PRC labour, social insurance and housing provident fund laws and regulations, which affect its usage of labour, this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Restructured Group.

### **The Xingnong Group is subject to applicable national, provincial and local laws and regulations**

Agricultural companies in the PRC, including the Xingnong Group, are subject to national, provincial and local laws and regulations relating to the protection of human health and the environment. The Xingnong Group, like other PRC agricultural companies, has expended, and can be expected to expend in future, substantial resources to ensure compliance with these laws and regulations. The Xingnong Group's failure to comply with applicable laws and regulations could result in civil or criminal fines or penalties and enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial actions. Please refer to the risk factors entitled "Changes in existing food safety laws may cause the Xingnong Group to incur additional costs to comply with more stringent laws and regulations" and "Failure to comply with environmental regulations could adversely affect the operating results, financial condition and reputation of the Xingnong Group" for more information. In the event of any non-compliance with the applicable national provincial and local laws and regulations, the Xingnong Group may be exposed to claims, liabilities or the suspension of its operations, and thereby materially and adversely affect the business, financial condition, results of operations and prospects of the Restructured Group. Further, in the event that new laws and regulations are imposed or changes are made to the existing laws and regulations, the Xingnong Group may incur significantly increased costs and expenses and need to allocate additional resources to comply with such requirements.

### **The Xingnong Group could be liable for various penalties and/or sanctions for any failure to comply with governmental laws and regulations, or if a governmental audit reveals deficiencies or non-compliance in its operations.**

The Xingnong Group must comply with various laws and regulations relating to, among others, social insurance, housing provident fund contributions, record-filing regulations, and may be in non-compliance with certain laws and regulations in these matters or in obtaining the permits and licences necessary for its operations. Please refer to **Section A3.15** entitled "Licences, Permits and Government Regulations" and **Appendix H** entitled "Summary of PRC Laws and Regulations" to this Circular for more details on the applicable PRC laws and regulations that the Xingnong Group has to abide with and any non-compliances faced by the Xingnong Group.

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## LETTER TO SHAREHOLDERS

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If the Xingnong Group fails to comply with these requirements, it could be subject to fines and sanctions which could be substantial, or have relevant licences or permits for its operations and properties suspended or not renewed by the relevant authorities, causing disruption to its operations. In addition, existing laws and regulations could be revised or reinterpreted, or new laws and regulations could be adopted or become applicable to the Xingnong Group. The occurrence of any of these events could have a material adverse effect on the Restructured Group's reputation, financial condition and results of operations.

### **The Restructured Group may encounter difficulties in future acquisitions of additional forest use rights and land titles**

There is no central title registry for real property in the PRC. The methods of documentation of land records have not been fully computerised and are generally maintained at state and district levels. Therefore, such land records may not be available online for inspection or may not be updated in a timely manner. In addition, the classification of the land use rights in the PRC can be unclear and the contracted or sub-contracted use of such lands are likely to be complicated and disorganised. Therefore, there is no assurance that the Restructured Group would be able to successfully acquire additional forest use rights over forestry land or land management rights in the future for expansion purposes. For instance, forest use rights over forestry lands may be contracted to third parties from the villagers' committees on behalf of all the villagers, who in turn may have entered into separate contracts for the use of such land over a long-term period. This will expose the Restructured Group to a number of risks and challenges in respect of its ability to acquire land management rights and land use rights in the PRC. The Restructured Group may also experience difficulties in negotiating the purchase, and/or use of adjacent and additional plots of land and their accompanying forest use rights from numerous individuals at a commercially acceptable price, for the purposes of securing homogenous plots of land for cultivating the kiwifruit orchards. There is also no assurance that the Restructured Group's contractual counterparties will not breach the terms of the applicable land-use contracts, and enter into overlapping land-use contracts with other third parties in respect of such land use rights previously granted to the Restructured Group. Furthermore, there is no assurance that the terms of future contractual renewals will be on commercially acceptable terms to any of the villagers, the villagers' assemblies, the local government, or the Restructured Group or any other relevant stakeholders.

### **Xingnong Agriculture may in the future be subject to restrictive governmental measures**

Xingnong Agriculture may from time to time be subject to restrictive governmental policies, such as price or volume controls, or implementation of new environmental regulations resulting in a restriction or regulation of use of pesticides and chemical fertilisers, in the PRC regions in which it operates the Kiwifruit Business.

The prolonged continuance of any such restrictive measures could have a material adverse effect on the Kiwifruit Business, the Restructured Group's financial condition and/or results of operations.

### **The Xingnong Group may be exposed to risks associated with fluctuations in the exchange rate**

The exchange rate of the RMB against U.S. dollar, Singapore dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC and international political and economic conditions. Any future exchange rate volatility relating to the RMB may give rise to uncertainties in the value of the Xingnong Group's net assets, earnings and dividends. An appreciation of the RMB may result in increased competition from foreign competitors and a devaluation of the RMB may adversely affect the value of the Xingnong Group's net assets, earnings and dividends in foreign currency terms.

Moreover, as all of the Xingnong Group's operations are conducted in the PRC, to the extent that the Xingnong Group needs to convert the net proceeds from the future financing proceedings into RMB for its operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount the Xingnong Group would receive from the conversion. On the other hand, because dividends on the Shares, if any, will be paid in Singapore dollars, any devaluation of the RMB against the Singapore dollar could adversely affect the amount of any cash dividends on the Shares in Singapore dollar terms.



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## LETTER TO SHAREHOLDERS

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### **The Xingnong Group may be subject to fluctuations in currency and interest rates**

The Xingnong Group's ability to expand its business is dependent on a number of factors, including the general economic and capital market conditions and credit availability from banks or other lenders (if applicable).

The PRC government exercises significant control over the PRC's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. Any changes in policies implemented by the PRC government which result in currency and interest rate fluctuations, capital restrictions, changes in taxes detrimental to the Xingnong Group's business may materially and adversely affect the Restructured Group's business operations, financial condition and results of operations.

### **The legal and regulatory framework in the PRC may differ from those of more mature economies**

The PRC is an emerging market and therefore its legal and regulatory framework may be less developed than, or may differ substantially from, those of more mature economies. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior legal decisions and judgements have limited precedential value. Moreover, enforcement of current laws and regulations remain uncertain, and the interpretation of such laws and regulations may not be definitive and may change from time to time. Furthermore, many laws and regulations are only recently enacted by the central or local governments, and their implementation, interpretation and enforcements may be uncertain due to the lack of established precedent or practice. The judicial system of the PRC may also not be immune to economic, political and nationalistic influences as compared to other more developed judicial systems.

Furthermore, the PRC is divided into various provinces and municipalities, each with different laws, regulations and policies which may apply and varying interpretations and applications of the laws and regulations. There is no centralised register in the PRC where the legislations enacted by central and local authorities are made publicly available. Accordingly, the Restructured Group may not be able to adapt its operations to comply with any new laws or regulations in a timely manner, which in turn may adversely affect its business, financial condition and results of operations.

Consequently, it may be more difficult to enforce the Restructured Group's legal rights for agreements governed by PRC laws than in countries with more developed legal systems. Any litigation in the PRC may be protracted and result in substantial legal costs and diversion of resources. The outcome of such litigation would also be uncertain and may not be as predictable as in more developed jurisdictions. In addition, the PRC government may introduce new laws and regulations or change existing laws and regulations or the interpretation of the same. These uncertainties may limit the reliability of legal protection available to the Restructured Group. Under such circumstances, the Restructured Group's business operations, financial condition and results of operations may be materially and adversely affected.

### **Any recurrence of the global financial crisis and economic downturn of 2008 and 2009, and the evolving COVID-19 pandemic could materially and adversely affect the Restructured Group's business, financial condition, results of operation and prospects**

The global market and economic conditions in 2008 and 2009 were unprecedented and led most major economies into recession during that time period. Concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets contributed to increased market volatility and diminished expectations for economic growth around the world. The difficult economic outlook negatively affected business and consumer confidence and contributed to market volatility of unprecedented levels. These events also led to a slowdown in the PRC economy, with the PRC's gross domestic product growth rate decreasing by 0.5% during 2009 as compared with the prior year. Any recurrence of a global financial crisis may cause a significant decline in the PRC economy, which may materially and adversely affect the Restructured Group's business, financial condition and results of operations. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect the Restructured Group's business, financial condition and results of operations.

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## LETTER TO SHAREHOLDERS

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In addition, the outbreak of communicable diseases, such as the COVID-19 pandemic outbreak on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect the PRC and other economies. Such outbreak has resulted in loss of lives and livelihoods, restrictions on travel and public transportation, prolonged closures of workplaces and a reduction in consumer demand and discretionary spending on various goods and services, which may have a material adverse effect on the global economy.

In the event that such outbreaks of communicable diseases are not contained effectively in the future and protracted and/or more stringent measures are further implemented by various governments and authorities, these circumstances may in turn have a material adverse effect on the global economy, the Xingnong Group may experience, *inter alia*, reduced domestic demand for its kiwifruits, which could in turn have a material and adverse impact on its business, results of operations, financial condition and prospects.

### **The tax status of the Xingnong Group or prevailing tax legislation or its interpretation might change**

The current tax rules and their interpretation relating to the Xingnong Group may be subject to adverse changes in the future. The applicable tax rates and tax concessions available to the Xingnong Group may change in the future as well. Any change in the Xingnong Group's tax status or the prevailing tax legislation or its interpretation could affect the value of the investments held by the Xingnong Group, its ability to provide returns to shareholders and/or alter the post-tax returns to shareholders. Statements in this Circular concerning the taxation of the Xingnong Group and the Restructured Group and their respective shareholders are based on current tax laws and practices which are subject to change. Such changes could have an adverse impact on the after-tax profits of the Xingnong Group.

As at the date of this Circular, all of the Xingnong Group's operational profits are generated by its sole PRC subsidiary, which is subject to the tax legislation of the PRC. As such, the materialisation of the above risks could materially and adversely affect the Xingnong Group's net assets, business operations, financial condition and results of operations.

#### **(d) Risks relating to the Proposed Transactions**

##### **The Proposed Transactions are inter-conditional and are subject to conditions precedent under the Agreement and may not complete**

Completion is conditional upon satisfaction or waiver of the conditions precedent set out in the Agreement and detailed in **Section 2.2** entitled "Conditions Precedent" of this Circular. There is no certainty that all such conditions precedent will be fulfilled or waived in accordance with the terms of the Agreement. In the event the conditions precedent are not satisfied or waived on or before 30 September 2021 or such later date as may be agreed between the Company and Keen Wind, the Proposed Transactions will not be completed, the Agreement shall ipso facto cease and determine and this may adversely affect the Company's future financial condition and results of operation.

In addition, the Proposed Transactions are inter-conditional and failure to complete the Dukang Disposal or Xingnong Acquisition will result in the failure to complete both the Dukang Disposal and the Xingnong Acquisition.

##### **The Proposed Listing Transfer may not be approved and the Company may remain on the Main Board and the SGX-ST Watch-List**

The Dukang Disposal and Xingnong Acquisition are not conditional upon the approval and completion of the Proposed Listing Transfer. In the event that the resolutions relating to the Dukang Disposal and Xingnong Acquisition are passed while the resolution relating to the Proposed Listing Transfer is not passed, the Company will proceed to complete the Xingnong Acquisition and Dukang Disposal upon fulfilment or waiver of the condition precedent, and will continue to be listed on the Main Board of the SGX-ST. The Company will also appoint ZICO Capital Pte. Ltd. as its compliance adviser for a period of three (3) years following Completion. While the Company intends to exit the SGX-ST watch-list by 3 December 2022, there is no assurance that the Company will be successful in doing so.

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## LETTER TO SHAREHOLDERS

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If the Company fails to exit the SGX-ST watch-list by 3 December 2022, the SGX-ST may delist the Company, or suspend trading of the Shares (without the agreement of the Company) with a view to delisting the Company. If the Company remains listed on the Main Board, the Company may need to carry out substantive corporate actions (including, without limitation, restructuring and/or business acquisitions) with the objective of increasing its share price and thereby market capitalisation in order to exit the SGX-ST watch-list.

Please refer to **Section 14.2(a)** entitled “Watch-List Requirements” of this Circular for further information.

### **The Proposed Listing Transfer may trigger a delisting of the Company’s TDRs and the Board may not proceed with Completion**

In the event that the resolution relating to the Proposed Listing Transfer is passed and the TWSE takes the view that there is necessity of delisting under such circumstance, the TWSE may direct the Company to delist its TDRs upon completion of the Proposed Listing Transfer.

At such appropriate time, the Board will evaluate all relevant information and assess whether to waive the TWSE Concurrence and to proceed with Completion, taking into consideration whether doing so is in the best interests of the Company and is not prejudicial or disadvantageous to the Shareholders. If the TWSE Concurrence is not fulfilled by the Long-Stop Date and the Independent Directors unanimously decide not to waive the TWSE Concurrence, the Agreement will cease and determine, and Completion will not take place. The decision to waive or not waive the TWSE concurrence shall be subject to the unanimous approval by all of the Independent Directors.

Please refer to **Section 9.3(f)** entitled “Risk Factors relating to the Restructured Group – Risks relating to the Company’s listing on the Taiwan Stock Exchange” of this Circular for further information.

### **The Dukang Group Value and the Xingnong Group Value are subject to various key assumptions and evolving market conditions, which may result in significant and unexpected changes to them**

In arriving at the market value of 100% of the equity interest in each of the Dukang Group and the Xingnong Group as at the Valuation Date, the respective independent valuers have made various key assumptions, including but not limited to the ability of the Dukang Group’s properties and assets to be freely disposed and transferred free of encumbrances and restrictions, and without any legal impediment, the preparation of the financial projections by the Xingnong Group’s management being made on a reasonable basis reflecting various aspects of the Xingnong Group including but not limited to economic fundamentals, competent management and sufficient manpower, sufficient working capital as well as facilities and systems for future expansion, and no occurrence of unusual events which could have significant impact on the kiwifruit harvest yield over the forecast period including but not limited to outbreak of biological diseases, natural disasters and extreme weather conditions.

The various key assumptions and considerations are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Dukang Group and the Xingnong Group. Such inherent uncertainties, including the prolonged movement and business activity restrictions and business and operational impact brought about by the ongoing and evolving COVID-19 pandemic, shifts in relevant governmental policies, unpredictable weather patterns, severe drought or unanticipated heavy rainfall, and the outbreak of biological diseases, unexpected poor kiwifruit harvest and yield, may result in the market value of 100% of the equity interest in each of the Dukang Group and the Xingnong Group differing significantly from the Dukang Group Value and the Xingnong Group Value as set out in the respective valuation reports.

### **Future acquisitions, joint ventures or investments may expose the Restructured Group to increased risks**

Following Completion, the Restructured Group may pursue strategic initiatives which will involve an investment in or acquisition of other entities in the Kiwifruit Business, or enter into joint ventures or other investment structures in connection with the Kiwifruit Business, or any other new business initiatives involving the trading of fresh fruits. Acquisitions that the Restructured Group may undertake, along with potential joint ventures and other investments, may expose the Restructured Group to additional business and operating risks and uncertainties, including but not limited to the following:

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## LETTER TO SHAREHOLDERS

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- the direct and indirect costs in connection with such transactions;
- the inability to effectively integrate and manage the acquired businesses or joint ventures;
- the inability of the Restructured Group to exert control over the actions of its joint venture partners, including any non-performance, default or bankruptcy of the joint venture partners;
- the time and resources expended to coordinate internal systems, controls, procedures and policies;
- the disruption in ongoing business and diversion of management's time and attention from other business concerns;
- the risk of entering markets in which the Restructured Group may have no or limited prior experience;
- the potential loss of key employees and customers of the acquired businesses;
- the risk that an investment or acquisition may reduce the Restructured Group's future earnings; and
- exposure to unknown liabilities.

If the Restructured Group is unable to successfully implement the Restructured Group's acquisition or expansion strategy or address the risks associated with such acquisitions or expansions, or if the Restructured Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, the Restructured Group's growth and ability to compete may be impaired, and the Restructured Group may fail to achieve acquisition synergies and be required to focus resources on integration of operations, rather than on the Restructured Group's primary businesses.

Activities to expand its operations may also bring the Restructured Group into contact, directly or indirectly, with individuals and entities that are new clients and other products or new markets. These business activities may expose the Restructured Group to new and enhanced risks including reputation risks arising from dealing with a range of new counterparties and/or products. If these risks eventuate, they may have a negative impact on the Kiwifruit Business and its financial performance and position.

**(e) Risks relating to the Shares**

**There is no certainty that there will be an active trading market for the Shares of the Company on a Restructured Group basis**

The Shares have never been traded on a Restructured Group basis. As such, there can be no assurance that an active trading market for the Shares will develop or, if developed, will be sustained.

**The price of the Shares may fluctuate following Completion which could result in substantial losses for investors subscribing for the Shares**

Volatility in the market price of the Shares may be caused by factors beyond the control of the Restructured Group and may be unrelated and disproportionate to the operating results of the Restructured Group.

The market price of the Shares may fluctuate significantly and rapidly as a result of, amongst other things, the following factors, some of which are beyond the control of the Restructured Group:

- the success or failure of the Restructured Group's management team in implementing business and growth strategies;
- changes in significant contracts, acquisitions, strategic alliances or capital commitments;
- loss of the Restructured Group's major customers or failure to complete significant orders or contracts;
- variations in the operating results of the Restructured Group;

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## LETTER TO SHAREHOLDERS

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- involvement in litigation;
- unforeseen contingent liabilities of the Restructured Group;
- addition or departure of key personnel of the Restructured Group;
- loss of important business relationships or adverse financial performance by a significant customer or group of customers;
- changes in securities analysts' estimates of the Restructured Group's financial performance and recommendations;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- differences between the Restructured Group's actual financial operating results and those expected by investors and securities analysts; and
- changes in general market conditions and broad market fluctuations.

The stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices of securities. These fluctuations often have been unrelated or disproportionate to the operating performance of publicly-traded companies. In the past, following periods of volatility in the market price of a particular company's securities, an investor may lose all or part of his investment and litigation has sometimes been brought against that company. If similar litigation is instituted against the Restructured Group, it could result in substantial costs and divert management's attention and resources from the Restructured Group's core business.

### **Investments in shares quoted on Catalist involve a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST**

Catalist is a listing platform designed primarily for fast-growing and emerging or smaller companies to which a higher investment risk tends to be attached as compared to larger or more established companies. An investment in shares quoted on Catalist may carry a higher investment risk than investment in shares quoted on the Main Board of the SGX-ST and the future success and liquidity in the market of the Restructured Group's Shares cannot be guaranteed.

Pursuant to the Catalist Rules, the Restructured Group is required to, *inter alia*, retain a sponsor at all times after the admission of the Restructured Group to Catalist. In particular, unless approved by SGX-ST, the Proposed Sponsor must act as the continuing sponsor for at least three (3) years after the date of admission of the Restructured Group to Catalist. In addition, the Restructured Group may be delisted in the event it does not have a sponsor for more than three (3) continuous months. Following the expiration of the three-year period, there is no assurance that the Proposed Sponsor will continue to act as the Restructured Group's sponsor or that the Restructured Group will be able to find a replacement sponsor within the three-month period. Should such risks materialise, the Restructured Group may be delisted and Shareholders will not be able to publicly trade Shares of the Restructured Group.

### **The Restructured Group may not be able to pay dividends to Shareholders upon Completion**

As at the Latest Practicable Date, the Xingnong Group does not have a formal dividend policy. The form, frequency and amount of future dividends on the Shares will depend on the actual and projected financial performance and distributable reserves of the Restructured Group which, in turn depends on the Restructured Group successfully implementing its future plans and strategies and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand for and selling prices of the kiwifruits, the Restructured Group's capital expenditure and other factors specific to its industry, many of which are beyond its control. Any of these factors could have a material adverse effect on the Restructured Group's business, prospects, financial position and results of operations, and hence there is no assurance that the Restructured Group will be able to pay dividends to the Shareholders after the completion of the Proposed Transactions.

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## LETTER TO SHAREHOLDERS

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Further, the Restructured Group's ability to declare dividends will be dependent on dividend distributions from its operating subsidiaries and associated companies (if any). Certain of such operating subsidiaries and associated companies (if any) may, from time to time, enter into loan facilities with various banks and financial institutions pursuant to which the relevant subsidiary or associated company may be prohibited from making any distribution (including dividends) or limit when and how much dividends such subsidiary or associated company can declare and pay out, unless the relevant bank or financial institution has determined that such distribution will not affect the ability of that subsidiary or associate, as the case may be, from repaying that particular loan. If the relevant subsidiary or associated company incurs debts or losses, such indebtedness or loss may impair its ability to pay dividends or other distributions to the Restructured Group. As a result, the Restructured Group's ability to pay dividends to the Shareholders will be restricted.

Under the current PRC laws and regulations, Xingnong Agriculture, the sole PRC operating subsidiary as at the Latest Practicable Date, may pay dividends only out of accumulated after-tax profits after making up prior year losses, and determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") and applicable regulations. The determination of profit available for distribution under PRC GAAP may differ from profit determined in accordance with the International Financial Reporting Standards. As a result, it is possible that the Company may not receive distributions from Xingnong Agriculture, even if its financial statements indicate that its operations have been profitable. In addition, a PRC company is required to set aside at least 10.0% of its after-tax profits each year to fund a statutory capital reserve fund until such reserves in aggregate reach 50.0% of its registered capital. As at the Latest Practicable Date, Xingnong Agriculture does not have statutory reserves amounting to 50.0% or more of its registered capital. These registered reserves are not distributable as cash dividends.

In addition, the receipt of dividends from the Xingnong Group's principal operating subsidiaries and associated companies (if any) may be adversely affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of, existing laws and regulations such as foreign exchange controls and other events beyond the Xingnong Group's control, and such subsidiaries and associated companies (if any) may not continue to meet such applicable legal and regulatory requirements for the payment of dividends in the future. Source withholding tax and exchange rate fluctuations may also apply to dividends and distributions from the Xingnong Group's principal operating subsidiaries and associated companies (if any) to the Restructured Group. If such subsidiaries and associated companies (if any) stop paying dividends or reduce the amount of the dividends they pay to the Company, or dividends become subject to increased tax because of changes in ownership of such subsidiaries and associated companies (if any) or changes in tax laws or treaties, it would have an adverse effect on the Restructured Group's ability to pay dividends on the Shares. Please refer to **Section A13.3** entitled "Dividend Policy" of Appendix A to this Circular for information on the Xingnong Group relating to dividends.

The Xingnong Group's loan agreements in connection with the 2018 Fixed Assets Loan and the 2019 Fixed Assets Loan have imposed restrictions on the Xingnong Group's ability to pay dividends, by requiring the Xingnong Group to seek the consent of Chibi Rural Commercial Bank prior to the payment of any dividends. While the Xingnong Group has maintained a favourable relationship with the said lender, and has been compliant with the terms and conditions of the aforementioned loan agreements, there is no assurance that (i) the Chibi Rural Commercial Bank will approve future requests by the Xingnong Group for the payment of dividends; and (ii) that additional restrictions and conditions in connection with the distribution of such dividends will not be imposed by Chibi Rural Commercial Bank.

As such, there is no assurance that the Restructured Group will be able to pay dividends to Shareholders upon Completion.

### **Negative publicity may adversely affect the price of the Shares**

Any negative publicity or announcement involving the Restructured Group, the Proposed Directors, the Proposed Executive Officers and/or Substantial Shareholders of the Restructured Group may adversely affect the market perception of the Restructured Group or the price of the Shares, whether or not it is justified. For instance, such negative publicity may arise from unsuccessful attempts in joint ventures, acquisitions or take-overs, or involvement in insolvency proceedings.

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## LETTER TO SHAREHOLDERS

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### **Future sale of securities may adversely affect the price of the Shares**

Following Completion of the Proposed Transactions, 23,551,551 Shares, which comprise 29.5% of the issued share capital of the Company, held in aggregate by Wang Peng, will be subject to the relevant moratorium requirements. Please refer to **Section 11** entitled "Moratorium Undertakings" of this Circular for further details. Any sale of a significant number of such Shares after the expiration of the applicable moratorium period, or the perception that such sales may occur, could materially and adversely affect the market price of the Shares and may thereby also adversely affect the Restructured Group's ability to raise funds through the issue of equity or other forms of securities.

### **The Controlling Shareholders of the Company will continue to retain significant control over the Restructured Group, which will allow significant influence over the outcome of matters requiring Shareholders' approval**

After the completion of the Proposed Transactions, the Controlling Shareholders of the Company, Treasure Winner and Wang Peng, will hold or be deemed interested in approximately 29.5% of the issued share capital of the Company. As a result, the Controlling Shareholders of the Company will be able to significantly influence the Company's corporate actions such as mergers or take-over attempts in a manner which may not be in line with the interests of the public Shareholders. The Controlling Shareholders of the Company will also have veto power in relation to any shareholder action or approval requiring a majority vote except in situations where it/he is required by the Listing Rules, the SGX-ST or undertakings given by it/him or it/his associates to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of the Restructured Group which may not benefit the Shareholders.

### **Singapore take-over laws contain provisions that could discourage a take-over of the Company**

The Company is subject to the Singapore Code on Take-overs and Mergers (the "**Take-over Code**") which contains certain provisions that may possibly delay, deter or prevent a future take-over or change in control of the Company. Under the Take-over Code, except with the consent of the Securities Industry Council of Singapore, any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting Shares, is required to extend a take-over offer for the remaining voting Shares in accordance with the Take-over Code. Except with the consent of the Securities Industry Council of Singapore, such a take-over offer is also required to be made if a person holding between 30.0% and 50.0% (both inclusive) of the voting Shares, either on his own or together with parties acting in concert with him, acquires additional voting Shares representing more than 1.0% of the Company's voting Shares in any six-month period. While the Take-over Code seeks to ensure an equality of treatment among Shareholders, its provisions could substantially impede the ability of the Shareholders to benefit from a change of control and, as a result, may adversely affect the market price of the Shares and the ability to realise any benefits from a potential change of control. Additionally, Treasure Winner and Wang Peng, will hold or be deemed interested in approximately 29.5% of the issued share capital of the Restructured Group on Completion. This concentration of ownership could delay, deter or prevent a change in control of the Company or a successful offer under the Take-over Code by another person.

#### **(f) Risk relating to the Company's listing on the Taiwan Stock Exchange**

Since 9 March 2011, 130,000,000 Taiwan Depository Receipts ("**TDRs**") (representing 13,000,000 Shares, comprising 16.3% of the issued share capital of the Company as at the Latest Practicable Date) were listed as Taiwan Depository Receipts on the TWSE. The TDRs were issued by Far Eastern International Bank, a depository bank in Taiwan ("**Depository Bank**"), against the issue and transfer to the Depository Bank of 13,000,000 Shares, when the Company's TDR programme was established in 2011.

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## LETTER TO SHAREHOLDERS

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(i) Possible Delisting of TDRs

In connection with the Proposed Transactions:

(1) Dukang Disposal

The TWSE had, on 29 November 2018, sent a letter to the Company and reminded them of the possible application of Article 53.30 of the Operating Rules of the Taiwan Stock Exchange Corporation 台湾证券交易所股份有限公司业务规则 (“**TWSE Operating Rules**”) and the result of the application of paragraphs 9 and 12 of Article 50.3 of the TWSE Operating Rules if the TWSE decides that the Company can no longer maintain the listing status of its TDRs on the TWSE, due to the Dukang Disposal.

Pursuant to further written correspondence between the Company and the TWSE, the TWSE informed the Company in writing on 13 February 2019 that Article 53.30 of the TWSE Operating Rules is applicable to the Proposed Transactions. According to Article 53.30 of the TWSE Operating Rules, when the Company, a secondary listed company on the TWSE transfers its shares in its subsidiary, resulting in a 25% or more decrease in its revenues or earnings, the Company is required to file an application to the TWSE (“**TWSE Application**”) along with the required documents for the TWSE’s review and inspection at least 30 business days before the effective date of such transfer to maintain its listing status on the TWSE, subject to (i) the *pro forma* operating revenue or operating income as stated in the *pro forma* consolidated financial statements audited by a Certified Public Accountant (“**CPA**”), excluding the assets to be transferred (i.e. operation divisions or equity investments), for each of the two (2) most recent accounting years, not recording a decrease of 50% or more as compared with the operating revenue or operating income of the Company as stated in the consolidated financial statements audited by a CPA in the same corresponding period; or (ii) the *pro forma* operating loss as stated in the *pro forma* consolidated financial statements audited by a CPA, excluding the assets to be transferred (i.e. operation divisions or equity investments), for each of the two (2) most recent accounting years, is no greater than the operating loss of the Company as stated in the consolidated financial statements audited by a CPA in the same corresponding period.

(2) Proposed Listing Transfer

Pursuant to the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings 台湾证券交易所股份有限公司有价证券上市审查准则, when a foreign issuer applies for listing of TDRs on the TWSE, the shares issued by the foreign issuer represented by the TDRs have to be listed and traded on the main board of one of the overseas securities markets approved by the TWSE. If the shares represented by the TDRs are no longer listed on the main board of the stock exchange where they are originally listed, TWSE may consider that there is a necessity of delisting under such circumstance and require at its sole discretion the delisting of TDRs of the foreign issuer.

In view of the Company's intention to undergo the Proposed Listing Transfer, the Company has commenced discussions with the TWSE and intends to seek formal confirmation from the TWSE that the Proposed Listing Transfer from Main Board of the SGX-ST to Catalist is not considered a breach of the aforementioned requirement, and that the TDRs shall remain listed on the TWSE under such circumstance. In the event the TWSE decides otherwise, it may direct that the TDRs be delisted upon the transfer of the Company's listing to Catalist and the TDRs Acquisition be effected by the Company, subject to further clarity on the timing and prescribed procedures in respect of such delisting.



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## LETTER TO SHAREHOLDERS

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(ii) Completion being subject to, *inter alia*, the TWSE Concurrence being obtained

In view of the foregoing, the Company intends to submit the TWSE Application upon obtaining Shareholders' approval for the Proposed Transactions at the SGM.

Under the Agreement, Completion is subject to, *inter alia*, the Company obtaining written concurrence of the TWSE that all the outstanding TDRs representing Shares in the Company may remain listed on the Taiwan Stock Exchange following Completion, and if such concurrence is subject to conditions, such conditions being reasonably acceptable to the Company and if required by the TWSE, such conditions being fulfilled or satisfied before Completion, and such concurrence remaining in full force and effect ("**TWSE Concurrence**").

If TWSE Concurrence is not obtained, either of the following scenarios may apply:

- (A) the TWSE Concurrence (as one of the conditions precedent to Completion) is not waived by the Company by the Long-Stop Date, the Agreement will cease and determine, and Completion will not take place; or
- (B) the Company may waive the TWSE Concurrence as a condition precedent and (upon fulfilling and/or waiving all other conditions precedent under the Agreement) Completion takes place, in which case, the TWSE will direct the Company to effect a TDR delisting process, further details on this are set out in paragraph (iii) below.

The Company will make an announcement via SGXNET upon obtaining written concurrence from the TWSE, or on any other material developments arising thereof.

(iii) Requirements pertaining to the TDRs Acquisition

If the Company waives the TWSE Concurrence as a condition precedent and proceeds with Completion, TWSE will direct the Company to effect a TDR delisting process pursuant to paragraph 9 of Article 50.3 of the TWSE Operating Rules and the Company is jointly and severally obliged together with all of its directors (except the independent directors) to unconditionally acquire all the outstanding TDRs listed on the TWSE ("**TDRs Acquisition**") pursuant to paragraph 12 of Article 50.3 of the TWSE Operating Rules, to which the TWSE Procedures for Applications by TWSE Listed Companies for the Delisting of Securities 台湾证券交易所股份有限公司上市公司申请有价证券终止上市处理程序 ("**Delisting Procedures**") shall apply mutatis mutandis. Such decision to waive the TWSE Concurrence shall be subject to the unanimous approval by all of the Independent Directors.

Pursuant to the Delisting Procedures, the acquisition price for each TDR shall not be less than (i) the higher of the simple arithmetic average of the closing prices of the Company's TDRs during the one-month period immediately preceding the date of the Board's resolution or the date of the Shareholders' resolution, and (ii) the net worth per TDR as stated in the Company's most recent CPA audited or reviewed financial reports ("**Calculation Mechanism**").

(iv) Manner by which the TDRs Acquisition will take place

If the Company is required to effect a TDR delisting process (i.e. undertake the TDRs Acquisition), holders of the TDRs may, before the effective date of delisting ("**Effective Date**"), sell their TDRs on the TWSE or redeem their TDRs through the Depositary Bank and hold the underlying Shares represented by their TDRs and be registered on the Company's register of members after such redemption. In the latter case, they may also thereafter dispose of the underlying Shares on the SGX-ST before the Effective Date.

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## LETTER TO SHAREHOLDERS

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The Company and the Directors (save for the Independent Directors) will be required to repurchase all the outstanding TDRs after the Effective Date. Any outstanding TDRs so repurchased by the Company and the Directors (save for the Independent Directors) will be surrendered to the Depository Bank, which shall then cancel such surrendered TDRs and arrange for the Shares represented by such cancelled TDRs to be transferred to a Securities Account to be opened and maintained by the Company in Singapore.<sup>10</sup>

Under Bermuda law, any Shares so repurchased by the Company and the Directors (save for the Independent Directors) may either be cancelled or held as treasury Shares. In the event the Company decides to cancel such Shares, the issued share capital of the Company will consequently be reduced.

(v) Implications arising from the TDRs Acquisition

The TDRs Acquisition is expected to cost approximately RMB154.01 million (equivalent to approximately S\$30.39 million) after applying the Calculation Mechanism and taking into account (i) the 130,000,000 outstanding TDRs representing 13,000,000 Shares (representing approximately 16.3% of the issued share capital of the Company as at the Latest Practicable Date) in the Company; and (ii) the Company's net asset value per TDR as at 30 June 2020. For illustration purposes only, assuming (1) insignificant professional, legal expenses and effect of foreign exchange differences as a result of the TDRs Acquisition; and (2) the financial resources for the TDRs Acquisition will be obtained pursuant to the Vendor Undertaking and Syneer Undertaking, the total equity of the Current Group as at the last audited financial year ended 30 June 2020 will decrease by the assumed TDRs Acquisition amount of RMB154.0 million to RMB791.7 million while total liabilities will increase to RMB484.1 million. For the avoidance of doubt, the aforementioned financial impact is presented for illustrative purposes only and based on information available as at the Latest Practicable Date. Such financial impact may fluctuate further depending on, *inter alia*, the trading prices of the Company's TDRs and the net asset value of the Company. Accordingly, the TDRs Acquisition, if effected by the Company, may reduce the cash resources, and adversely impact the financial condition and results of operations of the Company.

Further, the Singapore Code on Take-overs and Mergers ("**Code**") provides that where a company buys back its shares, any resulting increase in the percentage of voting rights held by a shareholder and person acting in concert with him will be treated as an acquisition for the purpose of mandatory offer obligations under Rule 14 of the Code. Assuming there is no change to the Company's total number of voting rights and all 130,000,000 TDRs representing 13,000,000 Shares (comprising 16.3% of the issued share capital of the Company as at the Latest Practicable Date) are surrendered and repurchased by the Company and the Directors (save for the Independent Directors) and subsequently cancelled or held as treasury shares, the voting rights of Wang Peng would increase from approximately 29.5% (as at the Latest Practicable Date) to approximately 35.2%, thereby triggering the obligation of Wang Peng and parties acting in concert with him to make a general offer for the Shares held by Shareholders pursuant to Rule 14 of the Code. As at the Latest Practicable Date, there is no certainty that Wang Peng can ensure the availability of necessary financial resources to make the general offer.

There can be no assurance (A) that the TWSE Concurrence will be obtained, and (B) if the TWSE Concurrence is obtained but subject to conditions, that the conditions will be reasonably acceptable to the Company.

**If the TWSE Concurrence is not forthcoming or subject to conditions, the Board will evaluate all relevant information at the appropriate juncture and assess whether to waive the TWSE Concurrence and proceed with Completion, taking into consideration whether doing so is in the best interests of the Company and is not prejudicial or disadvantageous to the Shareholders in light of the above potential implications. If the TWSE Concurrence is not obtained by the Long-Stop Date and all of the Independent Directors come to a unanimous decision not to waive the TWSE Concurrence as a condition precedent, the Agreement will cease and determine, and Completion will not take place.**

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<sup>10</sup> Under Bermuda law, a purchase by a company of its own shares may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due; such a purchase may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose, and any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account.

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## LETTER TO SHAREHOLDERS

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In the event the Company waives the TWSE Concurrence as a condition precedent and proceed with Completion, the requirement to effect the TDRs Acquisition would be triggered. In this regard, Wang Peng has executed the Vendor Undertaking to *inter alia*, provide the Company with all necessary financial resources to enable the Company to comply with its obligations in relation to the TDRs Acquisition, and keep the Company fully indemnified from and against any loss (including all costs and expenses incurred in doing so). The Company will, pursuant to the Vendor Undertaking, seek an interest-free loan from Wang Peng to undertake the TDRs Acquisition. Such loan will not have a fixed tenure and its repayment shall be at the sole option of the Company and shall be subjected to the approval of the Audit Committee of the Company, who will consider, *inter alia*, the working capital position of the Restructured Group, its available cash balances, loan repayment obligations and its capital and operating expenditures.

Zhengzhou Synear, which is wholly-owned by Synear in which Wang Peng has an indirect shareholding interests of approximately 70.46%, has pursuant to the Synear Undertaking, also undertaken to provide the Company with all necessary financial resources to enable the Company to comply with its obligations in relation to the TDRs Acquisition in the event Wang Peng fails to comply with his obligations under the Vendor Undertaking, and keep the Company fully indemnified from and against any loss (including all costs and expenses incurred in doing so). Further to the Vendor Undertaking and the Synear Undertaking, Wang Peng has also entered into the SZS Moratorium Undertaking, to not sell the SZS Shares from the date of the SZS Moratorium Undertaking until either (a) the date on which the TDRs Acquisition is completed; or (b) the date on which the Company obtains the TWSE Concurrence, as the case may be.

### Background of Zhengzhou Synear

Zhengzhou Synear is a wholly-owned subsidiary of Synear, and is principally involved in the production and sale of quick freeze food products. Wang Peng, the Controlling Shareholder of the Xingnong Group and the Company, is also the Controlling Shareholder, director, CEO, general manager and legal representative of Zhengzhou Synear. Synear, established in 1997, operates through Zhengzhou Synear (its principal wholly-owned subsidiary) and is one of the largest producers of quick freeze food producers in the PRC, producing a variety of traditional Chinese staple food productions. Synear's brand was ranked as one of "China's 500 Most Valuable Brands" for nine consecutive years from 2004 to 2012. Synear was listed on the Main Board in August 2006, and subsequently undertook a voluntary delisting in 2013. Based on information provided by Zhengzhou Synear, Zhengzhou Synear recorded increasing revenue over the past three financial years ended 31 December 2019. Revenue increased by 19.4% from FY2017 to FY2018 and 15.6% from FY2018 to FY2019, while net profits after tax increased by 284.4% from FY2017 to FY2018 and decreased by 65.2% from FY2018 to FY2019. The fluctuations in net profits after tax were mainly due to a one-off other income recognition in relation to government compensation for land demolition in FY2018. Based on its audited financial statements as at 31 December 2019, Zhengzhou Synear recorded revenue and net profits after tax of RMB5.4 billion and RMB0.2 billion respectively. Based on its unaudited management accounts as at 30 September 2020, net asset value and cash and bank balances stood at RMB2.7 billion and RMB3.1 billion respectively.

Please refer to **Section A3.16** entitled "Licences, Permits and Government Regulations" and **Section A11** entitled "Interested Person Transactions" of Appendix A to this Circular for further details on the salient terms of the Vendor Undertaking and the Synear Undertaking. Please refer to **Section 11** entitled "Moratorium Undertakings" of this Circular for further details on the salient terms of the SZS Moratorium Undertaking.

## 9.4. Dividend Policy

### Current Group

No dividend has been paid or proposed by the Company for FY2018, FY2019, FY2020 and the period from 1 July 2020 until the Latest Practicable Date.

The Current Group does not currently have a formal dividend policy.

### Xingnong Group

Please refer to **Section A13.3** entitled "Dividend Policy" of Appendix A to this Circular for information on the Xingnong Group relating to dividends.

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## LETTER TO SHAREHOLDERS

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### Restructured Group

The declaration and payment of future dividends will be determined at the sole discretion of the Proposed Directors, subject to the approval of the Shareholders. The Proposed Directors may also declare an interim dividend without the approval of the Shareholders.

Pursuant to the Bermuda Companies Act, a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for the purposes of Section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

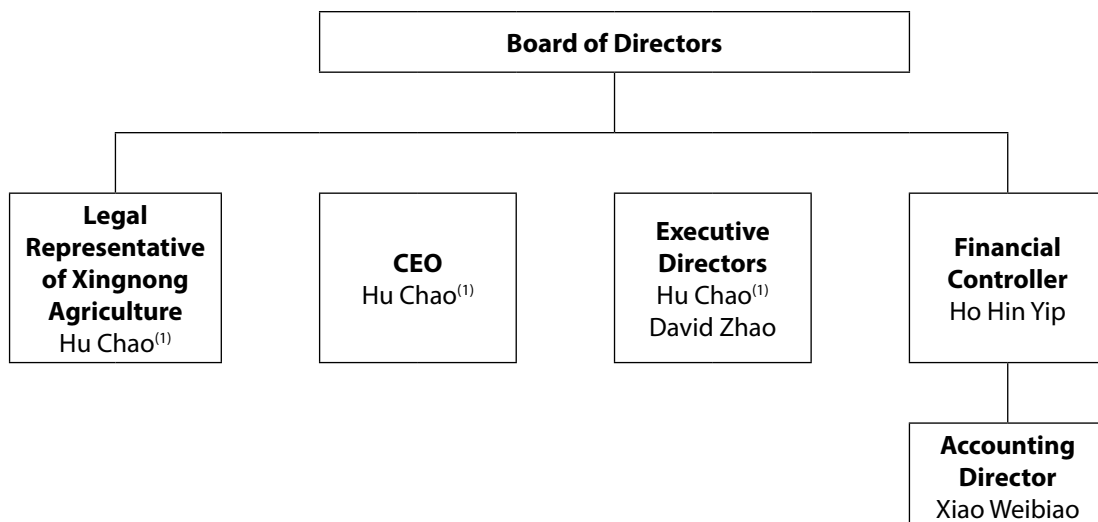
The Restructured Group does not have a formal dividend policy. The form, frequency and amount of future dividends on the Shares will depend on, amongst other things, the actual and projected financial performance of the Restructured Group, level of its cash and retained earnings, its actual and projected capital expenditure, research and development expenditure and other investment plans, restrictions on payment of dividends imposed on the Xingnong Group and/or the Restructured Group by its financing arrangements and the terms of the borrowing arrangements (if any), plans for expansion and other factors which the Proposed Directors may deem appropriate. There can be no assurance that dividends will be paid in the future or as to the amount or timing of any dividends that may be paid in the future.

Shareholders and potential investors should note that all the foregoing statements are statements of intention of the Proposed Directors and shall not constitute legally binding statements in respect of future dividends which may be subject to modification in the Proposed Directors' sole and absolute discretion. No inference should be or can be made from any of the foregoing statements as to the actual future profitability of the Restructured Group or its ability to pay dividends in the future.

For information relating to taxes payable on dividends, please refer to Section entitled "Taxation" in **Appendix I** to this Circular.

### 9.5. Management Reporting Structure

Pursuant to the Proposed Transactions and upon Completion, the management reporting structure of the Restructured Group will be as follows:



**Note:**

- (1) Hu Chao is currently chairman of the board of directors, the legal representative and general manager of Xingnong Agriculture. Pursuant to the Proposed Transactions, Hu Chao shall be appointed as the Executive Director and CEO of the Company, where he will be responsible for the overall business direction and strategy of the Restructured Group.

## LETTER TO SHAREHOLDERS

### 9.6. Proposed Directors

Following Completion, it is contemplated that the Board will be reconstituted as follows:

- (a) subject to Shareholders' approval, the Proposed New Directors (being Hu Chao and David Zhao) will be appointed to the Board as executive directors and Calvin Tan (current Lead Independent Director) will be re-designated as the Non-Executive Chairman and Independent Director of the Company. Calvin Tan has extensive experience as an Independent Director of the Company since 2008 and has been the Lead Independent Director of the Company since 2015. The Company can benefit from the continued oversight and guidance by him in view of his established experience and expertise in the areas of corporate governance and risk management and the Company can further strengthen its Board leadership pursuant to his re-designation as the Non-Executive Chairman and Independent Director of the Company;
- (b) Zhou Tao, the current Executive Chairman and CEO of the Company, will cease to be a Director and step down as the Executive Chairman and CEO of the Company;
- (c) Huo Lei, the current Executive Director of the Company will be re-designated as a Non-Executive Director of the Company; and
- (d) Jia Guobiao, the Non-Independent and Non-Executive Director of the Company, will cease to be a Director of the Company.

Pursuant to Rule 610(8) of the Main Board Rules, none of the Independent Directors are appointed or will be appointed upon completion of the Xingnong Acquisition to the board of the principal subsidiaries (as defined in the Main Board Rules) of the Restructured Group that are based in jurisdictions other than Singapore.

The following table sets forth information regarding the members of the Board upon Completion.

Name	Age	Address	Proposed Position in the Company upon Completion
Tan Siok Sing <u>陈续臣</u>	66	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the PRC	Non-Executive Chairman and Independent Director
Hu Chao <u>胡超</u>	49	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the PRC	Executive Director and CEO of the Company, and Legal Representative of Xingnong Agriculture
Zhao Chichun <u>赵池春</u>	51	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the PRC	Executive Director
Huo Lei <u>霍雷</u>	41	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the PRC	Non-Executive Director
Ho Teck Cheong <u>何德昌</u>	62	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the PRC	Independent Non-Executive Director
Chia Seng Hee <u>谢承熹</u>	60	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the PRC	Independent Non-Executive Director

Please refer to **Section 5** entitled "The Proposed Appointment of the Proposed New Directors of the Company upon Completion" of this Circular for more information.

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## LETTER TO SHAREHOLDERS

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Each of Hu Chao and David Zhao does not have prior experience as directors of public listed companies in Singapore. However, they (i) have been briefed by on the roles and responsibilities of a director of a company listed in Singapore; and (ii) have undertaken to attend the prescribed mandatory training as specified under Schedule 1 of Practice Note 2.3 of the Main Board Rules and if the Proposed Listing Transfer is approved, Schedule 1 of Practice Note 4D of the Catalist Rules within one (1) year from Completion.

The office of each Proposed Director will expire in accordance with the provisions of the Bye-Laws of the Company, subject to re-nomination and re-appointment at regular intervals and at least once every three (3) years.

As at the date of this Circular, all the independent directors have served on the Board for more than nine (9) years. On 6 August 2018, the SGX-ST amended the Listing Manual following the publication of the Code of Corporate Governance 2018 by the Monetary Authority of Singapore. As part of the amendments to the Code of Corporate Governance 2018, certain guidelines from the Code of Corporate Governance 2012 were shifted into the Listing Manual for mandatory compliance. On 28 November 2018, the SGX-ST issued the Transitional Practice Note 3 to establish transitional arrangements for certain guidelines shifted into the Listing Manual. Pursuant thereto and in respect of Listing Rule 210(5)(d)(iii), to ensure that the independence designation of a director who has served for more than nine (9) years as at and from 1 January 2022 is not affected, the Company is seeking to obtain Shareholders' approvals for Calvin Tan's, Ho Teck Cheong's and Jack Chia's continued appointments as independent directors prior to 1 January 2022. Listing Rule 210(5)(d)(iii) provides that continued appointment as independent director, after an aggregate period of more than nine (9) years on the board, must be sought and approved in separate resolutions, through a two-tier vote by (i) all Shareholders; and (ii) all Shareholders, excluding the Proposed Directors and the CEO of the Company, and their respective associates. The Company is seeking to obtain such Shareholders' approval at the SGM of the Company to be convened for purposes of the Proposed Transactions.

Please refer to Ordinary Resolutions 5, 6, 7, 8, 9 and 10 in the **Notice of SGM** for more information.

Information on the business and working experience, educational and professional qualifications, if any, and areas of responsibilities of the Proposed Directors is set out below:

### **Calvin Tan**

Calvin Tan is currently the Lead Independent Director of the Company and shall remain as an Independent Director of the Company and will also be appointed as its Non-Executive Chairman, pursuant to the Proposed Transactions.

Calvin Tan was appointed as Independent Director of the Company on 26 June 2008 and re-designated as a Non-Executive and Non-Independent Director on 1 April 2011. Subsequently, he was re-designated as an Independent Director on 30 October 2012 and appointed as the Lead Independent Director on 1 June 2015. He was last re-elected on 28 October 2018. Calvin Tan is currently a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

Calvin Tan is currently the managing director and sole shareholder of Ironman Minerals & Ores Pte. Ltd., an energy resource and minerals trading company. Prior to his current appointment at Ironman Minerals & Ores Pte. Ltd., Calvin Tan has more than 18 years of experience in the financial industry as the executive director in Millennium Securities Pte Ltd (formerly known as Tsang and Ong Stockbrokers Pte Ltd) ("**Millennium Securities**"). Calvin Tan is also currently an independent non-executive director of EuroSports Global Limited and an independent director of Libra Group Limited, which are companies listed on the SGX-ST.

Calvin Tan graduated with a Masters in Business Administration from The University of Tennessee in 1984.

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## LETTER TO SHAREHOLDERS

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### **Hu Chao**

Hu Chao is currently chairman of the board of directors, the legal representative and general manager of Xingnong Agriculture. Pursuant to the Proposed Transactions, Hu Chao shall be appointed as the Executive Director and CEO of the Company, where he will be responsible for the overall business direction and strategy of the Restructured Group. Hu Chao shall remain the legal representative of Xingnong Agriculture.

From August 1994 to March 2008, Hu Chao held sales and general manager positions in the technology and electronics industry and the food industry. From May 2008 to August 2014, Hu Chao was the assistant to the general manager of Zhengzhou Synear, assisting in the oversight of the company's business in the production and sale of quick freeze food products. Hu Chao became the general manager and director of Xingnong Agriculture in October 2016 and December 2017 respectively, and oversaw its overall business direction and strategic growth as a director of Xingnong Agriculture.

Hu Chao graduated with a Degree in History from Zhengzhou University, PRC, in 1994.

### **David Zhao**

David Zhao is currently a director of Great Resolute and the vice president of Synear. Pursuant to the Proposed Transactions, David Zhao shall (i) be appointed as the Executive Director of the Company and a director of Xingnong Agriculture, where he will oversee the Company's sales and marketing functions, as well as investor relations; and (ii) resign from his current position in Synear.

From September 1992 to March 2008, David Zhao held sales and marketing positions in various industries which include real estate development, fashion and software development. He founded Beijing Kuansoft Tech Ltd (北京宽用软件科技有限公司), a software development company, in March 2008 and was its CEO till January 2011. Since February 2011, David Zhao has been the vice president of Synear and is responsible for overseeing the investments, mergers and acquisitions of Synear.

David Zhao graduated with a Bachelor of Arts from Henan University in 1991 and a Master of Business Administration from Ottawa University, Ontario, Canada in 2003.

### **Huo Lei**

Huo Lei is currently the Executive Director of the Company and shall be re-designated as a Non-Executive Director of the Company pursuant to the Proposed Transactions.

Huo Lei has been with the Current Group since he joined the Current Group's subsidiary, Henan Trump Dragon Siwu Wine Co., Ltd., in September 2005 as its assistant president, and was responsible for the general administration matters and personnel management of the subsidiary. Huo Lei was appointed as the general manager of the Company in February 2008 to August 2014. He was appointed as the Executive Director of the Company in September 2014 and was last re-elected on 30 October 2020.

From March 2000 to September 2003, Huo Lei was Manager of Henan Province Agriculture Development Guangtai Development Co., Ltd. (河南省农业综合开发广泰科技有限公司), which is a state-owned agriculture company. From September 2003 to September 2005, he was Manager of the corporate management department of Henan Province Xinshijia Property Development Co., Ltd. (河南省新世家置业有限公司), a property development firm, and was responsible for general administration matters and personnel management.

Huo Lei graduated from the Northwest Agriculture and Forestry University with a Master of Business Administration in 2013.

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## LETTER TO SHAREHOLDERS

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### **Ho Teck Cheong**

Ho Teck Cheong is currently an Independent Director of the Company and shall remain so after the Proposed Transactions.

Ho Teck Cheong was appointed as Independent Director of the Company on 1 April 2011. He was last re-elected on 30 October 2020 and is currently the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee of the Company.

Ho Teck Cheong spent over 21 years in the banking industry where his last held position was with Santander Group as Group Managing Director of its Asia Pacific region, responsible for Investment, Corporate and Private Banking. He has also co-founded several fund management and investment companies.

Ho Teck Cheong graduated from McGill University in Montreal, Canada in 1984.

### **Jack Chia**

Jack Chia is currently an Independent Director of the Company and shall remain so after the Proposed Transactions.

Jack Chia was appointed as Independent Director of the Company on 26 June 2008. He was last re-elected on 28 October 2018 and is currently the Chairman of the Nominating Committee and the Remuneration Committee, and a member of the Audit Committee of the Company.

Jack Chia has accumulated substantial experience in both private and public sectors, mainly in Japan and China, with Arthur Andersen, Singapore Technologies, the Government of Singapore Investment Corporation (GIC) and the International Enterprise Singapore Board. Jack Chia is currently an independent non-executive director of mm2 Asia Ltd., Ying Li International Real Estate Limited and CDW Holding Limited, which are listed on the SGX-ST. He was also a director and owner of Jack Global Consulting Pte. Ltd., an investment advisory firm, until October 2018.

Jack Chia graduated from the National University of Singapore with a Degree in Accountancy in 1984 and from the International University of Japan with a Masters of Arts in International Relations in 1989. He is qualified as a Fellow of the Institute of Singapore Chartered Accountants since 1990 and is a member of the Singapore Institute of Directors since 2005. He also completed the General Manager Program at Harvard Business School in 2001.

As at the Latest Practicable Date and save as disclosed above, none of the Proposed Directors is related to each other and/or the Company's Substantial Shareholders, and to the best of the Company's knowledge and belief, (i) none of the Proposed Directors has any arrangement or understanding with any of the Company's Substantial Shareholders or the Xingnong Group's clients, customers, or suppliers or other persons, pursuant to which any of the Proposed Directors are or will be appointed, and (ii) save for any relationships arising from their respective existing capacities as directors and/or officers of the Current Group or Xingnong Group (as the case may be), none of the Proposed Directors has any connections (including business relationships) with the Current Group, the Xingnong Group, or any of their directors, shareholders or employees of their clients, customers or suppliers. There is no relationship between each of the Proposed Directors and the Proposed Executive Officers.

As at the Latest Practicable Date, none of the Company's Directors, Substantial Shareholders and/or key management or their respective Associates (besides Wang Peng) has any prior relationship, business or otherwise with Keen Wind.



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## LETTER TO SHAREHOLDERS

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### 9.7. Proposed Executive Officers

Information on the Proposed Executive Officers of the Restructured Group upon Completion are set out below.

Please refer to **Section A10.4** entitled “Xingnong Key Management” of Appendix A to this Circular for information on the Executive Officers of the Xingnong Group.

Name	Age	Address	Proposed Position in the Restructured Group
Ho Hin Yip	46	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the People’s Republic of China	Financial Controller and Joint Company Secretary
Xiao Weibiao	43	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the People’s Republic of China	Accounting Director

As the proposed Financial Controller of the Restructured Group, Ho Hin Yip shall be responsible for the overall financial and accounting functions of the Restructured Group’s business, including accounting, internal controls, financial management reporting, risk management and compliance matters of the Restructured Group. As the proposed Accounting Director, Xiao Weibiao shall be primarily responsible for the onshore accounting functions of the Restructured Group’s business in the PRC.

Information on the business and working experience, educational and professional qualifications, if any, and areas of responsibilities of the Proposed Executive Officers of the Restructured Group set out below:

#### Hu Chao

Please see **Section 9.6** entitled “Proposed Directors” of the Circular above.

#### Ho Hin Yip

Ho Hin Yip is currently the Financial Controller of the Current Group and Joint Company Secretary of the Company. Pursuant to the Proposed Transactions, Ho Hin Yip shall remain as the Financial Controller and Joint Company Secretary of the Company and will oversee all financial reporting and company secretarial matters of the Restructured Group.

Ho Hin Yip started his career in Deloitte Touche Tohmatsu and served as an auditor and senior accountant until May 2002. From May 2002 to February 2004, he was an assistant internal audit manager of Eton Management Limited, a subsidiary of Eton Properties Limited, before being appointed the chief compliance officer of Regent Pacific Limited, a Hong Kong-registered investment company in February 2004. From October 2004 to September 2007, Ho Hin Yip was the group financial controller and joint company secretary of Pine Agritech Limited, a mainland Chinese soybean-based product producer and seller. Prior to joining the Company in April 2012, Ho Hin Yip served as the joint company secretary and financial controller of Centraland Limited, a real estate company headquartered in Zhengzhou, Henan, from September 2007 to March 2012, which was previously listed on the SGX-ST.

Ho Hin Yip is currently an independent non-executive director for two listed companies on the Stock Exchange of Hong Kong.

Ho Hin Yip graduated with a Bachelor of Business Administration from The Chinese University of Hong Kong in 1997, and is a practicing member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants in the United Kingdom, since 2005.

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## LETTER TO SHAREHOLDERS

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### **Xiao Weibiao**

Xiao Weibiao is currently a director and the financial controller of Xingnong Agriculture, responsible for the finance and accounting operations of Xingnong Agriculture. Pursuant to the Proposed Transactions, Xiao Weibiao shall be appointed as the Accounting Director of the Company, where he will be responsible for the daily finance and accounting operations of the Restructured Group.

Xiao Weibiao was a finance manager for Zhengzhou Sanquan Foods Stock Company (郑州三全食品股份有限公司), which produces and sells quick freeze food products, from November 2005 to February 2008. He was subsequently appointed as a finance manager of Zhengzhou Synear in June 2008. Prior to joining Xingnong Agriculture in July 2015, Xiao Weibiao was a finance manager of Luoyang Dukang Sales Company Limited which sells Chinese baijiu (白酒) products from June 2010 to February 2015 and oversaw its finance and accounting functions.

Xiao Weibiao graduated from Henan College of Finance and Taxation in 1999 and has more than 13 years of financial experience in the food and beverage industry as detailed above. Xiao Weibiao was conferred with a Qualification Certificate of Speciality and Technology (Accountant's Certificate – Intermediate Level) issued by the Ministry of Finance in the PRC in 2004.

As at the Latest Practicable Date and save as disclosed above, none of the Proposed Executive Officers is related to each other and/or the Company's Substantial Shareholders and Proposed Directors, and to the best of the Company's knowledge and belief, none of the Proposed Executive Officers has any arrangements or understandings with any of the Company's Substantial Shareholders or the Xingnong Group's clients, customers, or suppliers or other persons, pursuant to which any of the Proposed Executive Officers are or will be appointed.

### **9.8. Related Employees**

As at the Latest Practicable Date, there is no employee in the Restructured Group who is an immediate family member of a Proposed Director, or the proposed CEO of the Company and whose remuneration exceeds S\$50,000 per year. As at the Latest Practicable Date, the Company is not aware of any employees in the Restructured Group who is a Substantial Shareholder or an immediate family member of a Substantial Shareholder. For completeness, Wang Peng, a Substantial Shareholder, is an existing director of the holding companies, Great Resolute and Go National.

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<sup>11</sup> Pending formal approval of the Indonesian authority

## LETTER TO SHAREHOLDERS

### 9.9. Past and Present Directorships of Directors and Executive Officers of the Restructured Group

The present and past directorships of each Proposed Director and Proposed Executive Officer of the Restructured Group held in the five (5) years preceding the Latest Practicable Date are set out below.

Name	Present Directorships	Past Directorships
<b><u>Proposed Directors of the Restructured Group</u></b>		
Calvin Tan	<u>Companies within the Restructured Group</u>	<u>Companies within the Restructured Group</u>
	Company	Nil
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	Shong Sing Pte. Ltd. Ironman Minerals & Ores Pte. Ltd. Ironman International Inc. Ironman – JS Investments (La Tahzan) Inc. EuroSports Global Limited (listed on the Catalist) (Appointed since November 2013) Sunny Max Investment Limited Goh Loo (2012) Limited Libra Group Limited (listed on the Catalist) (Appointed since January 2020)	Li Heng Chemical Fibre Technologies Limited (delisted from the Main Board on 2 February 2017) (Appointed from December 2007 to March 2017) Changtian Plastic & Chemical Limited (delisted from the Main Board on 31 October 2017) (Appointed from April 2008 to October 2017) Heya Investment Holding Pte. Ltd. Qingmei Group Holdings Limited (delisted from the Main Board on 19 August 2019) (Appointed from December 2009 to August 2019) PT Pacific Metalurgi Indo Smelter <sup>11</sup> Sampaguita Energy Private Limited
Hu Chao	<u>Companies within the Restructured Group</u>	<u>Companies within the Restructured Group</u>
	Xingnong Agriculture	Nil
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	Nil	Nil
David Zhao	<u>Companies within the Restructured Group</u>	<u>Companies within the Restructured Group</u>
	Great Resolute	Nil
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	Nil	Nil

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## LETTER TO SHAREHOLDERS

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Name	Present Directorships	Past Directorships
Huo Lei	<u>Companies within the Restructured Group</u>	<u>Companies within the Restructured Group</u>
	Company	Nil
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	Nil	Nil
Ho Teck Cheong	<u>Companies within the Restructured Group</u>	<u>Companies within the Restructured Group</u>
	Company	Nil
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	NorthCape AS Singamas Container Holdings Limited (listed on the Mainboard of the Hong Kong Stock Exchange) (Appointed since October 2019) DIB Products Company Limited D-Innovation Base (BVI) Limited	Li Heng Chemical Fibre Technologies Limited (delisted from the Main Board on 2 February 2017) (Appointed from September 2009 to March 2017)
Jack Chia	<u>Companies within the Restructured Group</u>	<u>Companies within the Restructured Group</u>
	Company	Nil
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>

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## LETTER TO SHAREHOLDERS

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Name	Present Directorships	Past Directorships
	mm2 Asia Ltd. (listed on the Main Board) (Appointed since November 2014)	Debao Property Development Ltd. (listed on the Main Board) (Appointed from May 2013 to March 2021)
	Ying Li International Real Estate Limited (listed on the Main Board) (Appointed since July 2018)	Combine Will International Holdings Limited (listed on the Main Board) (Appointed from March 2008 to June 2020)
	CDW Holding Limited (listed on the Main Board) (Appointed since December 2019)	AGV Group Limited (listed on the Catalist) (Appointed from April 2016 to May 2018)
		Best Success (Hong Kong) Ltd.
		China Hongcheng Holdings Limited (delisted from the Main Board on 22 November 2016) (Appointed from June 2007 to December 2016)
		Derong Real Estate Holdings Pte. Ltd.
		Dynamic Real Estate Holdings Pte. Ltd.
		Jack Global Consulting Pte. Ltd.
		Legami Pte. Ltd.
		Lifebrandz Ltd. (listed on the Catalist) (Appointed from August 2018 to November 2018)
		Shanghai Turbo Enterprises Limited (listed on the Main Board) (Appointed from February 2008 to October 2018)

### Proposed Executive Officers of the Restructured Group

Hu Chao	<u>Companies within the Restructured Group</u>	<u>Companies within the Restructured Group</u>
	Please refer to above.	Please refer to above.
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	Please refer to above.	Please refer to above.
Ho Hin Yip	<u>Companies within the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	Nil	Nil
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>

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## LETTER TO SHAREHOLDERS

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Name	Present Directorships	Past Directorships
	China Ever Grand Financial Leasing Group Co., Ltd. (listed on the Mainboard of the Hong Kong Stock Exchange) (Appointed since December 2012) Jiyi Holdings Ltd (listed on the Mainboard of the Hong Kong Stock Exchange) (Appointed since October 2015) JRK Certified Public Accountants Ltd	Xinhua News Media Holdings Ltd (listed on the Mainboard of the Hong Kong Stock Exchange) (Appointed from December 2014 to March 2020) Hope Life International Holdings Limited (formerly known as Royal China International Holdings Limited) (listed on the Mainboard of the Hong Kong Stock Exchange) (Appointed from August 2015 to February 2017 and from August 2018 to July 2019)
Xiao Weibiao	<u>Companies within the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	Xingnong Agriculture	Nil
	<u>Companies outside the Restructured Group</u>	<u>Companies outside the Restructured Group</u>
	Nil	Luoyang Dukang Baiyi Wine Sales Co., Ltd.

### Opinion as to suitability of the Restructured Group's Financial Controller

The Restructured Group's Financial Controller is responsible for the overall financial and accounting functions of the Restructured Group's business, including accounting, internal controls, financial management reporting, risk management and compliance matters of the Restructured Group. Ho Hin Yip is proposed to be appointed as the Financial Controller of the Restructured Group upon Completion. In connection with the Proposed Transactions, Ho Hin Yip has worked closely with the Joint Reporting Accountants in respect of the Xingnong Acquisition in the preparation of the financial information in this Circular, and has provided, verified and substantiated operational information to the Joint Reporting Accountants and the various professional parties based on his knowledge of the Current Group's and the Xingnong Group's operations, accounting policies and financial position.

## LETTER TO SHAREHOLDERS

The Audit Committee has interviewed, evaluated and assessed the suitability and capability of Ho Hin Yip as the proposed Financial Controller of the Restructured Group and has considered:

- (a) his education, professional qualifications and past work experiences of over 20 years in the accounting and audit field;
- (b) the fact that as at the Latest Practicable Date, he has been with the Current Group for over eight (8) years and observed his abilities, competencies and familiarity in relation to the financial matters and affairs of the Current Group's business as a SGX-ST-listed group;
- (c) his requisite competency in finance-related matters in connection with the Proposed Transactions; and
- (d) the absence of negative feedback on him from the Joint Auditors of the Current Group and Joint Reporting Accountants in respect of the Proposed Transactions.

After making all reasonable enquiries, and to the best of their knowledge and belief, the members of the Audit Committee are of the view that Ho Hin Yip (i) has the requisite competence, experience, character and integrity expected of a financial controller of a listed company; and (ii) is able to devote sufficient time and attention to the affairs of the Restructured Group and carry out his duties as a financial controller of the Restructured Group notwithstanding his present non-executive directorships outside of the Restructured Group.

### 9.10. Remuneration

#### Restructured Group

The amount of compensation<sup>(1)</sup> paid or payable to the Proposed Directors and the Proposed Executive Officers of the Restructured Group (for the avoidance of doubt, to the exclusion of the Dukang Group in view of the Dukang Disposal) for FY2018 and FY2019 (being the two (2) most recently completed financial years ended 31 December) and the estimated amount of compensation to be paid for FY2020, on an aggregate basis and in remuneration bands of S\$250,000 per annum<sup>(2)</sup>, are set out as follows:

Name	FY2018	FY2019	FY2020 (estimated)
<b>Proposed Directors</b>			
Calvin Tan	Band A	Band A	Band A
David Zhao <sup>(3)</sup>	-	-	-
Huo Lei	Band A	Band A	Band A
Ho Teck Cheong	Band A	Band A	Band A
Jack Chia	Band A	Band A	Band A
<b>Proposed Executive Director &amp; CEO</b>			
Hu Chao <sup>(4)</sup>	Band A	Band A	Band A
<b>Proposed Executive Officers</b>			
Ho Hin Yip	Band A	Band A	Band A
Xiao Weibiao <sup>(5)</sup>	Band A	Band A	Band A

#### Notes:

- (1) Such compensation includes any benefits in kind, directors' fees, discretionary and/or performance bonus accrued for the financial year in question and payable at a later date, but excludes any compensation that is to be paid pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement
- (2) Band A: Compensation from S\$0 to S\$250,000 per annum.
- (3) David Zhao is currently a Director of Great Resolute. Upon Completion, David Zhao will be appointed as Executive Director of the Company and a director of Xingnong Agriculture.
- (4) Hu Chao is currently the legal representative, general manager and a director of Xingnong Agriculture and was remunerated in FY2018 and FY2019 for the aforementioned roles. Upon Completion, Hu Chao will be appointed as Executive Director and CEO of the Company, and will remain as the legal representative, general manager and director of Xingnong Agriculture.
- (5) Xiao Weibiao is currently a director and the financial controller of Xingnong Agriculture and was remunerated in FY2018 and FY2019 for the aforementioned roles. Upon Completion, Xiao Weibiao will be appointed as Accounting Director of the Company.

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## LETTER TO SHAREHOLDERS

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Save as described in **Section 9.11** entitled "Service Agreements" of this Circular, as at the Latest Practicable Date, the Restructured Group does not have in place any formal bonus or profit-sharing plan or any other profit-linked agreement or arrangement with any of its employees and bonus is expected to be paid on a discretionary basis.

No remuneration was paid or is to be paid in the form of share options to any of the Proposed Directors, the Proposed Executive Officers or employees of the Company after Completion.

As at the date of this Circular, other than the amounts set aside or accrued as required for compliance with the applicable laws of Singapore and the PRC, no amounts have been set aside or accrued to provide for pension, retirement or similar benefits for any of the Proposed Directors or the Proposed Executive Officers of the Restructured Group.

### 9.11. Service Agreements

As at the date of this Circular, the Company has entered into service agreements ("**Service Agreements**") with the Proposed New Directors, Hu Chao and David Zhao for a period of three (3) years with effect from Completion (unless otherwise terminated by either party giving not less than six (6) months' notice to the other). The Company may also terminate the Service Agreements if they, amongst other things, commit any material or persistent breach of the provisions of their respective Service Agreements, become of unsound mind or become bankrupt. The Service Agreements cover the terms of employment.

Pursuant to the terms of their respective Service Agreements, Hu Chao and David Zhao are each entitled to a monthly salary of S\$10,000.

Directors' fees do not form part of the terms of the Service Agreements as this requires the approval of Shareholders at the Company's annual general meeting.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by each Executive Director in the process of discharging his duties on behalf of the Restructured Group will be borne by the Company.

There are no existing service agreements entered into by the Current Group with any of the Directors which provide for benefits upon the termination of employment.

### 9.12. Corporate Governance

#### (a) Board Practices

The New Board recognises the importance of corporate governance to the Shareholders and will exert best efforts to implement the principles and provisions set out under the Code of Corporate Governance issued by the Monetary Authority of Singapore on 3 August 2018 and following the Proposed Listing Transfer, the Catalist Rules.

After Completion, the New Board would be assisted by three (3) committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. The functions of these committees and their respective written terms of reference would remain substantially unchanged from their respective functions and written terms of reference as described in the annual report of the Company for FY2020.

#### Audit Committee

The members of the Audit Committee will remain unchanged upon completion of the Proposed Transactions and will comprise Ho Teck Cheong, Calvin Tan and Jack Chia. The chairman of the Audit Committee will continue to be Ho Teck Cheong.



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## LETTER TO SHAREHOLDERS

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The Audit Committee is responsible for, including but not limited to, the following:

- (i) reviewing the relevance and consistency of the accounting standards, the significant financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;
- (ii) reviewing and assessing the accuracy, completeness and consistency of financial reports (including interim reports, periodic financial statements and results announcements) before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the external audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and other statutory/regulatory requirements;
- (iii) reviewing and reporting to the Board on the adequacy and effectiveness of the Company's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board), and ensure coordination between the internal auditors and external auditors and the management, and review the assistance given by the management to the internal and external auditors, and discuss problems and concerns, if any, and any matters which the internal and external auditors may wish to discuss (in the absence of the management where necessary);
- (iv) reviewing the assurance from the Executive Chairman and CEO, the General Manager (Finance) and the Financial Controller on the financial records and financial statements;
- (v) reviewing with the internal auditors, the internal audit plans (including scope) and their evaluation of the adequacy of the Restructured Group's internal controls, risk management framework and accounting system before submission of the results of such review to the Board for approval (where necessary);
- (vi) reviewing the scope and results of the external audit, the external auditors' evaluation of the system of internal controls, their audit report, their management letter and the relevant responses provided by the management, and the independence and objectivity of the external auditors. It shall then recommend to the Board the appointment, reappointment and removal of the external auditors, and their remuneration and terms of engagement;
- (vii) monitor the implementation of rectification measures proposed by the internal and external auditors;
- (viii) ensuring that the Company complies with the requisite laws and regulations;
- (ix) ensuring that the Company has programmes and policies in place to identify and prevent fraud;
- (x) reviewing potential conflicts of interests (if any) and setting out a framework to resolve or mitigate any potential conflicts of interest, and proposing additional measures where appropriate;
- (xi) overseeing the establishment and operation of the whistleblowing process in the Company;
- (xii) reviewing interested person transactions and transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);
- (xiii) reviewing the Restructured Group's key financial risk areas, with a view to providing independent oversight on the Restructured Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, immediately announced via SGXNET; and
- (xiv) (following Completion) overseeing any change of legal representative of the Company's subsidiaries incorporated in the PRC (including without limitation, the application/registration process for such change), and undertaking annual reviews of the processes and procedures in relation to the appointment and removal of the legal representative(s) of the Company's subsidiaries incorporated in the PRC to ensure their effectiveness and robustness.

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## LETTER TO SHAREHOLDERS

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Apart from the duties listed above, the Audit Committee shall review the Restructured Group's policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on and the significant matters raised through the Restructured Group's whistle-blowing channel. The Audit Committee shall ensure that these arrangements allow such concerns to be raised and independently investigated, and proportionate and independent investigation of such matters and appropriate follow up action be taken.

The Restructured Group and the Audit Committee will outsource the internal audit function of the Restructured Group. The Restructured Group shall commission an annual internal controls audit by a suitable accounting firm approved by the Audit Committee, to review and assess the adequacy and effectiveness of the Restructured Group's risk management and internal control systems, including financial, operational, compliance and information technology controls of the Restructured Group. The appointed internal auditors will report directly to the Audit Committee.

Before each annual internal audit, the internal auditors will propose an internal audit plan to the Audit Committee and obtain the approval of the Audit Committee before the internal auditors can proceed with the internal audit plan. The findings of such internal audit will be submitted by the appointed internal auditors to the Audit Committee for their review.

The Xingnong Group has commissioned Ascenda Cachet Risk Consulting Limited ("**Ascenda Cachet**"), the internal auditors, to conduct a review and assessment of the pertinent business processes and operations of the Xingnong Group and the Kiwifruit Business, including but not limited to (i) the general control environment; (ii) financial reporting, disclosures and internal controls; (iii) revenue and trade receivables; (iv) cost of sales and trade payables; (v) inventory management; (vi) production and food safety; (vii) cash and treasury management; and (viii) capital expenditure management. No material internal control weakness was identified during the said review. The Xingnong Group has adopted and instituted the relevant policies and procedures recommended by Ascenda Cachet with regard to (i) establishing a set of policies and procedures on preparing and reviewing VAT invoices, including ensuring segregation of duties, and (ii) distinguishing the nature of transactions on the record of amounts advanced to staff for business activities, including follow-up and offsetting of such advances to staff once the VAT invoices are received.

### Profile of Ascenda Cachet

Ascenda Cachet is a Hong Kong-based professional firm providing internal control services. Ascenda Cachet mainly provides pre-IPO internal control advisory services for Hong Kong listed companies across various industries.

The New Board has noted that there were no material control weaknesses raised by the Joint Reporting Accountants which in their opinion would have a material effect on the financial statements in the course of their audit of Xingnong Group for FY2017, FY2018, FY2019 and 9M2020. The New Board has also noted that there are no material internal control weaknesses identified during the internal auditors' review and that the Restructured Group maintains, in all material aspects, effective internal controls. Hence, the New Board, to the best of its knowledge and belief, with the concurrence of the Audit Committee, based on the internal controls and risk management framework established and maintained by the Restructured Group, work performed by the external and internal auditors, discussions held with the management of the Xingnong Group and reviews by the New Board and the Audit Committee, is of the opinion that (i) the internal controls (including financial, operational, compliance and information technology controls) of the Restructured Group are adequate and effective in addressing the financial, operational, compliance, and information technology risks of the Restructured Group; and (ii) the Restructured Group's current risk management systems are adequate and effective.

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## LETTER TO SHAREHOLDERS

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### Nominating Committee

The members of the Nominating Committee will remain unchanged upon completion of the Proposed Transactions and will comprise Jack Chia, Calvin Tan and Ho Teck Cheong. The chairman of the Nominating Committee will continue to be Jack Chia.

The Nominating Committee is responsible for, including but not limited to, the following:

- (i) regularly and strategically reviewing the Board and board committees' structure, size and composition (including the skills, gender, age, qualification, experience and diversity) and making recommendations to the Board with regard to any adjustments that are deemed necessary;
- (ii) identifying and nominating candidates to fill Board vacancies as they occur by considering candidates (1) from a wide range of backgrounds, (2) their own merits and evaluate against objective criteria such as their experience, knowledge, gender, age and skills in relation to the needs of the Board (whether the candidate add diversity to the Board and are likely to have adequate time to discharge their duties), (3) the composition and progressive renewal of the Board and board committees, and (4) appoint an independent third party to source and screen candidates, if necessary. Before recommending an appointee to the Board, the appointee will be requested by the Nominating Committee to disclose any existing or expected future business interest that may lead to a conflict of interest;
- (iii) determining annually, on a discretionary basis, whether or not a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- (iv) (A) in respect of a director who has multiple board representations on various companies, deciding whether or not such director is able to and has been adequately carrying out his/her duties as a director, having regard to the competing time commitments that are faced when serving on multiple boards of listed companies and other principal commitments and recommending to the Board guidelines to address competing time commitments faced by Directors, if any, who serve on multiple boards, and (B) (following Completion) in respect of the legal representative of Xingnong Agriculture or such other PRC subsidiaries of the Restructured Group, deciding whether or not such personnel is permitted to assume any executive role outside the Restructured Group from time to time, having regard to his ability to adequately carry out his/her duties as the legal representative of the subsidiary and the competing time commitments and potential conflicts of interests that are faced when undertaking an executive function outside the Restructured Group;
- (v) reviewing the succession plans for the Board Chairman, Directors, CEO and key management personnel of the Company;
- (vi) determining how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and addressing how the Board has enhanced long term Shareholders' value;
- (vii) with or without the assistance of independent third party facilitators, developing the performance evaluation framework for the Board, the board committees and individual Directors, proposing objective performance criteria for the Board, the board committees and individual Directors, conducting evaluations, analysing the findings and reports the results to the Board and recommending areas that need improvement;
- (viii) identifying and developing training programmes/schedules for the Board and assist with similar programmes for the board committees and ensure that all Board appointees undergo appropriate induction programmes; and
- (ix) keeping up-to-date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates.

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## LETTER TO SHAREHOLDERS

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### Remuneration Committee

The members of the Remuneration Committee will remain unchanged upon completion of the Proposed Transactions and will comprise Jack Chia, Calvin Tan and Ho Teck Cheong. The chairman of the Remuneration Committee will continue to be Jack Chia.

The Remuneration Committee is responsible for, including but not limited to, the following:

- (i) taking into account all relevant legal and regulatory requirements, including the principles and provisions of the Code, when determining the Company's remuneration policies. It also considers the Company's risk appetite and ensure that the policies are aligned to long-term goals;
- (ii) ensuring that the level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company;
- (iii) setting the remuneration policy for Directors and key management personnel as well as monitoring the level and structure of remuneration for key management personnel relative to the internal and external peers and competitors;
- (iv) ensuring that the remuneration of the Non-Executive Directors is appropriate to the level of their contribution, taking into account factors such as their effort, time spent and their responsibilities and reviewing the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities, and reviewing and approving bonuses, pay increases and/or promotions for these related employees;
- (v) obtaining reliable, up-to-date information on the remuneration packages of other companies and the relevant market benchmarks through the appointment of external consultants or by commissioning or purchasing any appropriate reports, surveys or information at the expense of the Company, subject to any budgetary constraints imposed by the Board;
- (vi) overseeing any major changes in employee benefits or remuneration structures;
- (vii) reviewing the design of all long-term and short-term incentive plans for approval by the Board and shareholders;
- (viii) ensuring that the contractual terms and any termination payments are fair to the individual and the Company; and
- (ix) setting performance measures and determining targets for any performance-related pay schemes operated by the Company.

The New Board will also continue to review and monitor the measures that the Restructured Group has put in place in respect of the legal representative of Xingnong Agriculture as set out in **Section A10.8** entitled "Legal Representative" of this Circular.

### **(b) Information Disclosure**

Following Completion, the Restructured Group will continue to implement a policy of providing full disclosure of material corporate information as commercially appropriate and, if the Proposed Listing Transfer is approved, in compliance with Appendix 7A (Corporate Disclosure Policy) of the Catalist Rules through announcements, press releases and shareholders' circulars as well as through the interim and annual financial results announcements.

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## LETTER TO SHAREHOLDERS

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### 9.13. Material Background Information on the Proposed Directors, Proposed Executive Officers and Controlling Shareholders of the Company

Save as disclosed below and in this Circular, none of the Company's Proposed Directors, Proposed Executive Officers or Controlling Shareholders has:

- (a) at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years after the date he ceased to be a partner;
- (b) at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years after the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (c) any unsatisfied judgment against him;
- (d) ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- (e) ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
- (f) at any time during the last 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (i) ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- (j) ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
  - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

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## LETTER TO SHAREHOLDERS

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- (k) ever been the subject of any current or past investigation or disciplinary proceedings, or been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

### Calvin Tan

#### **Goldenray Consortium (S) Pte. Ltd. (“Goldenray Consortium”)**

Goldenray Consortium, a Singapore incorporated company, is a holding company with a life-style eco-park development project in Beijing, PRC. On 7 October 2010, Calvin Tan was appointed to the board of directors of Goldenray Consortium as a non-executive director. Calvin Tan believes that he was invited to join the board of directors of Goldenray Consortium mainly owing to his relevant expertise and corporate experience, which could be leveraged by Goldenray Consortium in carrying out its intended expansion plans. Subsequently, due to lack of progress in the aforesaid development project and lack of access to satisfactory updates and information, Calvin Tan decided to resign on his own accord, which took effect as of 27 August 2012. Calvin Tan was not involved in the day-to-day running of Goldenray Consortium’s operations at any time.

On 2 March 2013, a winding up petition was filed against Goldenray Consortium by Beijing Sinozonto Mining Investment Co., Ltd., a PRC entity, under then Section 254(1)(e) of the Companies Act on the ground that Goldenray Consortium was unable to pay its debts. This relates to litigation proceedings initiated by Beijing Sinozonto Mining Investment Co., Ltd. against Goldenray Consortium in Singapore in relation to debts owed to Beijing Sinozonto Mining Investment Co., Ltd. The High Court of Singapore has ordered judgment against Goldenray Consortium in relation to the debts owed and the execution and enforcement of the order in July and August 2013 respectively. In September 2013, the High Court of Singapore gave a stay order pending the determination of appeal by Goldenray Consortium on the condition that it pays into the court a sum of S\$15.4 million as security for costs by 22 November 2013. Since the date of the winding up petition, Calvin Tan has not received any notices to attend court hearing in connection with this matter.

#### **Millennium Securities Pte Ltd**

Between 1985 and 2008, Calvin Tan was an executive director and a shareholder of Millennium Securities, a Singapore stockbroking firm. At the relevant time, he had on separate occasions assisted in investigations conducted by the Commercial Affairs Department relating to matters concerning clients of Millennium Securities. To the best of his knowledge, Calvin Tan was not the subject matter of any such investigations.

Further, Millennium Securities was at the relevant time in breach of certain minimum capital requirements relating to stockbroking firms. The matter was subsequently rectified. To the best of his knowledge, no disciplinary action or proceeding or otherwise was taken against Millennium Securities or its directors or shareholders for such breach.

### Jack Chia

#### **Guangzhao Industrial Forest Biotechnology Group Limited**

Jack Chia was appointed as an independent director of a company previously listed on the SGX-ST, Guangzhao Industrial Forest Biotechnology Group Limited on 5 September 2011 but resigned shortly after on 28 October 2011. The reason for his resignation was that he was of the view that steps taken by management to deal with the statutory demand from a creditor were not made known or provided to him on a timely basis, and as such he was unable to discharge his responsibilities as an independent director. Guangzhao Industrial Forest Biotechnology Group Limited was delisted from the SGX-ST on 27 December 2013 and was compulsorily wound up by the High Court on 26 June 2015.

No claims (whether threatened, past or ongoing) were made against Jack Chia in connection with the winding up of Guangzhao Industrial Forest Biotechnology Group Limited by the liquidators, authorities or any other third parties. To the best of Jack Chia’s knowledge, as at the date hereof, Guangzhao Industrial Forest Biotechnology Group Limited was not the subject of any investigation or disciplinary action by the SGX-ST, the Authority, or any other regulatory authority, during the tenure of his appointment as director of the company.

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## LETTER TO SHAREHOLDERS

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### **Debao Property Development Ltd. (“Debao”)**

Jack Chia was an independent director of Debao since May 2013, and has since retired as he did not seek re-election in Debao’s annual general meeting held on 5 March 2021. During Jack Chia’s tenure as an independent director of Debao, the then Executive Chairman and Chief Executive Officer of Debao, Mr. Yuan Le Sheng, was involved in an investigation on a Chinese official of Foshan City, Guangdong Province, PRC, on 16 October 2016. Following the investigations, a judgement was passed by the Guangdong Province, Foshan City, Nanhai District People’s Court against Debao’s wholly-owned subsidiary, Foshan Nanhai Debao Property Development Co., Ltd. and Mr. Yuan Le Sheng for bribing the aforementioned Chinese official. Mr. Yuan Le Sheng stepped down as Debao’s Executive Chairman and Chief Executive Officer with effect from 19 April 2018. For the avoidance of doubt, Jack Chia was not the subject of any investigations or proceedings arising from the foregoing matter, nor was he requested to assist in such investigations or proceedings.

### **Ying Li International Real Estate Limited (“Ying Li”)**

Jack Chia has been an independent director of Ying Li since July 2018, and is currently its Lead Independent Director. The then Executive Director and Group Chief Executive Officer of Ying Li, Mr. Hu Bing, was detained by the Beijing Municipal Public Security Bureau on 4 December 2020 due to his involvement in suspected bribery. Mr. Hu Bing stepped down as Ying Li’s Executive Director and Group Chief Executive Officer with effect from 7 December 2020.

Ying Li announced on 3 February 2021 that legal proceedings were commenced against Ying Li and certain of its subsidiaries and its controlling shareholder, China Everbright Limited (“**CEL**”) by Ying Li’s former Group Chief Executive Officer and former controlling shareholder (the “**Plaintiff**”), in the Chongqing No.5 Intermediate People’s Court of the People’s Republic of China, for a claim of up to RMB1.172 billion from CEL in connection with the sale of the Plaintiff’s shares in Ying Li to the indirect subsidiaries of CEL. The Plaintiff also applied for Ying Li and the involved subsidiaries to be jointly liable. Ying Li had announced that it was seeking legal advice from its Chinese legal counsel on the aforementioned legal proceedings with a view to proceeding on a course of action that was in the best interests of Ying Li.

For the avoidance of doubt, Jack Chia was not the subject of any investigations or proceedings arising from the foregoing matter, nor was he requested to assist in such investigations or proceedings.

## **9.14 Interested Person Transactions**

### **(a) General**

In general, transactions between the Restructured Group and any of its interested persons (namely, the Proposed Directors, the proposed CEO, the Controlling Shareholders of the Company post-Completion and/or their respective associates) (“**Interested Persons**”) and each, an “**Interested Person**”) are known as “interested person transactions” under Chapter 9 of the Listing Manual.

Shareholders should note that upon Completion and the Proposed Listing Transfer, any material transaction entered into between the Restructured Group and any of the Interested Persons would constitute interested person transactions for the purposes of Chapter 9 of the Catalist Rules.

### **(b) Past and Ongoing Interested Person Transactions**

Save for the Xingnong Acquisition and the Dukang Disposal, the Vendor Undertaking, the Synear Undertaking and as disclosed in **Section A11** entitled “Interested Person Transactions” of Appendix A to this Circular, there have been no interested person transactions which are material in the context of the Proposed Transactions between the beginning of the three (3) most recently completed financial years of the Company and the Xingnong Group, and the Latest Practicable Date.

The present and ongoing interested person transactions involving the Xingnong Group are disclosed in **Section A11** entitled “Interested Person Transactions” of Appendix A to this Circular.

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## LETTER TO SHAREHOLDERS

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### (c) Future Interested Person Transactions

To ensure that all future Interested Person Transactions are conducted on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Restructured Group and the minority shareholders of the Company, the following procedures will be implemented by the Restructured Group.

#### Guidelines and Review Procedures

In relation to any purchase of products or procurement of any services from an Interested Person, at least two (2) other quotes from unrelated third parties in respect of the same or substantially the same type of transactions will be obtained for comparison wherever possible. The purchase price, procurement price or fee shall not be higher than the most competitive price or fee of the two (2) quotations from the unrelated third parties. In determining the most competitive price or fee, the Restructured Group will take into account all pertinent factors, including but not limited to the suitability, quality, requirements, specifications, cost of the product or service, and the experience and expertise of the supplier.

In relation to any sale of products or provision of services to an Interested Person, the price or fee and terms of two (2) other completed transactions of the same or substantially the same type of transactions with unrelated third parties shall be used as comparison wherever possible. The selling price or fee for the supply of products or services shall not be lower than the lowest price or fee of the two (2) completed transactions with the two (2) unrelated third-parties. In determining the most competitive price or fee, the Restructured Group will take into account all pertinent factors, including but not limited to the suitability, quality, requirements, specifications, cost of the product or service, and track record. The Interested Person shall not be charged at rates lower than that charged to the unrelated third parties.

In the case of renting properties from or to an Interested Person, appropriate steps will be taken to ensure that such rent commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents (where necessary), including independent valuation report by a property valuer, where necessary and appropriate. The rent payable shall be based on the most competitive market rental rate of similar properties in terms of size and location, based on the results of the relevant enquiries.

Where it is not possible or practicable to compare against the terms of other transactions with unrelated third parties and given that the products and/or services may be purchased only from an Interested Person, the Interested Person Transaction will be referred to the Audit Committee which will assess whether the relevant price, fee and/or other terms are determined in accordance with the Restructured Group's usual business practices and policies, and whether the relevant transaction is undertaken at an arm's length basis, on normal commercial terms and not prejudicial to the interest of the Restructured Group and the minority shareholders of the Company. In determining the transaction price payable to the Interested Person for such products and/or service, factors such as, but not limited to, the suitability, quality, requirements, specifications and cost of the product or service will be taken into account.

In addition, the Company shall monitor all interested person transactions entered into by the Restructured Group and categorise these transactions as follows:

- (i) a "Category one" interested person transaction is one where the value thereof, when aggregated with other transactions entered into with the same interested person during the same financial year, is equal to or in excess of 3.0% of the NTA of the Restructured Group; and
- (ii) a "Category two" interested person transaction is one where the value thereof is below 3.0% of the NTA of the Restructured Group.

All "Category one" Interested Person Transactions must be approved by the Audit Committee prior to entry. "Category two" Interested Person Transactions need not be approved by the Audit Committee prior to entry but must be approved by the Company's Financial Controller, whom shall not be an Interested Person, in respect of the particular transaction prior to entry and shall be reviewed on a quarterly basis by the Audit Committee.



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## LETTER TO SHAREHOLDERS

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The Company will also announce all “Category one” Interested Person Transactions and seek independent shareholders’ approval where the value thereof, when aggregated with other transactions entered into with the same interested person during the same financial year, is equal to or in excess of 5.0% of the latest audited NTA of the Restructured Group.

Before any agreement or arrangement with an Interested Person that is not in the ordinary course of business of the Restructured Group is transacted, prior approval must be obtained from the Audit Committee. Any decision to proceed with such an agreement or arrangement would be recorded for review by the Audit Committee.

The Audit Committee will review all Interested Person Transactions, if any, on a quarterly basis to ensure that they are carried out on normal commercial terms, on arm’s length basis and are not prejudicial to the interests of the Restructured Group or the minority shareholders of the Company and in accordance with the procedures outlined above. The Company will prepare the relevant information to assist the Audit Committee in its review and keep a register recording all Interested Person Transactions which are entered into by the Restructured Group. The register shall also record the basis for entry into the transactions, including the quotations obtained from unrelated third parties to support the price, fees, rental fees and/or terms of the Interested Person Transactions, and the review and/or approval of the Audit Committee.

In the event that a member of the Audit Committee is interested in any interested person transaction, he will abstain from reviewing and/or approving that particular transaction.

In addition, the Audit Committee and the Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Catalist Rules and relevant accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all Interested Person Transactions entered into. Such transactions will also be subject to the approval of Shareholders where required by the Catalist Rules.

The internal audit reports will be reviewed by the Audit Committee to ascertain whether the guidelines and procedures established to monitor and execute Interested Person Transactions have been complied with. The Audit Committee shall also, from time to time, review such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Interested Person Transactions will be conducted on normal commercial terms, on an arm’s length basis and do not prejudice the interests of the Restructured Group and the minority shareholders of the Company. Furthermore, if during these periodic reviews, the Audit Committee believes that the guidelines and procedures as outlined above are not sufficient to ensure that the Interested Person Transactions will be conducted on normal commercial terms, on an arm’s length basis and that the interests of the Restructured Group and the minority shareholders of the Company are not prejudiced, (i) the Company will adopt new or enhanced guidelines and procedures and the Audit Committee may request for an independent financial adviser’s opinion on such guidelines and procedures as it deems fit; and (ii) the Company will seek independent Shareholders’ approval in respect of such interested person transactions.

Disclosure will be made in the Company’s annual report of the aggregate value of Interested Person Transactions during the relevant financial year under review.

### **9.15. Potential Conflicts of Interest**

This section sets out the potential conflicts of interests which may arise from the interests of the Proposed Directors, Proposed Executive Officers, the Controlling Shareholders of the Restructured Group and/or their respective associates. In general, a conflict of interest arises when any of the abovementioned persons has any interest in any entity carrying on the same business or dealing in similar products as the Restructured Group.

All Proposed Directors have a duty to disclose their interests in respect of any transaction in which they have any personal material interest or any actual or potential conflicts of interest. Upon such disclosure, such Proposed Directors will not participate in any proceedings of the Board and shall abstain from voting in respect of any such transaction where the conflict arises.

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## LETTER TO SHAREHOLDERS

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None of the Proposed Directors, Proposed Executive Officers or Controlling Shareholders of the Restructured Group or their respective associates has any interest, direct or indirect, in:

- (a) any business transaction to which the Restructured Group was or is to be a party;
- (b) any company carrying on the same business or dealing in similar products as the Restructured Group; and
- (c) any business that is a competitor, supplier or customer of the Restructured Group.

As at the Latest Practicable Date, the Financial Adviser and Proposed Sponsor has reviewed and did not identify any potential conflicts of interest which may arise from the interests of the Proposed Directors, Proposed Executive Officers, Controlling Shareholders of the Restructured Group and/or their respective associates in any company carrying on a similar or competing business as the Restructured Group.

Under its terms of reference, the Audit Committee is responsible for reviewing and resolving any conflict of interest which may arise from the interests of the Proposed Directors, Proposed Executive Officers, Controlling Shareholders of the Restructured Group and/or their respective associates in any company carrying on a similar or competing business as the Restructured Group.

### **9.16. Interests of Experts, Financial Adviser, the IFA, the Independent Dukang Group Valuer and the Independent Company Appointed Valuer**

#### Current Group

- (a) No expert (i) is employed on a contingent basis by the Current Group; or (ii) has a material interest, whether direct or indirect, in the shares or equity interests of any member of the Current Group; or (iii) has a material economic interest, whether direct or indirect, in the Current Group, including an interest in the success of the Proposed Transactions.
- (b) In the reasonable opinion of the Board, the Financial Adviser does not have any material relationship with the Company save for the following:
  - (i) ZICO Capital Pte. Ltd. is the Proposed Sponsor to the Company, subject to approval from the Shareholders on the Proposed Transactions; and
  - (ii) ZICO Capital Pte. Ltd. will be the continuing sponsor of the Company for a period of three (3) years upon completion of the Proposed Transactions.
- (c) In the reasonable opinion of the Board, the IFA, the Independent Dukang Group Valuer, and the Independent Company Appointed Valuer appointed by the Company do not have a material relationship with the Company.

#### Xingnong Group

Please refer to **Section A12.2** entitled "Interests of Experts and the Independent Xingnong Appointed Valuer" of Appendix A to this Circular for information on the interests of experts engaged in relation to the Xingnong Group.

### **9.17 Share Capital**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$400,000,000 comprising 100,000,000 Shares with a par value of HK\$4.00 each, and its issued and paid-up share capital is HK\$319,315,727.20, comprising 79,828,927 Shares.

As at the date of this Circular, there is only one (1) class of shares in the capital of the Company, being ordinary shares. There is no founder, management, deferred or unissued shares. The existing Shares (including, but not limited to the Shares held by the Directors and Substantial Shareholders of the Company) do not carry voting rights which are different from each other. The rights of and privileges attached to the Shares are stated in the Bye-Laws of the Company.

The Company also has 130,000,000 TDRs representing 13,000,000 Shares (comprising 16.3% of the issued Shares) of the Company listed as Taiwan Depository Receipts on the TWSE since 9 March 2011.

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## LETTER TO SHAREHOLDERS

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As at the Latest Practicable Date:

- (a) save as disclosed in **Section 18** entitled “Interests of Directors, Proposed New Directors, CEO and Substantial Shareholders” of this Circular, the Company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government;
- (b) there is no known arrangement the operation of which may, at a subsequent date, result in a change in control of the Company;
- (c) the Directors are not aware of any event which has occurred since the beginning of the most recent completed financial year and the Latest Practicable Date, which may have a material effect on the financial position and results of the Current Group; and
- (d) there has not been any public take-over offer, by a third party in respect of any of the Shares of the Company or by the Company in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of the most recent completed financial year and the Latest Practicable Date.

There were no changes in the issued and paid-up share capital of the Company or any issue of Shares for a consideration other than cash within the three (3) years preceding the Latest Practicable Date.

As at the Latest Practicable Date:

- (i) no person has, or has the right to be given, an option to subscribe for or purchase any Shares, securities or securities-based derivatives contracts of the Company;
- (ii) there is no arrangement which involves the employees of the Company that involves the issue or grant of options or Shares or any other securities in the Company, and no option to subscribe for or purchase Shares has been granted to, or was exercised by, any Director or the chief executive officer of the Company; and
- (iii) none of the Shares are held by or on behalf of the Company or by its subsidiaries or subsidiary entities.

### 9.18 Material Contracts

#### Current Group

The Current Group has not entered into any contracts, other than contracts entered into in the ordinary course of business, for the period of two (2) years before the date of this Circular, save for the following:

- (a) the Agreement, further information on which is set out in **Section 2** entitled “Principal Terms of the Proposed Transactions” of this Circular;
- (b) the Vendor Undertaking, further information on which is set out in **Section A3.15** entitled “Licences, Permits and Government Regulations” of this Circular;
- (c) the Synear Undertaking, further information on which is set out in **Section A3.15** entitled “Licences, Permits and Government Regulations” of this Circular;
- (d) the Legal Representative Undertaking, further information on which is set out in **Section A3.15** entitled “Licences, Permits and Government Regulations” of this Circular;
- (e) the service agreement entered into between the Company and Hu Chao on 31 March 2021, in relation to the appointment of Hu Chao as Executive Director and CEO of the Company, further information on which is set out in **Section 9.11** entitled “Service Agreements” of this Circular; and
- (f) the service agreement entered into between the Company and David Zhao on 31 March 2021 in relation to the appointment of David Zhao as Executive Director of the Company, further information on which is set out in **Section 9.11** entitled “Service Agreements” of this Circular.

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## LETTER TO SHAREHOLDERS

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### Xingnong Group

Please refer to **Section A13.1** entitled “Material Contracts of the Xingnong Group” of Appendix A to this Circular for information on material contracts in relation to the Xingnong Group.

### **9.19. Material Litigation**

#### Current Group

In May 2016, a legal claim was made by an independent third party, an assignee of an alleged original creditor’s right in respect of loans of RMB14.3 million, against the then chairman of the Company (Gao Feng), and two (2) subsidiaries of the Company, Luoyang Dukang Holdings Limited (洛阳杜康控股有限公司), an existing subsidiary of the Company and Henan Trump Dragon Siwu Wine Co., Ltd (河南祥龙四五酒业有限公司) a former subsidiary of the Company. The loans totalling RMB14.3 million were taken up by Gao Feng sometime between 2007 to 2009, without the knowledge of the Company. It was claimed that the seals of both Luoyang Dukang Holdings Limited and Henan Trump Dragon Siwu Wine Co., Ltd. were appended with Gao Feng’s signature in the borrowing receipt and such loans were obtained for working capital purposes of Luoyang Dukang Holdings Limited.

The legal claim has been heard in the People’s Court of Huiji District of Zhengzhou City in 2016, where the Company’s subsidiary and former subsidiary were ordered to repay the alleged loan principal and accrued interest to the plaintiff. Upon appeal by the Company’s subsidiary to the Zhengzhou Intermediate People’s Court, the lower court’s decision was overruled, and it was ordered for the case to be remanded to the lower court for it to be re-trialed as the facts were unclear.

On 9 February 2018, the lower court issued its decision in favour of the plaintiff and ordered the Company’s subsidiaries’ repayment of the alleged loan principal and accrued interest. The Company’s subsidiary filed for an appeal to the Zhengzhou Intermediate People’s Court against the lower court’s decision, and the appeal hearing took place on 3 July 2018. On 22 October 2018, the Zhengzhou Intermediate People’s Court ordered only the former subsidiary to repay the alleged loan principal and accrued interest to the plaintiff. The plaintiff had filed an appeal to Henan High People’s Court against the lower court’s decision on 11 February 2019, and there has been no further development since. A decision ruled in favour of the plaintiff may result in the Company’s subsidiary being liable for an estimated amount of RMB16.3 million (calculated as at 30 June 2018, comprising the alleged loan principal, accrued interest and other legal costs), which the Directors had made provision for in FY2018, and the Directors have, based on all facts and circumstances and legal advice, made additional provision for accrued interest of RMB858,000 in FY2019. On 10 June 2020, the subsidiary received the civil judgement from Henan High People’s Court which rejected the appeal filed by the plaintiff on 11 February 2019, and upheld the judgment that the Company’s subsidiary is not liable for the alleged loan principal of RMB14.3 million and the accrued interest. The legal case has no further development since June 2020. Based on all facts and circumstances and legal advice that the plaintiff may still file an appeal to the Supreme People’s Court of the PRC, an additional provision for accrued interest of RMB858,000 has been made by the Directors for FY2020. The financial exposure (which includes the alleged loan principal, accrued interest and other legal costs in relation to this litigation matter) amounted to approximately RMB18.0 million as at 30 June 2020, and such amount has been provided in the financial statements of the Company as at 30 June 2020. The existing evaluation of the likelihood of an outcome and estimate of this legal matter may differ from the evaluation at the completion of the Proposed Transactions. The Restructured Group would not be liable for such financial exposure after Completion, in the event the subsidiary of the Company (Luoyang Dukang Holdings Limited (洛阳杜康控股有限公司)) is judged to be liable for the alleged loan principal and accrued interest as the Dukang Group (which includes the said subsidiary) would have been disposed of at Completion. Nonetheless, all outstanding liabilities, obligations and undertakings owing to the Company by each member of the Dukang Group are to be fully settled, discharged and terminated to the satisfaction of the Company and/or the Financial Adviser and Proposed Sponsor, as part of the conditions precedent to Completion.

Save as disclosed above, the Current Group is not engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of this Circular, a material effect on the Current Group’s financial position or profitability.

### Xingnong Group

Please refer to **Section A13.2** entitled “Material Litigation” of Appendix A to this Circular for information on material litigation in relation to the Xingnong Group.

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## LETTER TO SHAREHOLDERS

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### 10. WAIVER GRANTED BY THE SGX-ST

#### 10.1. Disclosure Requirements under the Listing Manual

Pursuant to Rule 1015(5) read with Rule 602(a) (the “**Relevant Rules**”) of the Main Board Rules, the Circular is required to, *inter alia*, comply with the Fifth Schedule of the SFR (“**Fifth Schedule**”).

In particular, paragraph 24 of Part 9 of the Fifth Schedule requires the pro forma financial statements of the Restructured Group for the most recently completed financial year, and if applicable, the period covered by interim financial statements, to be included in the Circular.

#### 10.2. Application for Waiver

As announced by the Company on 8 June 2020, the Company had, on 2 February 2019, applied to the SGX-ST for a waiver from compliance with the Relevant Rules, specifically the requirement to present the pro forma financial statements of the Restructured Group in the Circular (“**Waiver**”).

The bases for the Waiver were as follows:

- (a) pursuant to the terms of the Agreement, on Completion, full satisfaction of the Acquisition Consideration and the Disposal Consideration will be by way of the Netting Off. Accordingly, upon Completion and the Netting Off, there will be no outstanding amount owing to Keen Wind by the Company, and no outstanding amount owing to the Company by Keen Wind in respect of the Xingnong Acquisition and Dukang Disposal respectively. In addition, as there will be no allotment and issuance of new shares in the capital of the Company, there will be no change to the Company’s share capital pursuant to the Proposed Transactions;
- (b) the Xingnong Acquisition and Dukang Disposal are inter-conditional and will be completed concurrently. Pursuant to Completion, the Company’s business will comprise wholly the business carried out by the Xingnong Group;
- (c) the Company believes that the audited consolidated financial statements of the Xingnong Group will be reflective of the new business of the Restructured Group after Completion;
- (d) the Company is of the view that the audited consolidated financial statements of the Xingnong Group proposed to be included in the Circular will not be materially different from the pro forma financial statements of the Restructured Group, save for (i) non-cash impact on the profit or loss and/or the net assets of the Restructured Group arising from goodwill recognition and/or fair value adjustments as a result of acquisition accounting and the Dukang Disposal, pursuant to the prevailing financial reporting standards; and (ii) professional fees incurred in connection with the Proposed Transactions, which are both one-off and non-recurring in nature; and
- (e) Shareholders who wish to have an understanding of the historical financial performance and position of the Current Group can refer to the Current Group’s annual reports and periodic financial announcements.

#### 10.3 Grant of Waiver

On 5 June 2020, the SGX-ST granted the waiver sought and indicated that the SGX-ST has no objection to granting the Company a waiver from the Relevant Rules in respect of disclosure of *pro forma* financial information of the Restructured Group subject to:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Main Board Rules and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (b) the accountants’ report must be signed off jointly by BDO LLP and BDO Limited;

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## LETTER TO SHAREHOLDERS

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- (c) the accountants' report must present financial information on the Restructured Group, but adjustments may be made to exclude the income, expenses, assets and liabilities attributable to the existing business to be disposed of; and
- (d) the Company disclosing in this Circular details of how Rule 1015(2) of the Main Board Rules has been complied with.

Accordingly, the Company had, on 8 June 2020, announced the Waiver granted, the reasons for seeking the Waiver, and the conditions as required under Rule 107 of the Main Board Rules. A copy of the Company's announcement dated 8 June 2020 is available on the SGX-ST's website at [www.sgx.com](http://www.sgx.com).

Please see **Section 3.6** entitled "Rule 1015(2) of the Main Board Rules" of this Circular for more information on the disclosures required under Rule 1015(2) of the Main Board Rules.

### 11. MORATORIUM UNDERTAKINGS

Based on consultations with the SGX-ST, in view that it is proposed that the Company will transfer the listing status of its Shares from the Main Board to the Catalist pursuant to the Proposed Listing Transfer, the moratorium requirements set out in Rules 420, 421 and 422 of the Catalist Rules will apply to the Xingnong Acquisition, and shall be applicable to the following persons:

- (a) the existing Controlling Shareholders of the Company and their associates;
- (b) persons who will become a Controlling Shareholder of the Company and their associates as a result of the Xingnong Acquisition; and
- (c) executive directors with an interest in 5% or more of the issued share capital excluding subsidiary holdings on the Listing Date.

Such persons are required to provide a contractual undertaking to the Sponsor to observe a moratorium on the transfer or disposal of their interests in the Company under the moratorium during the moratorium period.

#### TW Moratorium Undertaking

Accordingly, in compliance with Rules 420, 421 and 422 of the Catalist Rules and pursuant to the Agreement, the following persons have provided moratorium undertakings in favour of the Company and the Sponsor as set out below:

- (i) Treasure Winner, being a Controlling Shareholder of the Company, has irrevocably and unconditionally undertaken, *inter alia*, not to, (A) in respect of any of the Shares that it holds or in which it has an interest ("**TW Lock-up Shares**") for the period of six (6) months from the Completion Date ("**Initial Lock-up Period**"); and (B) in respect of 50.0% of the TW Lock-up Shares that it holds immediately after Completion for the period of six (6) months commencing on the first day after the expiry of the Initial Lock-up Period until the date falling 12 months after the Completion Date, directly or indirectly, offer, pledge, sell, contract to sell, realise, sell any option or contract to purchase, purchase any option or contract to sell, grant any option or right or warrant to purchase, lend, hypothecate or encumber (such as by way of mortgage, assignment of rights, charge, pledge, pre-emption rights, rights of first refusal or otherwise) or otherwise transfer or dispose of, directly or indirectly, any TW Lock-up Shares or any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe or purchase any TW Lock-up Shares ("**TW Moratorium Undertaking**").

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## LETTER TO SHAREHOLDERS

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- (ii) Wang Peng, the sole legal and beneficial owner of all the issued and fully-paid shares in Treasure Winner (“TW Shares”) has irrevocably and unconditionally undertaken, *inter alia*, that:
- (A) he will not, in respect of any of the TW Shares for the period of 12 months from the Completion Date, directly or indirectly, offer, pledge, sell, contract to sell, realise, sell any option or contract to purchase, purchase any option or contract to sell, grant any option or right or warrant to purchase, lend, hypothecate or encumber (such as by way of mortgage, assignment of rights, charge, pledge, pre-emption rights, rights of first refusal or otherwise) or otherwise transfer or dispose of, directly or indirectly, any TW Shares or any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe or purchase any TW Shares; and
- (B) he will procure that Treasure Winner fully complies with the terms of the TW Moratorium Undertaking.

### SZS Moratorium Undertaking

In addition to the TW Moratorium Undertaking, Wang Peng, who holds 70.46% of all the issued and fully-paid equity interests on Zhengzhou Syneer through his shareholding interest in Syneer (collectively, Wang Peng’s shareholdings in Zhengzhou Syneer and Syneer are hereinafter referred to as “SZS Shares”), provided moratorium undertakings in favour of the Company and the Sponsor not to, directly or indirectly, offer, pledge, sell, contract to sell, realise, sell any option or contract to purchase, purchase any option or contract to sell, grant any option or right or warrant to purchase, lend, hypothecate or encumber (such as by way of mortgage, assignment of rights, charge, pledge, pre-emption rights, rights of first refusal or otherwise) or otherwise transfer or dispose of, directly or indirectly, any SZS Shares or any securities convertible into or exercisable or exchangeable for or which carry rights to subscribe or purchase any SZS Shares from the date of execution of the undertaking until either (1) the date on which the TDRs Acquisition is completed; or (2) the date on which the Company obtains TWSE’s concurrence that all the outstanding TDRs in respect of Shares in the Company may remain listed on the TWSE following Completion, as the case may be (“SZS Moratorium Undertaking”).

So far as the Company is aware, there will be no change to the interests of the Directors, the Proposed New Directors, CEO and the Substantial Shareholders of the Company in the issued and paid-up share capital of the Company as indicated in Section 18 entitled “Interests of Directors, Proposed New Directors, CEO and Substantial Shareholders” of this Circular immediately after Completion.

## 12. NO MATERIAL EFFECT ON FINANCIAL POSITION

### Current Group

Save as disclosed in this Circular and all public announcements made by the Company, the Directors are not aware of any event which has occurred since the end of 31 December 2020 for which the relevant financial results announcement was made on 9 February 2021 and up to the Latest Practicable Date which may have a material effect on the financial position and results of the Current Group.

### Restructured Group

Save as disclosed in this Circular, the Proposed Directors are not aware of any event which has occurred since the end of the last audited statement of financial position as at 30 September 2020 and up to the Latest Practicable Date which may have a material effect on the financial position and results of the Restructured Group.

## 13. THE PROPOSED CHANGE OF NAME

In connection with the Xingnong Acquisition and the Dukang Disposal, the Company is proposing to change the name of the Company from “Dukang Distillers Holdings Limited” to “China Shenshan Orchard Holdings Co. Ltd.” and adopt “中国神山果农控股有限公司” as the secondary name of the Company to better reflect the status of the Restructured Group and the new business and activities of the Restructured Group. The Proposed Change of Name of the Company will only take effect upon Completion.

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## LETTER TO SHAREHOLDERS

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In line with the Proposed Change of Name of the Company, the Company also intends to adopt a new corporate logo as shown below:



The Proposed Change of Name of the Company is subject to the approval of the Shareholders by way of a special resolution to be tabled at the SGM, for which not less than 21 days' notice will be given. The said resolution must be approved by a majority of not less than three-fourths ( $\frac{3}{4}$ ) of votes cast by Shareholders, being entitled to vote, voting in person or by their authorised representatives or by proxy at the SGM.

The Company has made an application to the Registrar of Companies in Bermuda (the "**Registrar**") to reserve the name "China Shenshan Orchard Holdings Co. Ltd." and "中国神山果农控股有限公司" as the secondary name of the Company. The reservation of the name "China Shenshan Orchard Holdings Co. Ltd." with the Registrar is valid until 17 May 2021 and the reservation of "中国神山果农控股有限公司" is valid until 16 May 2021. Such reservations will be extended further by the Company upon their expiry, where necessary. Subject to the approval of the Shareholders and the Registrar, the Proposed Change of Name will take effect upon registration by the Registrar on the Register of Companies. The Company will make an announcement when the change of the Company's name to "China Shenshan Orchard Holdings Co. Ltd." and the adoption of "中国神山果农控股有限公司" as the secondary name of the Company takes effect.

Shareholders should note that the Proposed Change of Name of the Company does not affect the legal status of the Company, and any rights of the Shareholders. Shareholders should take note that notwithstanding the change of the Company's name, the Company will not recall any existing share certificates bearing the current name of the Company, which continue to be prima facie evidence of legal title. No further action is required on the part of the Shareholders.

The Proposed Directors are of the view that the Proposed Change of Name of the Company is in compliance with Rule 207 of the Main Board Rules or Rule 404 of the Catalist Rules (as the case may be), and the proposed new name of the Company does not contain words that will lead to confusion or are misleading.

## 14. THE PROPOSED TRANSFER FROM THE MAIN BOARD OF THE SGX-ST TO THE CATALIST

### 14.1. Background

Upon Completion, it is proposed that the Company will transfer the listing of its Shares from the Main Board to the Catalist pursuant to the Proposed Listing Transfer. ZICO Capital Pte. Ltd. will be appointed as the continuing sponsor of the Company following completion of the Proposed Listing Transfer.

On 31 March 2021, the Company had obtained the approval in-principle of the SGX-ST for the Proposed Listing Transfer, subject to:

- (a) Compliance with the SGX-ST's listing requirements;
- (b) An immediate announcement via SGXNet of the Proposed Listing Transfer;
- (c) Shareholders' approval being obtained for the Proposed Listing Transfer via a special resolution under Rule 410(4) of the Catalist Rules;



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## LETTER TO SHAREHOLDERS

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- (d) Submission of:
- (i) A written undertaking from the Company in the format set out in Appendix 4E of the Listing Manual to comply with all of the SGX-ST's requirements and policies applicable to the issuers listed on the Catalist;
  - (ii) A written undertaking from the Company that it is not aware of any material information which has not been previously announced via SGXNet which will affect the Company's suitability for the transfer to Catalist; and
  - (iii) A written confirmation from the Company that it is in compliance with all applicable Main Board Rules.

The SGX-ST's in-principle approval above is not to be taken as an indication of the merits of the Proposed Listing Transfer, the Company and/or its subsidiaries.

### 14.2. Rationale for the Proposed Listing Transfer

#### (a) Watch-List Requirements

Prior to 1 June 2020, an issuer would have been placed on the watch-list if it had recorded:

- (i) a volume-weighted average price of less than S\$0.20 and an average daily market capitalisation of less than S\$40 million over the last six (6) months ("**MTP Entry Criteria**"); or
- (ii) pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts), and an average daily market capitalisation of less than S\$40 million over the last six (6) months ("**Financial Entry Criteria**").

The Company was placed on the MTP watch-list with effect from 6 June 2019, as it met the MTP Entry Criteria. In addition, the Company had been informed by the SGX-ST that it was placed on the financial watch-list with effect from 4 December 2019, for having met the Financial Entry Criteria.

Effective from 1 June 2020, an issuer will be placed on the financial watch-list, if it meets the Financial Entry Criteria. The MTP Entry Criteria and the MTP watch-list ceased to exist on 1 June 2020 and Main Board companies on the list, including the Company no longer need to satisfy the exit criteria and apply for removal from the MTP watch-list.

Pursuant to Rule 1314 of the Main Board Rules, the Company will be assessed by the SGX-ST for removal from the watch-list if it records a consolidated pre-tax profit for the most recently completed financial year (based on audited full year consolidated accounts) and an average daily market capitalisation of S\$40 million or more over the last six (6) months, within 36 months from 4 December 2019, failing which the SGX-ST would either delist the Company or suspend trading of the Company's shares with a view to delisting the Company.

The Company must take active steps to satisfy the requirements of Rule 1314 of the Main Board Rules. The average daily market capitalisation of the Company of the last six (6) months prior to the Latest Practicable Date (and based the volume weighted average price of S\$0.083 across the aforementioned 6-month period) was S\$6.3 million. The Company recorded a consolidated pre-tax loss for the most recently completed financial year (based on the latest full year consolidated audited accounts).

As such, based on the foregoing, if Shareholders' approval is not obtained and the Proposed Listing Transfer does not take effect by 3 December 2022, the SGX-ST may delist the Company, or suspend trading of the Shares (without the agreement of the Company) with a view to delisting the Company. If the Company remains listed on the Main Board, the Company may need to carry out substantive corporate actions (including, without limitation, restructuring and/or business acquisitions) with the objective of increasing its share price and thereby market capitalisation in order to exit the watch-list.

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## LETTER TO SHAREHOLDERS

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**Shareholders are advised that the trading performance of the Shares is subject to, *inter alia*, the performance and prospects of the Company, prevailing economic conditions, economic outlook, stock market conditions and sentiments. There is no certainty over share price performance even if the aforementioned corporate actions are carried out.**

**(b) Conducive platform for growth**

The Board believes that the Proposed Listing Transfer will provide the Restructured Group with a more conducive platform for fundraising and potential acquisitions and disposals in the future. The Catalist provides greater flexibility for a company to tap the equity market as and when more funds are needed to fuel growth and expansion of its business. In comparison to companies listed on the Main Board, Catalist companies benefit from higher general share issue mandate and thresholds for acquisitions and disposals. Some of the key differences between Main Board Rules and the Catalist Rules are summarised in the table set out in **Section 14.5** entitled “Key Differences between Issuers listed on the Main Board and Issuers listed on the Catalist” of this Circular. Further, the Proposed Listing Transfer will provide the Restructured Group with a more supportive listing platform via a Catalist sponsor.

The Board believes that the size of the Restructured Group’s Kiwifruit Business, growth trajectory, market capitalisation and risk profile better resemble that of the companies listed on the Catalist. The Board is of the view that the Proposed Listing Transfer and the listing on the Catalist will position the Company appropriately and better allow the Company to attract investors in the future, and avail the management of the Restructured Group with a suitable platform and flexibility to execute the Restructured Group’s growth plans.

### **14.3. Requirements for the Proposed Listing Transfer**

A transfer from the Main Board of the SGX-ST to the Catalist is governed by Rule 410 of the Catalist Rules. As described below, as at the Latest Practicable Date, the Company has met the requirements for a transfer of the listing to the Catalist, save for the requirement for Shareholders’ approval, which is the subject of this Circular and Rule 410(4) of the Catalist Rules, which would be complied with upon the receipt of Shareholders’ approval.

**(a) Rule 410(1) – Compliance with Catalist Rules 406(1), (2)(b), (3), (4) and 407(2) and (3)**

Based on the shareholding statistics available to the Company as at the Latest Practicable Date, approximately 45.34% of the Shares shall be considered as public shareholdings and the number of public shareholders is more than 200 Shareholders, for the purpose of fulfilling the free float requirement stipulated under the Catalist Rules. Accordingly, Rule 406(1) of the Catalist Rules will be complied with upon Completion. In the event that the public float falls below the required threshold in the Catalist Rules upon Completion, the Company will take the necessary actions to ensure that the public float is maintained, including but not limited to, a compliance placement.

Pursuant to Rule 406(2)(b) of the Catalist Rules, save for the requirements set out in the AIP, the SGX-ST has not published specific additional or other quantitative criteria for the Proposed Listing Transfer as at the date of this Circular.

The Company has complied with Rule 406(3) of the Catalist Rules as:

- (i) the Proposed Directors and the Proposed Executive Officers of the Restructured Group have the appropriate experience and expertise to manage the Restructured Group’s business;
- (ii) David Zhao and Hu Chao who do not have prior experience as a director of an issuer listed on the SGX-ST will attend within the prescribed deadline under the listing requirements, the relevant training with the Singapore Institute of Directors to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore. Save for David Zhao and Hu Chao, the other Proposed Directors have been directors of the Company and are familiar with the roles and responsibilities of a director of a public listed company in Singapore;
- (iii) nothing materially adverse has come to the attention of the Proposed Sponsor to suggest that the Proposed Directors, Proposed Executive Officers and Controlling Shareholders of the Restructured Group do not have the character and integrity expected of a listed issuer;

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## LETTER TO SHAREHOLDERS

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- (iv) the Company has at least two (2) non-executive directors who are independent and free of any material business or financial connection with the Company, with at least one (1) of the directors being a resident in Singapore; and
- (v) the Company has and will, following Completion, continue to have in place its Audit Committee, Nominating Committee and Remuneration Committee, with written terms of reference which clearly set out the authority and duties of such committees.

Please refer to **Sections 9.6 and 9.7** entitled “Proposed Directors” and “Proposed Executive Officers” of this Circular for further details on the Proposed Directors and Proposed Executive Officers of the Restructured Group, respectively.

In compliance with Rule 406(4) of the Catalist Rules, the Proposed Sponsor has provided the confirmation required in Appendix 10A of the Catalist Rules that the Restructured Group is suitable for listing and complies with the Catalist Rules.

In the reasonable opinion of the Proposed Directors, and taking into consideration the factors stated in **Section A9** entitled “Liquidity and Capital Resources of the Restructured Group” of to Appendix A this Circular, the working capital available to the Restructured Group as at the date of this Circular is sufficient for its present requirements and for at least 12 months after Completion and (if applicable) the date of the Proposed Listing Transfer (whichever is later).

In the reasonable opinion of the Proposed Sponsor, and taking into consideration the factors stated in the **Section A9** entitled “Liquidity and Capital Resources of the Restructured Group” of Appendix A to this Circular, the working capital available to the Restructured Group as at the date of this Circular is sufficient for its present requirements and for at least 12 months after Completion and (if applicable) the date of the Proposed Listing Transfer (whichever is later).

Accordingly, Rule 410(1) of the Catalist Rules has been complied with.

**(b) Rule 410(2) – The Company is sponsored and the sponsor provides the SGX-ST with a completed Appendix 4D under the Catalist Rules**

The Board proposes to appoint ZICO Capital Pte. Ltd. as the Company’s continuing sponsor, subject to the Proposed Listing Transfer taking effect. The Proposed Sponsor had on 31 March 2021 provided the SGX-ST with a completed Appendix 4D (Transfer Confirmation by Sponsor) of the Catalist Rules.

Accordingly, Rule 410(2) of the Catalist Rules has been complied with.

**(c) Rule 410(3) – The Company provides the SGX-ST with a completed Appendix 4E under the Catalist Rules**

The Company had on 31 March 2021 provided the SGX-ST with a completed Appendix 4E (Applicant’s Listing Agreement) of the Catalist Rules agreeing to comply with the SGX-ST’s requirements and policies applicable to issuers listed on Catalist.

Accordingly, Rule 410(3) of the Catalist Rules has been complied with.

**(d) Rule 410(4) – The Company’s Shareholders have approved the Proposed Listing Transfer by special resolution**

The Proposed Listing Transfer is subject to the approval of the Shareholders by way of a special resolution at the SGM, the notice of which is set out in the Notice of SGM. Accordingly, subject to the approval of the Shareholders for the Proposed Listing Transfer at the SGM, Rule 410(4) of the Catalist Rules will be complied with.

**(e) Rule 410(5) – The Company is in compliance with all applicable SGX-ST Main Board Rules**

The Board has confirmed that the Company is in compliance with all applicable Main Board Rules.

Accordingly, Rule 410(5) of the Catalist Rules has been complied with.

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## LETTER TO SHAREHOLDERS

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On 4 January 2016, the SGX-ST issued a Regulator's Column titled "Transfer from Mainboard to Catalist – what to expect of companies and sponsors", which sets out that an issuer who is placed on the Watch-List may seek to exit from the Watch-List if, among others, (i) if the issuer undertakes a RTO/VSA, it must appoint a full sponsor and carry out the RTO or VSA, and raise funds in the process, before it can transfer to Catalist; (ii) if the issuer has been loss-making for consecutive years, it must appoint a sponsor and consult the SGX-ST on the proposal to transfer to the Catalist. The sponsor must be satisfied with the issuer's plans to turn around its business and that the transfer to Catalist is necessary for the company to address its funding needs and execute its plans. The sponsor must also assess the viability of the company's business and its ability to operate as a going concern, adequacy of working capital, as well as whether profit was achieved due to recurring income.

### Appointment of full sponsor and undertaking the Xingnong Acquisition which constitutes a "Very Substantial Acquisition"

The Company has appointed ZICO Capital as its Financial Adviser in respect of the Proposed Transactions (including the Xingnong Acquisition which constitutes a "Very Substantial Acquisition"), and Proposed Sponsor upon completion of the Proposed Listing Transfer.

ZICO Capital, has, together with rest of the appointed professionals, undertaken the necessary due diligence on the Xingnong Group, including but not limited to the affairs, operations, businesses, contracts, financial condition, and prospects of the Xingnong Group, and is satisfied with the results arising thereof. Given the (A) growth trajectory of the Kiwifruit Business as evidenced by its increasing revenue and net profits in the last 3 financial years ended 31 December 2019 which are supported by (i) continuing domestic demand for kiwifruits on the back of continued modernisation, rise in standards of living, and growth in disposable income of the PRC consumers; and (ii) the continued development, maturity, and increasing yield of existing kiwifruit bearer plants in the Xingnong Orchards, and (B) expected expansion plans which include scaling its operations by, among others, ramping up research and breeding efforts to identify new cultivars and expanding marketing and sales networks in the PRC, ZICO Capital and the Proposed Directors are of the view that the Proposed Acquisition would help the Company to improve its financial performance and position.

The Proposed Transactions will allow the Company to (i) enter the kiwifruit market in the PRC and to 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; (ii) not only turn around its loss-making position, but also provide a potential for growth of the Company, which would result in an increase in investor interest and an improvement in the trading liquidity in the Shares; and (iii) acquire the Kiwifruit Business and work towards exiting the SGX-ST watch-list as well as preserve and capitalise on its listing status.

ZICO Capital and the Proposed Directors further believe that the size of the Restructured Group's Kiwifruit Business, growth trajectory, market capitalisation and risk profile better resemble that of the companies listed on the Catalist, and the Proposed Listing Transfer and the listing on the Catalist will position the Company appropriately and better allow the Company to attract investors in the future, and avail the management of the Restructured Group with a suitable platform and flexibility to execute the Restructured Group's growth plans.

### Enhanced working capital position

The Proposed Directors and ZICO Capital are of the view that there are no compelling reasons for the Company to undertake any fund raising exercises in conjunction with the Proposed Transactions, in view of the following:

- (a) The net current liabilities position of the Xingnong Group as at 30 September 2020 mainly arose from the Unpaid Consideration due to the Previous Xingnong Shareholders pursuant to the Xingnong Equity Transfer Agreements which was a necessary restructuring step to facilitate the completion of the Xingnong Acquisition. For illustrative purposes only, assuming the Unpaid Consideration is fully settled with the proceeds from the XN Loan, and pursuant to the Deeds of Release and Discharge, the Xingnong Group would have recorded a net current asset position of RMB105.4 million as at 30 September 2020.

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## LETTER TO SHAREHOLDERS

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- (b) The Xingnong Group had generated net cash flows from operating activities during the Period Under Review, save for the interim financial periods of 9M2019 and 9M2020. Such negative operating cash flows in the interim financial periods were due to seasonality effects leading to timing differences on the sale of harvested kiwifruits, and the collection of cash proceeds arising from such sales. Kiwifruits are typically harvested in the months of August and September (which fall during the interim financial periods), while sales of harvested kiwifruit are undertaken in the months of September to December (which fall outside the interim financial periods).
- (c) The Xingnong Group had cash and cash equivalents amounting to RMB23.85 million and RMB100.37 million as at 30 September 2020 and the Latest Practicable Date respectively. The increase in cash and cash equivalents balance from 30 September 2020 to the Latest Practicable Date was mainly due to the settlement of trade receivables from the sale of harvested kiwifruits.
- (d) Chibi Rural Commercial Bank had issued a notification letter on 13 June 2019, informing Xingnong Agriculture of its agreement to grant a RMB25.0 million loan for working capital purposes, and such letter having a validity period of two years from the date of issue. The loan will be effective upon (i) entry into a facility agreement between the parties within the validity period, and (ii) pledging of certain forest use rights certificates over the Xingnong Orchards as securities for the loan. As at the Latest Practicable Date, Xingnong Agriculture has yet to not enter into the facility agreement.
- (e) The COVID-19 pandemic did not have any material adverse impact on the business operations of the Xingnong Group in FY2020. Barring unforeseen circumstances, the Xingnong Group believes that the pandemic will also not have any significant impact on its business and financial performance in FY2021.

Taking into account (i) the net cash generated from the Xingnong Group's operating activities; (ii) its existing cash and cash equivalents; (iii) the impact of the COVID-19 pandemic outbreak on the Xingnong Group; (iv) credit facilities that could be made available to the Xingnong Group; and (v) the XN Loan and the Deeds of Release and Discharge, the Proposed Directors and ZICO Capital are of the reasonable opinion that the working capital available to the Xingnong Group is sufficient for its present requirements and for at least 12 months after Completion and (if applicable) the date of the Proposed Listing Transfer (whichever is later).

ZICO Capital and the Proposed Directors also considered the factors stated in **Section A9** entitled "Liquidity and Capital Resources" of Appendix A to this Circular, and are of the reasonable opinion that the working capital available to the Restructured Group as at the date of the Circular is sufficient for its present requirements and for at least 12 months after Completion and (if applicable) the date of the Proposed Listing Transfer (whichever is later). Accordingly, ZICO Capital and the Proposed Directors are of the view that no additional funds are required to be raised in conjunction with the Proposed Transactions and for the Xingnong Group's operations and growth plans.

Furthermore, any equity fundraising exercise would result in a dilution to current Shareholders. As at the Latest Practicable Date, the market capitalisation of the Company was S\$5.6 million, and would have taken into consideration the various announcements made by the Company on the Proposed Transactions. Having considered such market capitalisation and the Company's free float of 45.34% as at the Latest Practicable Date, any fundraising undertaken (through issuance of new shares) in conjunction with the Proposed Transactions will result in an unnecessary and material dilution to the current Shareholders, including the minority Shareholders.

#### 14.4 Shareholders' Approval

The Proposed Listing Transfer is subject to the approval of the Shareholders by way of a special resolution to be tabled at the SGM.

## LETTER TO SHAREHOLDERS

### 14.5 Key Differences between Issuers listed on the Main Board and Issuers listed on the Catalist

The table below summarises certain key differences between issuers listed on the Main Board and issuers listed on the Catalist:

	Main Board	Catalist
<b>Supervision</b>	The SGX-ST supervises the compliance of issuers with their continuing listing obligations under the Main Board Rules.	Sponsors supervise the compliance of issuers with their continuing listing obligations under the Catalist Rules.
<b>Changes in capital</b>	An issuer can obtain the mandate of shareholders to issue up to 50% of the issuer's share capital excluding treasury shares (of which shares issued on a non-pro rata basis must not exceed 20%).	An issuer can obtain the mandate of shareholders to issue up to 100% of the issuer's share capital excluding treasury shares (of which shares issued on a non-pro rata basis must not exceed 50%). If shareholders approve such mandate by special resolution, the 50% limit can be increased to 100%.
<b>Significant Transactions</b>	Acquisitions or disposals of assets, or the provision of financial assistance, by an issuer or a subsidiary that is not listed on the SGX-ST or an approved exchange, of more than 20% but less than 100% of the relevant bases set out in the Main Board Rules (i.e. group's net assets, profits, market capitalisation or equity securities issued, as the case maybe) will require the approval of shareholders.	Acquisitions of assets of more than 75% but less than 100% of the relevant bases set out in the Catalist Rules (i.e. group's net assets, profits, market capitalisation or equity securities issued, as the case may be) will require the approval of shareholders.  Disposals of assets or the provision of financial assistance of more than 50% of the relevant bases set out in the Catalist Rules (i.e. group's net assets, profits, market capitalisation or equity securities issued, as the case may be) will require the approval of shareholders.
<b>Financial Watch-list</b>	The SGX-ST will place an issuer on the financial watch-list, if it records:  pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and  an average daily market capitalisation of less than S\$40 million over the last six (6) months.	There is no financial watch-list.

### 15. THE PROPOSED GENERAL SHARE ISSUE MANDATE

Following Completion, it is anticipated that the Restructured Group may issue Shares and convertible securities from time to time in order to, amongst others, meet the working capital requirements of the Company. As such, the Company will be seeking Shareholders' approval at the SGM for the grant of the Proposed General Share Issue Mandate.

As mentioned in **Section 14.5** above, one of the key differences between issuers listed on the Main Board and Catalist is in respect of the general share issue mandate which may be given to the directors of an issuer to issue new shares in the capital of the issuer.

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## LETTER TO SHAREHOLDERS

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The existing general share issue mandate of the Company was obtained at the annual general meeting of the Company held on 25 October 2019, which authorised the Directors to allot and issue new Shares in the capital of the Company in accordance with, and subject to, the provisions of Rule 806 of the Main Board Rules.

Upon the transfer of the Company from Main Board to Catalist becoming effective, the general share issue mandate of the Company would have to comply with the provisions of Rule 806 of the Catalist Rules as part of the Company's continuing listing obligations going forward.

Consequently, the Company proposes to seek Shareholders' approval at the SGM for the proposed general share issue mandate of the Company by way of an ordinary resolution in order to comply with the provisions of Rule 806 of the Catalist Rules upon the transfer of the Company from Main Board to the Catalist becoming effective.

However, shareholders should note that the Proposed General Share Issue Mandate is conditional upon them voting in favour of the Proposed Transactions (Ordinary Resolutions 1 and 2) and the Proposed Listing Transfer (Special Resolution 2). In view of this, in the event that any of the resolutions in relation to the Proposed Transactions (Ordinary Resolutions 1 and 2) and the Proposed Listing Transfer (Special Resolution 2) is not passed by the Shareholders, the Company will remain listed on the Main Board of the SGX-ST and will continue to be subject to the Main Board Rules (including the rules relating to a general share issue mandate). Accordingly, the Proposed General Share Issue Mandate will not be carried out.

Specifically, approval from the Shareholders will be sought for, amongst others, the authorisation to the directors of the Company, pursuant to the Bye-Laws of the Company and Rule 806 of the Catalist Rules, to:

- (a) allot and issue Shares (whether by way of rights, bonus, or otherwise); and/or

make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of such authority or thereafter, including, but not limited to, the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and issue Shares in pursuance of any Instruments made or granted by the Directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in the Shareholders' approval), provided that:

- (1) the aggregate number of Shares issued pursuant to such authority (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this authority but excluding Shares which may be issued pursuant to any adjustments ("Adjustments") effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company for the time being) shall not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), and provided further that the aggregate number of Shares to be issued other than on a pro rata basis to existing Shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority but excluding Shares which may be issued pursuant to any Adjustments effected under any relevant Instrument) does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (1) above, the percentage of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time the Resolution is passed after adjusting for:-

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## LETTER TO SHAREHOLDERS

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- (i) new Shares arising from the conversion or exercise of any convertible securities;
- (ii) new Shares arising from exercising share options or vesting of share awards, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
- (iii) any subsequent bonus issue, consolidation or sub-division of Shares.

Adjustments in accordance with sub-paragraphs (2)(i) or (2)(ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution.

- (3) in exercising such authority, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Bermuda Companies Act and the Bye-Laws for the time being of the Company; and
- (4) unless revoked or varied by the Company in general meeting by ordinary resolution, the authority shall commence upon the transfer of the Company from Main Board to the Catalist becoming effective and shall continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

As at the Latest Practicable Date, the total number of issued Shares of the Company is 79,828,927. The Company also has 130,000,000 TDRs representing 13,000,000 Shares (comprising 16.3% of the issued Shares) of the Company. The Company does not hold any treasury shares and subsidiary holdings. There are also no convertible securities, share options or share awards. Solely for illustrative purposes, pursuant to the Bye-Laws of the Company and Rule 806 of the Catalist Rules and assuming (i) no Shares issued prior to or on the forthcoming SGM, including but not limited to, pursuant of Instruments made or granted pursuant to such authority to allot and issue Shares (whether by way of rights, bonus, or otherwise), pursuant to any Adjustments effected under any relevant Instrument; and (ii) no convertible securities, share options, share awards issued and no conversion of TDRs to ordinary shares of the Company, the (a) maximum number of shares which may be issued under the Proposed General Share Issue Mandate, is 79,828,927; (b) the maximum number of shares which can be issued other than on a pro rata basis is 39,914,463; and (c) the maximum enlarged share capital of the Company is 159,657,854.

### 16. ADVICE OF THE IFA IN RELATION TO THE PROPOSED TRANSACTIONS

Crowe Horwath Capital Pte. Ltd. has been appointed as the IFA to the Directors who are considered independent for the purpose of the Xingnong Acquisition and the Dukang Disposal pursuant to Chapter 9 of the Listing Manual as well as to advise the Directors who are considered independent in relation to the Proposed Transactions. A copy of the IFA Letter in relation to the above is reproduced in **Appendix B** to this Circular. Shareholders are advised to read the IFA Letter in its entirety.

Taking into consideration the factors set out in the IFA Letter and information available to the IFA as at the Latest Practicable Date, the IFA is of the opinion that:

- (a) on balance, the Xingnong Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders; and
- (b) on balance, the Dukang Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The IFA is of the opinion that, overall, the Proposed Transactions, taken as a whole, are on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

Having considered, among other things set out in the IFA Letter, the rationale and benefits of the Xingnong Acquisition and the Dukang Disposal, and subject to the qualifications and assumptions set out in the IFA Letter, the IFA has advised that the Directors who are considered independent in relation to the Proposed Transactions recommend the Independent Shareholders to vote in favour of the Xingnong Acquisition and the Dukang Disposal as interested person transactions respectively at the SGM.



## LETTER TO SHAREHOLDERS

### 17. STATEMENT FROM THE AUDIT COMMITTEE

Having considered the terms, rationale, benefits and financial effects of the Proposed Transaction, as well as the advice and opinion of the IFA, the Audit Committee concurs with the opinion of the IFA and is of the view that, on balance, the Proposed Transactions are on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

### 18. INTERESTS OF DIRECTORS, PROPOSED NEW DIRECTORS, CEO AND SUBSTANTIAL SHAREHOLDERS

Other than through their respective shareholdings and/or directorships in the Company, none of the Directors, the Proposed New Directors, CEO or Substantial Shareholders of the Company, so far as the Company is aware, has any interest, direct or indirect, in the Proposed Transactions.

As at the Latest Practicable Date, the interests of the Directors, the Proposed New Directors, the CEO and the Substantial Shareholders of the Company in the issued and paid-up share capital of the Company as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders (as the case may be) are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	% of total issued Shares <sup>(1)</sup>	Number of Shares	% of total Issued Shares <sup>(1)</sup>
<b><u>Directors</u></b>				
Zhou Tao	-	-	-	-
Huo Lei	-	-	-	-
Calvin Tan	-	-	-	-
Ho Teck Cheong	-	-	-	-
Jack Chia	-	-	-	-
Jia Guobiao	-	-	-	-
<b><u>Proposed New Directors</u></b>				
Hu Chao	-	-	-	-
David Zhao	-	-	-	-
<b><u>Substantial Shareholders (other than the Directors and the Proposed New Directors)</u></b>				
Treasure Winner <sup>(2)</sup>	23,551,551	29.50	-	-
Wang Peng <sup>(2)</sup>	-	-	23,551,551	29.50
Bright Sing Group Limited <sup>(3)</sup>	11,448,449	14.34	-	-
Kaifeng Tian Feng Mills Co., Limited <sup>(3)</sup>	-	-	11,448,449	14.34
Dou Wu <sup>(3)</sup>	-	-	11,448,449	14.34
Zhengzhou Yingbao Enterprise Management Consulting Co., Ltd. <sup>(3)</sup>	-	-	11,448,449	14.34
Yang Qingwei <sup>(3)</sup>	-	-	11,448,449	14.34
Wang Weiqing <sup>(3)</sup>	-	-	11,448,449	14.34
Keping Guo	8,635,560	10.82	-	-
<b>Total</b>	<b>43,635,560</b>	<b>54.66</b>		

**Notes:**

- (1) Based on the issued share capital of 79,828,927 Shares as at the Latest Practicable Date.
- (2) Treasure Winner is wholly-owned by Wang Peng and as such, Wang Peng is deemed interested in 23,551,551 Shares in the Company held by Treasure Winner.
- (3) Bright Sing Group Limited is the nominee for Kaifeng Tian Feng Mills Co., Limited and is directly interested in 11,448,449 Shares in the Company. Kaifeng Tian Feng Mills Co., Limited is 20% owned by Dou Wu and 80% owned by Zhengzhou Yingbao Enterprise Management Consulting Co., Ltd. Zhengzhou Yingbao Enterprise Management Consulting Co., Ltd is in turn 60% owned by Wang Weiqing and 40% owned by Yang Qingwei. Accordingly, each of Dou Wu, Zhengzhou Yingbao Enterprise Management Consulting Co., Ltd, Wang Weiqing and Yang Qingwei is deemed interested in the 11,448,449 Shares in the Company held by Bright Sing Group Limited. The director and sole shareholder of Bright Sing Group Limited is Dou Wu.

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## LETTER TO SHAREHOLDERS

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So far as the Company is aware, there will be no change to the interests of the Directors, the Proposed New Directors, CEO and the Substantial Shareholders of the Company in the issued and paid-up share capital of the Company as indicated above immediately after Completion.

As at the Latest Practicable Date, approximately 45.34% of the issued Shares are held by public shareholders.

### 19. DIRECTORS' RECOMMENDATIONS

Shareholders should read and consider carefully the advice of the IFA as set out of **Appendix B** to this Circular in its entirety before giving their approval to the following:

- (a) the Xingnong Acquisition;
- (b) the Dukang Disposal;
- (c) the Proposed Change of Name;
- (d) the proposed appointment of the Proposed New Directors;
- (e) the proposed continued re-appointment of the existing Independent Directors of the Company as Independent Directors;
- (f) the Proposed Listing Transfer; and
- (g) the Proposed General Share Issue Mandate,

(items (c), (d), (f), and (g), collectively, the "**Other Proposals**").

Shareholders are also urged to read carefully the terms and conditions of, rationale for and financial effects of the Proposed Transactions, as set out in this Circular.

#### The Xingnong Acquisition and the Dukang Disposal

The Directors who are considered independent in respect of the Proposed Transactions (namely, Calvin Tan, Ho Teck Cheong and Jack Chia), having considered and reviewed, amongst others, the terms of, rationale for and information relating to the Proposed Transactions, and the opinion of the IFA contained in the IFA Letter in relation to the Proposed Transactions as set out in **Appendix B** to this Circular, are of the opinion that the Proposed Transactions are in the interests of the Company, and are not prejudicial to the interests of the minority Shareholders. Accordingly, they recommend that the Independent Shareholders vote in favour of the resolutions in relation to the Proposed Transactions to be proposed at the SGM, notice of which is set out in the Notice of SGM.

#### Proposed Continued Re-Appointment of the Existing Independent Directors

Having considered the interests of the Company and the Shareholders, including the Company's future plans and strategies and rationale for the Xingnong Acquisition and the Dukang Disposal, the Directors (save in respect of such proposed Ordinary Resolution relating to himself) are of the opinion that the proposed continued re-appointment of the existing Independent Directors as Independent Directors are in the interests of the Company. Accordingly, they recommend (save in respect of such proposed Ordinary Resolution relating to himself) that Shareholders vote in favour of all the resolutions in relation to the proposed continued re-appointment of the existing Independent Directors as Independent Directors.

#### The Other Proposals

Having considered and reviewed, amongst others, the terms of, rationale for and the information in relation to the Other Proposals, the Directors who are considered independent in respect of the Other Proposals (namely, Zhou Tao, Huo Lei, Calvin Tan, Ho Teck Cheong, Jack Chia and Jia Guobiao), are of the opinion that the Other Proposals are in the interests of the Company. Accordingly, they recommend that the Shareholders vote in favour of the resolutions in relation to the Other Proposals to be proposed at the SGM, notice of which is set out in the Notice of SGM.

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## LETTER TO SHAREHOLDERS

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### 20. ABSTENTION FROM VOTING

Pursuant to Rule 919 of the Main Board Rules, an interested person and any associate of the interested person shall abstain from voting on the resolutions approving the interested person transactions involving themselves and their associates. Such interested persons and their associates shall not act as proxies nor accept appointments as proxies in relation to such resolutions unless specific voting instructions had been given by the Shareholders.

Wang Peng and Treasure Winner will abstain and will procure that their respective associates and nominees will abstain from voting in respect of their shareholdings in the Company on the resolutions relating to the Xingnong Acquisition and the Dukang Disposal.

Wang Peng and Treasure Winner shall also not accept nominations to act as proxy, corporate representative or attorney for any Shareholder in relation to the Xingnong Acquisition and the Dukang Disposal, unless the Shareholder appointing him indicates clearly how his vote is to be cast in respect of such resolutions.

### 21. SPECIAL GENERAL MEETING

#### 21.1. Special General Meeting

The SGM will be held at Minto Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 (the “**Physical Meeting**”) on 6 May 2021 at 2.30 p.m., for the purpose of considering and, if thought fit, passing, the resolutions set out in the Notice of SGM.

To facilitate interaction between the Board, the management team of the Xingnong Group and the Shareholders and investors holding Shares in the Company through the Supplementary Retirement Scheme (“**SRS**”) (“**SRS investors**”), Shareholders and SRS investors may choose to participate in the SGM via electronic means. Shareholders/SRS investors will have the opportunity to raise questions (a) at the Physical Meeting if attending the Physical Meeting; (b) via an online chat box function during the live audio-visual webcast of the Physical Meeting, and (c) through online submission of questions in advance of the SGM, as set out in the Notice of SGM.

#### 21.2 Conditionality of Resolutions

In voting for the resolutions set out in the Notice of SGM, Shareholders should note that:

- (a) **Each of Ordinary Resolutions 1 (Xingnong Acquisition) and 2 (Dukang Disposal) are inter-conditional upon each other (“Key Resolutions”);**
- (b) **Ordinary Resolutions 3 (Appointment of Hu Chao as Director), 4 (Appointment of David Zhao as Director), 11 (Authority to allot and issue Shares) and Special Resolutions 1 (Change of name of the Company) and 2 (Proposed Transfer of the Company’s listing from Main Board to Catalist) are conditional upon the passing of the Key Resolutions (“Conditional Resolutions”); and**
- (c) **Ordinary Resolution 11 is conditional upon the passing of Special Resolution 2.**

**This means that if any of the Key Resolutions is not passed, the other Key Resolution would not be passed, and if any of the Key Resolutions is not passed, the Conditional Resolutions would not be passed. If Special Resolution 2 is not passed, Ordinary Resolution 11 would not be passed.**

The inter-conditionality of the Key Resolutions, as well as the conditionality of Conditional Resolutions upon the Key Resolutions are necessary as the subject matters of the Key Resolutions and Conditional Resolutions are significant proposals in respect of the Proposed Transactions and conditions precedent to Completion, and will facilitate the conduct of business of the Restructured Group upon Completion.

**For the avoidance of doubt, the Key Resolutions are not subject to Special Resolution 2, and in the event that the Key Resolutions are passed and Special Resolution 2 is not passed, the Company will nonetheless proceed to complete the Xingnong Acquisition and the Dukang Disposal, and will continue to be listed on the Main Board of the SGX-ST and appoint ZICO Capital Pte. Ltd. as its compliance adviser for a period of three (3) years following Completion. There is no assurance that the Company will be successful in exiting the watch-list of the SGX-ST. Please refer to Section 3.6 entitled “Rule 1015(2) of the Main Board Rules” and Section 14.2(a) entitled “Watch-List Requirements” of this Circular for further information.**

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## LETTER TO SHAREHOLDERS

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### 22. ACTION TO BE TAKEN BY SHAREHOLDERS

#### 22.1. Date, Time and Conduct of SGM

The SGM will be held as a Physical Meeting at Minto Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 with reference to the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period and checklist jointly issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020 and last updated on 1 October 2020, which is based on the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Shareholders and SRS investors may attend the Physical Meeting subject to a limit to number of attendees.

The Directors have chosen Calvin Tan, the Company's Independent Director, to chair the SGM.

Arrangements have been put in place to allow Shareholders and SRS investors to participate in the SGM via the live audio-visual webcast and live audio-only stream of such proceedings ("**Live Webcast**") and to raise questions via an online chat box function during the Live Webcast. Those who wish to participate in this manner will have to pre-register.

Arrangements have also been put in place to permit Shareholders and SRS investors to submit their questions ahead of the SGM.

**There will not be real-time remote electronic voting at the Physical Meeting and all Shareholders and SRS Investors attending the Physical meeting in person, or participating in the SGM via the Live Webcast, will be required to appoint the Chairman of the SGM as their proxy to cast their votes on their behalf and voting will be by way of poll.**

#### 22.2 Attendance at the Physical Meeting

Due to the current COVID-19 restriction orders in Singapore, the Company is not permitted to accommodate more than 20 attendees at the Physical Meeting.

This limit for in-person attendees at the Physical Meeting may be subject to change taking into account any regulations, directives, measures or guidelines that may be issued by any government and regulatory agency in light of the COVID-19 situation from time to time. Due to the limit on the number of attendees who can attend the SGM in person, no observers will be allowed.

Pre-registration for in-person attendance is on a "first come first served" basis. Once the limit on the number of attendees who can attend the SGM in person is reached, this will be indicated on the pre-registration website and Shareholders/SRS investors will not be able to pre-register their attendance. Shareholders/SRS investors who are not able to pre-register their attendance are encouraged to register to participate via the Live Webcast.

All persons attending the Physical Meeting will be required to undergo a temperature check and sign a health declaration form (which may also be used for the purposes of contact tracing, if required) and any person who has a fever or is exhibiting flu-like symptoms will be declined entry to the Physical Meeting.

Shareholders, SRS investors and other attendees who are feeling unwell on the date of the SGM are advised not to attend the Physical Meeting. Shareholders and other attendees are also advised to arrive at the SGM venue at least 15 minutes prior to the time of the SGM given that the above-mentioned measures may cause delay in the registration process.

Notwithstanding that up to 20 Shareholders and SRS investors are permitted to attend the Physical Meeting, Shareholders and SRS Investors are strongly encouraged to participate in the SGM proceedings online via the Live Webcast.

To reduce contact, save for bottled water, no gift vouchers, food and beverages will be provided at the SGM.

Information on the arrangements relating to attendance at the Physical Meeting, submission of questions to the Chairman of the SGM in advance of or during the SGM, addressing of questions prior to or during the SGM and voting by appointing the Chairman of the SGM as proxy at the SGM, is set out in the Notice of SGM.

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## LETTER TO SHAREHOLDERS

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### 22.3 Appointment of Chairman of the SGM as Proxy

If a Shareholder (whether individual or corporate) who is not a Depositor wishes to exercise his/her/its voting rights at the SGM, he/she/it must appoint the Chairman of the SGM as his/her/its proxy to vote on his/her/its behalf at the SGM, and must complete and sign the proxy form despatched to Shareholders who are not Depositors (the “**Shareholder Proxy Form**”) and deposit the duly completed Shareholder Proxy Form at the office of the Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., no later than 2.30 p.m. on 4 May 2021 (being not less than 48 hours before the time fixed for the SGM). There will not be real-time remote electronic voting at the Physical Meeting.

In appointing the Chairman of the SGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the SGM as proxy for that resolution will be treated as invalid.

### 22.4 Depositors

Depositors shall not be regarded as members of the Company entitled to attend the SGM and to speak and vote thereat. A Depositor (whether individual or corporation) registered and holding Shares through CDP who wishes to exercise his/her/its voting rights at the SGM, must complete, sign and return the proxy form which is despatched to Depositors (the “**Depositor Proxy Form**”) completed by CDP in accordance with the instructions printed thereon and deposit the duly completed Depositor Proxy Form at the office of the Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623, no later than 2.30 p.m. on 4 May 2021 (being not less than 48 hours before the time fixed for the SGM).

### 22.5 SRS Investors

SRS investors who wish to appoint the Chairman of the SGM as proxy should approach their respective SRS Operators to submit their votes by 26 April 2021, 2.30 p.m., being seven (7) working days before the date of the SGM.

### 22.6 Key Dates and Times

The table below sets out the key dates/deadlines for Shareholders to note:

Key Dates	Actions
Monday, 5 April 2021 - Monday, 3 May 2021	Shareholders and SRS investors may begin to pre-register at the URL: <a href="https://events.rajahtann.com/DukangSGM">https://events.rajahtann.com/DukangSGM</a> for the Physical Meeting or to participate in the SGM proceedings via Live Webcast. Pre-registration closes on Monday, 3 May 2021.
2.30 p.m. on Monday, 26 April 2021	Deadline for SRS investors who wish to appoint the Chairman of the SGM as proxy to approach their respective SRS Operators to submit their votes.
2.30 p.m. on Monday, 3 May 2021	<ul style="list-style-type: none"><li>• Deadline for Shareholders and SRS investors to:<ul style="list-style-type: none"><li>• pre-register for either the Physical Meeting or to participate in the SGM via the Live Webcast; and</li><li>• submit questions in advance.</li></ul></li></ul>
2.30 p.m. on Tuesday, 4 May 2021	Deadline for Shareholders to submit proxy forms via post to the Share Transfer Agent's office.

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## LETTER TO SHAREHOLDERS

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Key Dates	Actions
Wednesday, 5 May 2021	<ul style="list-style-type: none"> <li>• Authenticated Shareholders and SRS investors who are successful in the pre-registration for the Physical Meeting will receive:               <ul style="list-style-type: none"> <li>• a confirmation email for the Physical Meeting containing details as well as instructions on attending the Physical Meeting (the <b>"Confirmation Email for Physical Meeting"</b>); and</li> <li>• a confirmation email containing a unique link as well as instructions on how to access the Live Webcast of the SGM proceedings and submit questions during the SGM via the online chat box (the <b>"Confirmation Email for Electronic Participation"</b>), which can be used to participate in the SGM via electronic means in the event the successful Shareholder or SRS investor is unable to attend the Physical Meeting for unforeseen reasons.</li> </ul> </li> <li>• Authenticated Shareholders and SRS investors who are unsuccessful in the pre-registration for the Physical Meeting due to excess demand will receive the Confirmation Email for Electronic Participation.</li> <li>• Shareholders and SRS investors who do not receive the Confirmation Email for Physical Meeting or the Confirmation Email for Electronic Participation on 5 May 2021, but have successfully pre-registered by the 3 May 2021 deadline should immediately contact Rajah &amp; Tann Singapore LLP, at <a href="mailto:dukang.sgm2021@rajahtann.com">dukang.sgm2021@rajahtann.com</a>.</li> </ul>
2.30 p.m. on Thursday, 6 May 2021	<ul style="list-style-type: none"> <li>• Shareholders and SRS investors with the Confirmation Email for Physical Meeting to attend the Physical Meeting.</li> <li>• For Shareholders and SRS investors participating in the SGM via electronic means:               <ul style="list-style-type: none"> <li>• Click on the unique link in the Confirmation Email for Electronic Participation to access the Live Webcast for the SGM proceedings; or</li> <li>• Click on the unique link in the Confirmation Email for Electronic Participation by hiding the video of the presenter to access the live audio-only stream of the SGM proceedings.</li> </ul> </li> </ul>

### 22.7. Important Reminder

Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change the arrangements for the SGM at short notice. Shareholders are advised to check the Company's website at the URL <https://www.ddhlimited.com> or closely monitor the Company's announcement(s) made via SGXNET for the latest updates on the status of the SGM.

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## LETTER TO SHAREHOLDERS

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### 23. RESPONSIBILITY STATEMENTS

#### 23.1. Responsibility Statement by the Directors

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (save for information relating to Keen Wind and the Xingnong Group) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular (save for information relating to Keen Wind and the Xingnong Group) constitutes full and true disclosure of all material facts about the Proposed Transactions and the Current Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular (save for information relating to Keen Wind and the Xingnong Group) misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source or is otherwise based on information obtained from Keen Wind and the Xingnong Group, 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 Circular in its proper form and context.

Please refer to **Section A14** entitled “Responsibility Statements” of Appendix A to this Circular for the Responsibility Statements by the Proposed Directors.

#### 23.2. Responsibility Statement by the Financial Adviser and the Proposed Sponsor

To the best of the Financial Adviser’s and the Proposed Sponsor’s knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Current Group, and the Restructured Group, and the Financial Adviser and the Proposed Sponsor is not aware of any facts the omission of which would make any statement in this Circular misleading.

### 24. CONSENTS

- 24.1.** ZICO Capital Pte. Ltd., the Financial Adviser to the Company in respect of the Xingnong Acquisition and the Dukang Disposal, and the Proposed Sponsor, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.
- 24.2.** Crowe Horwath Capital Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name, the IFA letter as set out in **Appendix B** to this Circular and the statements attributed to it in **Section 16** entitled “Advice of the IFA in relation to the Proposed Transactions”, and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.
- 24.3.** Each of BDO Limited and BDO LLP, the Joint Reporting Accountants in respect of the Proposed Transactions, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name, the report entitled “Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020” as set out in **Appendix C** to this Circular and the report entitled “Unaudited Pro Forma Consolidated Financial Information of the Restructured Group for the Financial Year Ended 30 June 2020” as set out in **Appendix D** to this Circular, and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.
- 24.4.** Each of BDO Limited and BDO LLP, the existing joint auditors of the Current Group, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.
- 24.5.** Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Independent Company Appointed Valuer, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name and the JLL Xingnong Group Valuation Report as set out in **Appendix E** to this Circular, and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.

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## LETTER TO SHAREHOLDERS

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- 24.6.** Roma Appraisals Limited, the Independent Xingnong Appointed Valuer, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name and the Roma Xingnong Group Valuation Report as set out in **Appendix F** to this Circular, and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.
- 24.7.** LCH (Asia-Pacific) Surveyors Limited, the Independent Dukung Group Valuer, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name and the Independent Dukung Group Valuation Report as set out in **Appendix G** to this Circular, and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.
- 24.8.** Jingtian & Gongcheng, the legal advisers to the Company in respect of PRC law, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name, the statements attributed to it in the risk factors in **Section 9.3** entitled “Risk Factors relating to the Restructured Group” of the Circular, **Section A2.4** entitled “Restructuring Exercise in respect of Xingnong Agriculture”, **Section A3.3** entitled “Business Operations”, **Section A3.12** entitled “Material Properties and Fixed Assets”, **Section A3.13** entitled “Intellectual Property, Licensing Rights and Plant Variety Rights”, **Section A3.15** entitled “Licences, Permits and Government Regulations” and **Section A10.8** entitled “Legal Representative” of Appendix A to this Circular, the “Summary of PRC Laws and Regulations” as set out in **Appendix H** to this Circular, and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.
- 24.9.** Each of Rajah & Tann Singapore LLP (legal adviser to the Company in respect of Singapore law), Lee & Lee (legal adviser to the Financial Adviser in respect of Singapore law), Robertsons (legal adviser to the Company in respect of Hong Kong law), Conyers Dill & Pearman Pte. Ltd. (legal adviser to the Company in respect of Bermuda and BVI law) and Lee and Li Attorneys-at-Law (legal adviser to the Company in respect of the TWSE listing requirements applicable to maintaining its listing of the TDRs on the TWSE following Completion) has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its name and all references thereto, in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.
- 24.10.** Each of Rajah & Tann Singapore LLP (legal adviser to the Company in respect of Singapore law), Lee & Lee (legal adviser to the Financial Adviser in respect of Singapore law), Robertsons (legal adviser to the Company in respect of Hong Kong law), Conyers Dill & Pearman Pte. Ltd. (legal adviser to the Company in respect of Bermuda and BVI law) and Lee and Li Attorneys-at-Law (legal adviser to the Company in respect of the TWSE listing requirements applicable to maintaining its listing of the TDRs on the TWSE following Completion) do not make, or purport to make, any statement in this Circular or any statement upon which a statement in this Circular is based, and makes no representation, express or implied, regarding, and to the extent permitted by law, expressly disclaims and takes no responsibility for any liability to any person which is based on, or arises out of any statement, information or opinion in or omission from this Circular.

### **25. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the office of the Company’s share registrar and share transfer office, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, during normal business hours for a period of six (6) months from the date of this Circular:

- (a) the Memorandum of Association and Bye-Laws of the Company;
- (b) the Agreement (as amended and supplemented from time to time);
- (c) the service agreements referred to in **Section 9.11** entitled “Service Agreements” of this Circular;
- (d) the material contracts referred to in **Section A13.1** entitled “Material Contracts” of this Circular and **Section A13.1** entitled “Material Contracts of the Xingnong Group” of Appendix A to this Circular;
- (e) the letters of consent referred to in **Section 24** entitled “Consents” of this Circular;
- (f) the Annual Report of the Company for FY2019;



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## LETTER TO SHAREHOLDERS

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- (g) the IFA Letter as set out in **Appendix B** of this Circular;
- (h) the audited consolidated financial statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020 as set out in **Appendix C** of this Circular;
- (i) the unaudited pro forma consolidated financial information of the Restructured Group for the financial year ended 30 June 2020 as set out in **Appendix D** of this Circular;
- (j) the JLL Xingnong Group Valuation Report as set out in **Appendix E** of this Circular;
- (k) the Roma Xingnong Group Valuation Report as set out in **Appendix F** of this Circular; and
- (l) the Independent Dukang Group Valuation Report as set out in **Appendix G** of this Circular.

Yours faithfully  
For and on behalf of the Board of Directors of  
**DUKANG DISTILLERS HOLDINGS LIMITED**

Zhou Tao  
Executive Chairman and Chief Executive Officer

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Proposed Directors:

Calvin Tan (*Non-Executive Chairman and Independent Director*)  
Hu Chao (*Executive Director, and CEO and Legal Representative of Xingnong Agriculture*)  
David Zhao (*Executive Director*)  
Huo Lei (*Non-Executive Director*)  
Ho Teck Cheong (*Independent Non-Executive Director*)  
Jack Chia (*Independent Non-Executive Director*)

31 March 2021

**To: The Shareholders of Dukang Distillers Holdings Limited**

Dear Sir/Madam

### **THE PROPOSED ACQUISITION OF ALL THE ISSUED AND PAID-UP SHARES IN GREAT RESOLUTE LIMITED FROM KEEN WIND LIMITED**

Unless otherwise stated herein, all capitalised terms in this Appendix A shall bear the same meaning ascribed to them respectively in this Circular.

#### **A1. INTRODUCTION**

This Letter has been jointly prepared by the Proposed Directors for inclusion in this Circular.

#### **A2. CORPORATE INFORMATION ON THE XINGNONG GROUP**

##### **A2.1. Key Corporate Information on the Xingnong Group**

Great Resolute Limited 宏堅有限公司 (“**Great Resolute**” or “**GR**”) (Company Registration No. 1961733) is a business company limited by shares incorporated in the British Virgin Islands on 21 November 2017. As at the Latest Practicable Date, Great Resolute is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00, of which 100 shares have been issued and are fully paid. As at the date of this Circular, Keen Wind is the legal and beneficial owner of 100% of the GR Shares. Wang Peng, a Controlling Shareholder of the Company, has a shareholding interest of approximately 66.76% in Keen Wind (held through his wholly-owned investment holding vehicle, Palm Ambition Limited).

Go National Limited (冠義有限公司) (“**Go National**”) (Company Registration No. 2634497) is a private company limited by shares incorporated in Hong Kong on 5 January 2018, with an issued and paid-up share capital of HK\$100 comprising 100 ordinary shares. As at the date of this Circular, Great Resolute is the legal and beneficial owner of 100% of the shares in Go National.

Chibi Shenshan Xingnong Agriculture Technology Co., Ltd. (赤壁神山兴农科技有限公司) (Company Registration No. 91421281685649629T) (“**Xingnong Agriculture**”) is a limited liability enterprise (wholly foreign-owned enterprise) incorporated on 27 April 2009 in the PRC, with a paid-up registered capital of RMB115,990,000. At the date of its incorporation, its shareholders were five (5) individuals who are unrelated to the Dukang Group. In December 2011, Wang Peng, a Controlling Shareholder of the Company, became the majority shareholder of Xingnong Agriculture. As at the date of this Circular, Go National is the legal and beneficial owner of 100% of equity interest in the registered capital of Xingnong Agriculture, including all rights, interests and obligations related thereto.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A2.2. Structure of the Xingnong Group

The Xingnong Group's corporate structure (including Keen Wind and Wang Peng, for reference only) as at the Latest Practicable Date is illustrated below:



The details of the entities under the Xingnong Group as at the Latest Practicable Date are as follows:

Name	Principal Place of Business	Principal Activities	Country and Date of Incorporation	Tenure of operation	Ownership Interest (%)	Total Issued and Paid-up Shares/ Capital	Directors
Great Resolute	BVI	Investment holding	BVI / 21 November 2017	Unlimited	-	100 shares each with a par value of US\$1.00	Wang Peng David Zhao
<b>Subsidiaries of Great Resolute</b>							
Go National	Hong Kong	Investment holding	Hong Kong / 5 January 2018	Not applicable	100	HK\$100	Wang Peng
Xingnong Agriculture	PRC	Planting, cultivation and sales of kiwifruit in the PRC	PRC / 27 April 2009	26 April 2059	100	RMB115,990,000	Hu Chao Shi Dongkai <sup>(1)</sup> Jia Guobiao <sup>(1)</sup> Xu Bin <sup>(1)</sup> Xiao Weibiao

**Note:**

- (1) It is intended for Shi Dongkai, Jia Guobiao and Xu Bin to cease to be directors of Xingnong Agriculture upon Completion and they will not be employed in any capacity in the Restructured Group. Please refer to **Section A10.3** entitled "Xingnong Agriculture Directors" of Appendix A to this Circular for more details.

Save as disclosed above, there are no other subsidiaries, subsidiary entities, associated companies and associated entities of the Xingnong Group.

As at the Latest Practicable Date, none of the entities under the Xingnong Group are listed on any stock exchange or has applied for any listing on any stock exchange.

12 Wang Peng owns the entire issued and paid-up share capital of Palm Ambition Limited, which in turn owns 66.76% of the issued and paid-up share capital of Keen Wind.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A2.3. Share Capital of the Xingnong Group

As at the Latest Practicable Date, Great Resolute is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00, of which 100 shares have been issued and are fully paid.

As at the date of this Circular, there is only one (1) class of shares in the capital of Great Resolute, being ordinary shares. There are no founder, management, deferred or unissued shares. The existing GR Shares do not carry voting rights which are different from those to be acquired pursuant to the Xingnong Acquisition (except that all rights and obligations attaching to a treasury share (if any) are suspended and shall not be exercised by Great Resolute while it holds the share as a treasury share). The rights of and privileges attached to the GR Shares are stated in the memorandum of association and the articles of association of Great Resolute.

As at the Latest Practicable Date:

- (a) save as disclosed in **Section A2.1** entitled “Key Corporate Information on the Xingnong Group” of Appendix A to this Circular, Great Resolute is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government;
- (b) there are no other classes of shares in the share capital of each of the entities of the Xingnong Group;
- (c) save for the Xingnong Acquisition, there is no known arrangement the operation of which may, at a subsequent date, result in a change in control of Great Resolute;
- (d) the GR Directors are not aware of any event which has occurred since the beginning of 9M2020 and the Latest Practicable Date, which may have a material effect on the financial position and results of the Xingnong Group;
- (e) there has not been any public take-over offer, by a third party in respect of any of the GR Shares or by Great Resolute in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of 9M2020 and the Latest Practicable Date;
- (f) there has been no undertaking to increase the share capital of each of the entities of the Xingnong Group;
- (g) no person has, or has the right to be given, an option to subscribe for or purchase any shares, securities or securities-based derivatives contracts of any of the entities of the Xingnong Group;
- (h) there is no arrangement which involves the employees of Great Resolute that involves the issue or grant of options or shares or any other securities in Great Resolute, and no option to subscribe for or purchase GR Shares has been granted to, or was exercised by, any GR Director or the chief executive officer of Great Resolute;
- (i) there is no arrangement which involves the directors or employees of Go National, in the capital of Go National, including any arrangement that involves the issue or grant of options or shares or any other securities of Go National, and no option to subscribe for or purchase shares in Go National has been granted to, or was exercised by, any director or chief executive officer of Go National;
- (j) there is no arrangement which involves the directors or employees of Xingnong Agriculture, in the capital of Xingnong Agriculture, including any arrangement that involves the issue or grant of options or shares or any other securities of Xingnong Agriculture, and no option to subscribe for or purchase shares in Xingnong Agriculture has been granted to, or was exercised by, any director or chief executive officer of Xingnong Agriculture; and
- (k) none of the GR Shares are held by or on behalf of Great Resolute itself, or by Go National or Xingnong Agriculture.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### Changes in share capital or equity interest

Save as disclosed below, there were no changes in the issued and paid-up share capital and/or equity interests in the entities of the Xingnong Group or any issue of the shares and/or equity interests in the entities of the Xingnong Group for a consideration other than cash within the three (3) years preceding the Latest Practicable Date:

Date of issue/ change	Number of shares issued / Increase in Equity	Consideration	Purpose of issue/ change	Resultant issued shares/ share capital / Equity	Parties to which shares were issued
Great Resolute 20 March 2018	100	US\$100 in cash	Initial share subscription at incorporation	100	Keen Wind
Go National 5 January 2018	1	HK\$1.00 in cash	Initial share subscription at incorporation	HK\$1.00	Newform Limited
28 March 2018	99	HK\$99.00 in cash	Share subscription	HK\$100.00	Great Resolute
Xingnong Agriculture 19 September 2018	5% of total equity interest	RMB5,800,000 in cash	Restructuring	RMB115,990,000	Kaihui Group Incorporated

### Significant changes in percentage of ownership

Save as disclosed below and in Section A2.4 entitled “Restructuring Exercise in respect of Xingnong Agriculture” of Appendix A to this Circular, there were no other significant changes in the percentage of ownership in the entities under the Xingnong Group in the last three (3) years before the Latest Practicable Date:

Date of Transfer	Number of shares (or % of the Registered Capital) transferred <sup>(1)</sup>	Transfer Price / Consideration (RMB)	Transferor	Parties to which shares were transferred and resulting percentage ownership <sup>(2)</sup>
Go National 28 March 2018	1 subscriber/founder member’s share	HK\$1	Newform Limited	Great Resolute – 100.00%
Xingnong Agriculture 6 January 2018	8.17%	7,500,000	Cao Pingfeng	Wang Peng - 30.86%
12 January 2018	6.59%	11,000,000	Shanghai Bingyi Investment Co., Ltd.	Zhang Yuya – 13.18%
15 January 2018	9.61%	15,000,000	Shanghai Huating Zhenghai Investment Center Co., Ltd.	Wang Peng – 40.47%

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

Date of Transfer	Number of shares (or % of the Registered Capital) transferred <sup>(1)</sup>	Transfer Price / Consideration (RMB)	Transferor	Parties to which shares were transferred and resulting percentage ownership <sup>(2)</sup>
15 March 2018	2.00%	3,330,000	Shi Dongkai	Wang Peng – 42.47%
	11.37%	14,350,000	Jia Guobiao	Wang Peng – 53.84%
	3.89%	6,500,000	Wei Xiuyan	Wang Peng – 57.73%
	5.06%	8,440,000	Xia Lei	Wang Peng – 62.78%
12 April 2018	1.20%	2,000,000	Changsha Yannong	Wang Peng – 63.98%
13 April 2018	1.20%	2,000,000	Di Wei	Wang Peng – 65.18%
16 April 2018	0.60%	1,000,000	Yang Li	Wang Peng – 65.78%
	0.60%	1,000,000	Xia Xiaoyue	Wang Peng – 66.38%
	0.12%	200,000	Wu Xianfeng	Wang Peng – 66.50%
17 April 2018	0.90%	1,500,000	Wang Junxia	Wang Peng – 67.40%
	0.60%	1,000,000	Shen Yan	Wang Peng – 68.00%
	0.18%	300,000	Wang Lanjing	Wang Peng – 68.18%
6 June 2018	1.20%	2,000,000	Yongying Asset Management Co., Ltd.	Wang Peng – 69.37%
6 June 2018	0.90%	1,500,000	Di Jie	Wang Peng – 70.27%
15 July 2019	7.76%	9,000,000	Cao Pingfeng	Go National – 100.00%
	66.76%	77,430,000	Wang Peng	
	12.52%	14,520,000	Zhang Yuya	
	6.26%	7,260,000	Zhang Feng	
	1.70%	1,980,000	Xu Shiduo	
	5.00%	5,800,000	Kaihui Group Incorporated	

**Notes:**

- (1) The registered capital in Xingnong Agriculture that were transferred are rounded up to 2 decimal places.
- (2) The resulting percentage ownership are rounded up to 2 decimal places.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A2.4. Restructuring Exercise in respect of Xingnong Agriculture

Prior to the Proposed Transactions, the Vendor implemented a restructuring exercise, resulting in Great Resolute becoming the holding company of the Xingnong Group.

**(a) Establishment of Keen Wind**

On 13 December 2017, Keen Wind was incorporated in the BVI as an investment holding company. It was wholly-owned by Palm Ambition Limited, a wholly-owned entity of Wang Peng. Wang Peng is deemed to be interested in the shares held by Palm Ambition Limited.

**(b) Establishment of Great Resolute**

On 21 November 2017, Great Resolute was incorporated in the BVI as a business company limited by shares. The company carries on the business of investment holding and is wholly-owned by Keen Wind. Under BVI laws, Great Resolute is not required to issue shares or register its shareholders immediately upon incorporation of the company. On 20 March 2018, Keen Wind subscribed for and was allotted and issued 100 shares in Great Resolute.

**(c) Establishment of Go National**

On 5 January 2018, Go National was incorporated in Hong Kong as an investment holding company and was wholly-owned by Newform Limited. On 28 March 2018, Great Resolute acquired the entire issued and paid-up share capital of Go National comprising one (1) ordinary share from Newform Limited at nominal consideration. On 28 March 2018, Great Resolute subscribed for and was allotted and issued 99 shares in Go National.

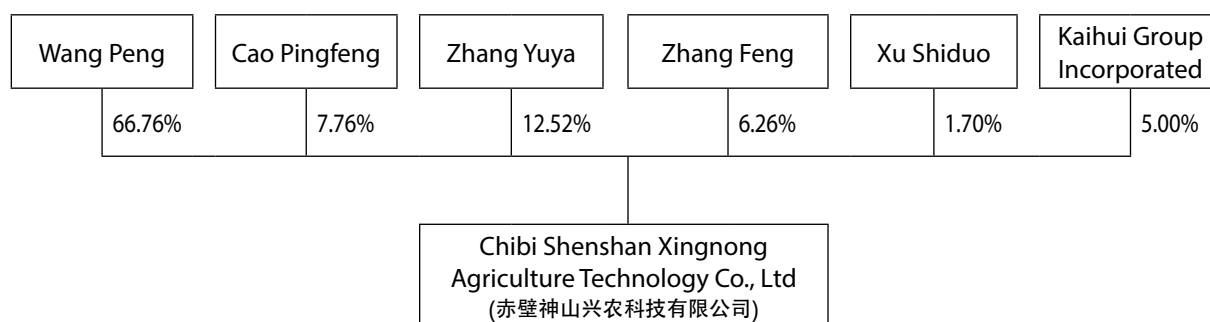
**(d) Issuance of equity interests by Xingnong Agriculture**

On 19 September 2018, Kaihui Group made an equity contribution to Xingnong Agriculture's registered capital, thereby increasing the registered capital in Xingnong Agriculture, and resulting in Kaihui Group holding 5% of the total equity interest in Xingnong Agriculture, for the purpose of the conversion of Xingnong Agriculture from a PRC limited liability enterprise to a Sino-foreign joint venture company. Kaihui Group is wholly owned by Mr. Chow, Wing Tung (周永東), who is an unrelated third party.

**(e) Xingnong Group Restructuring Exercise**

On 17 November 2018, Keen Wind entered into the Agreement with the Company, pursuant to which Completion is conditional upon, *inter alia*, completion of the Xingnong Group Restructuring Exercise. As at 17 November 2018, Xingnong Agriculture was owned by the Previous Xingnong Shareholders, including Wang Peng, who was the single largest Previous Xingnong Shareholder holding approximately 66.76% of the total equity interest in Xingnong Agriculture.

The following chart shows the shareholding in Xingnong Agriculture as at the date of the Agreement and immediately prior to the Xingnong Group Restructuring Exercise.



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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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In preparation of the resultant listing of the assets under the Company and to fulfil the aforementioned condition precedent, on 15 July 2019, all of the Previous Xingnong Shareholders, being Wang Peng (王鹏) (66.76%), Cao Pingfeng (曹平峰) (7.76%), Zhang Yuya (张玉娅) (12.52%), Zhang Feng (张锋) (6.26%), Xu Shiduo (徐士铎) (1.70%) and Kaihui Group Incorporated (凱匯集團有限公司) (5.00%) have transferred all of their equity interests in Xingnong Agriculture to Go National pursuant to the Xingnong Equity Transfer Agreements. The unpaid consideration of RMB115,990,000 for the said equity transfers of the entire equity interests in Xingnong Agriculture from the Previous Xingnong Shareholders to Go National under the Xingnong Equity Transfer Agreements (“**Unpaid Consideration**”) was based on the registered share capital of Xingnong Agriculture, and shall be fully satisfied in cash by Go National to the Previous Xingnong Shareholders no later than 31 May 2021, pursuant to the supplemental agreements dated 20 October 2020 and 29 March 2021 entered into between Go National and each of the Previous Xingnong Shareholders in relation to the Xingnong Equity Transfer Agreements. Based on the supplemental agreements dated 20 October 2020, the Previous Xingnong Shareholders and Go National acknowledged that the delay in payment of the consideration for the aforementioned equity transfers does not affect the effectiveness of the equity transfers, and each of the Previous Xingnong Shareholders will bear all respective personal income tax payment obligations and fees in respect of the equity transfers and shall indemnify Go National and/or Xingnong Agriculture of the same. Jingtian has advised that notwithstanding the Unpaid Consideration under the equity transfer agreements, the equity transfers were validly effected in accordance with PRC laws on 15 July 2019, and Go National is the sole legal and beneficial owner of the entire equity interests in Xingnong Agriculture free from all and any encumbrances.

Based on information provided by Keen Wind, on 11 January 2019, Kaihui Group and each of the other Previous Xingnong Shareholders were allotted and issued shares in Keen Wind through their respective special purpose vehicles of (a) Palm Ambition Limited, (b) Wise Artistic Limited, (c) Leap Rainbow Limited, and (d) Glorious Emblem Limited.

In connection with the above, Great Resolute had on 2 December 2020 entered into a loan agreement (as amended by the deed of amendment dated 29 March 2021) with its sole shareholder, Keen Wind, pursuant to which Keen Wind agreed to grant an interest free loan of RMB115,990,000 (“**XN Loan**”) to Great Resolute, to be repaid or waived by 31 May 2021 or such other later date as may be mutually agreed. The XN Loan will be disbursed directly to a bank account belonging to Go National for the purpose of effecting full settlement of the Unpaid Consideration due to the Previous Xingnong Shareholders. The proposed Financial Controller of the Restructured Group (Ho Hin Yip) and the directors of Great Resolute (Wang Peng and David Zhao) and Go National (Wang Peng) will be responsible in overseeing the disbursement of the XN Loan from the date of the Shareholders’ approval being obtained by the Company for the Proposed Transactions at the SGM and in any case no later than 31 May 2021.

In addition, Great Resolute had on 7 December 2020, entered into deeds of release and discharge (as amended by the respective deeds of amendment dated 29 March 2021) separately with Keen Wind and Go National (“**Deeds of Release and Discharge**”) pursuant to which (i) Keen Wind shall irrevocably and unconditionally waive the XN Loan payable by Great Resolute to Keen Wind; and (ii) Great Resolute shall irrevocably and unconditionally waive the XN Loan payable by Go National to Great Resolute, upon the Shareholders’ approval being obtained by the Company for the Proposed Transactions at the SGM (“**Release Condition**”) and in any case no later than 1 June 2021. Upon settlement of the Unpaid Consideration and pursuant to the Deeds of Release and Discharge, all outstanding liabilities, obligations and undertakings owing by the Xingnong Group to Keen Wind shall be fully released and discharged.

Robertsons Solicitors, the Legal Adviser to the Company in respect of Hong Kong law, has advised that the deed of release and discharge dated 7 December 2020 (as amended by the deed of amendment dated 29 March 2021) entered between Great Resolute and Go National, pursuant to which Great Resolute discharges and releases Go National from its obligations under the shareholder’s loan agreement dated 2 December 2020 between Great Resolute as lender and Go National as borrower in respect of the XN Loan, is valid and duly authorised by Go National. The execution of such deed of release and discharge and the performance by Go National of its obligations under such deed will not violate any law, rule or regulation having the force of law in Hong Kong.



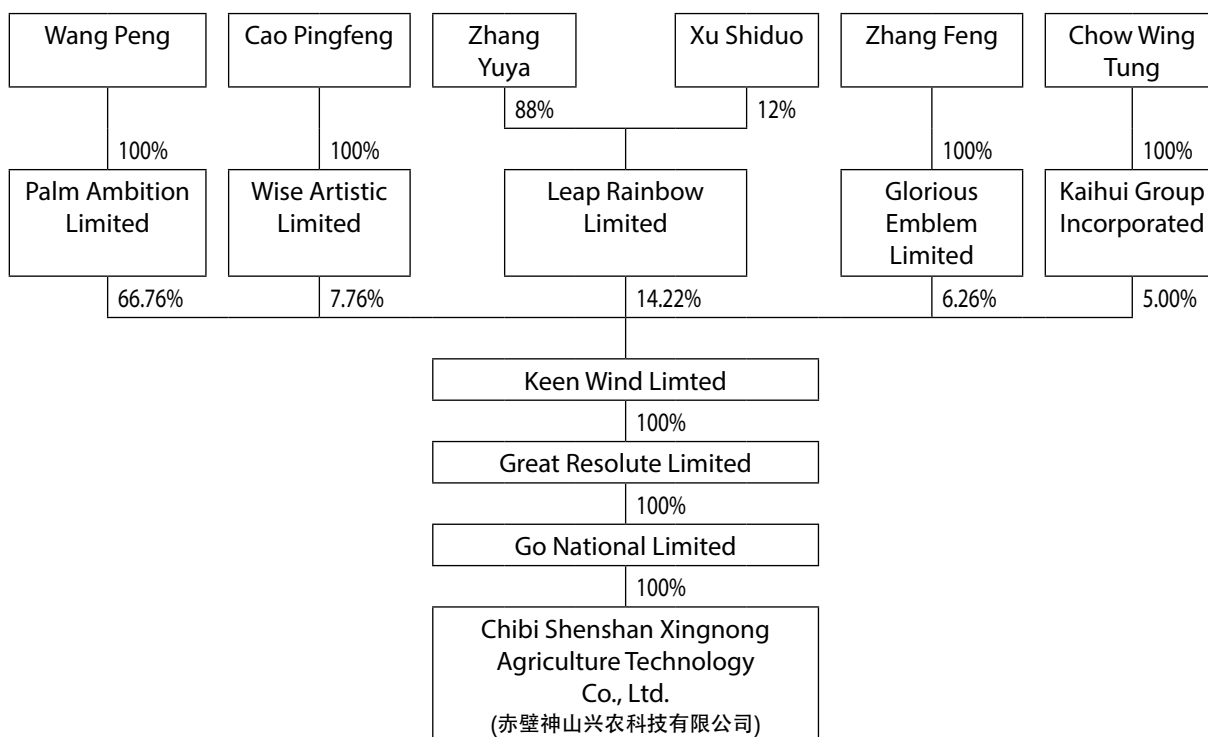
## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

Conyers Dill & Pearman Pte. Ltd., the Legal Adviser to the Company in respect of Bermuda law and BVI law, has advised that:

- (1) Great Resolute has taken the relevant corporate action to duly authorise its entry into the deeds of release and discharge dated 7 December 2020 (each as amended by the respective deeds of amendment dated 29 March 2021) with (A) Keen Wind in relation to, *inter alia*, Great Resolute's obligation to repay the XN Loan from Keen Wind to Great Resolute; and (B) Go National in relation to, *inter alia*, Go National's obligation to repay the XN Loan from Great Resolute to Go National; and
- (2) Keen Wind has taken the relevant corporate action to duly authorise its entry into the deed of release and discharge dated 7 December 2020 (as amended by the deed of amendment dated 29 March 2021) with Great Resolute in respect of the XN Loan.

The disbursement of the XN Loan is subject only to the relevant borrower making a request to drawdown by serving a written drawdown request to the relevant lender under the respective shareholder's loan agreements dated 2 December 2020 (as amended by the respective deeds of amendment dated 29 March 2021). The waiver of the XN Loan under the Deeds of Release and Discharge is only subject to the XN Loan being drawn down under the respective shareholder's loan agreements dated 2 December 2020 (as amended by the respective deeds of amendment dated 29 March 2021), and the satisfaction of the Release Condition (i.e. Keen Wind and Great Resolute shall irrevocably and unconditionally waive the XN Loan payable by Great Resolute to Keen Wind and Go National to Great Resolute respectively, upon the Shareholders' approval being obtained by the Company for the Proposed Transactions at the SGM), and in any case no later than 1 June 2021.

The following chart shows the shareholding in Xingnong Agriculture immediately following the Xingnong Group Restructuring Exercise and the allotment and issue of shares in Keen Wind to the Previous Xingnong Shareholders, and before Completion of the Proposed Transactions.



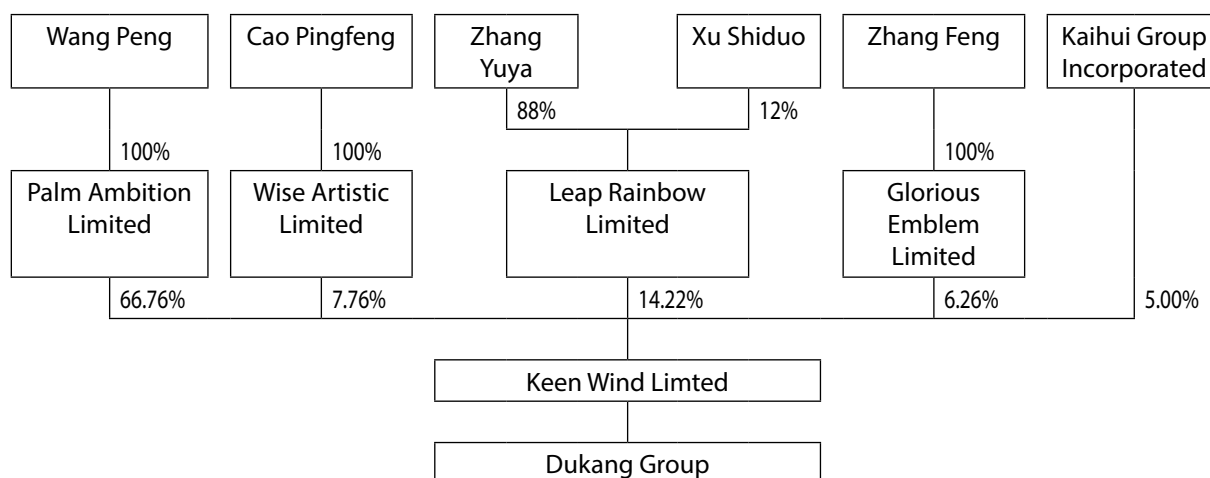
Following the completion of the Xingnong Group Restructuring Exercise, the Xingnong Group comprised Great Resolute, Go National and Xingnong Agriculture. Jingtian has advised that the Xingnong Group Restructuring Exercise is validly effected in accordance with PRC laws, and the entire equity interest of Xingnong Agriculture is legally and validly held by Go National under the applicable PRC laws.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

The shareholding structure of the Restructured Group immediately following the Xingnong Group Restructuring Exercise and after the Proposed Transactions is set out below:



The shareholding structure of the Dukang Group (i.e. excluding the Company) immediately following the Xingnong Group Restructuring Exercise and after the Proposed Transactions is set out below:



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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A3. HISTORY AND BUSINESS OF THE XINGNONG GROUP

#### A3.1. History

Xingnong Agriculture commenced operations in 2009, when the company acquired forest use rights to the Xingnong Orchards sited at 麦园岭 (Maiyuanling) and 新店 (Xindian).

A summary of the key development milestones of the Xingnong Group is as follows:

Year	Event
2009	Xingnong Agriculture acquired forest use rights to and commenced operations at two (2) of the Xingnong Orchards sited at 麦园岭 (Maiyuanling) and 新店 (Xindian)
2010	Commenced operations at the Xingnong Orchards located at 油岭 (You Ling), 御屏 (Yuping) and 大桥 (Daqiao)
2011	Commenced operations at newly acquired Xingnong Orchards located at 御屏半岛 (Yuping Peninsula), 西湖 (Westlake), Luzhuang 2 Land (also known as 红菱 Hongling) and 鲁庄 (Luzhuang 1)
2012	Changsha Yannong Biotechnology Co., Ltd. granted Xingnong Agriculture the exclusive perpetual right to use the kiwi variety “楚源 11-48” (Yannong No.1) in the PRC (excluding Hong Kong, Macao and Taiwan)
2013	Cold storage facility and auto-sorting assembly line became operational
2014	Launch of 精灵果 Fairy Gold, 阳光金果 Sunshine Kiwi, and 翠玉 Jade Green commercial names of kiwifruits, and commenced distribution and sales
2018	Commenced sales of kiwifruits on the online shopping platforms in the PRC, including Taobao Marketplace and JD.com
2019	Go National acquired all the equity interests of Xingnong Agriculture
2019	Organised and hosted the “Kiwi Summit” in September, which is a networking event attended by experts on kiwifruits cultivation and the Xingnong Group’s customers

#### A3.2. Principal Activities

The Xingnong Group, through Xingnong Agriculture, is principally engaged in the Kiwifruit Business, namely, the business of planting, cultivating and sale of kiwifruits (also known as Chinese gooseberries), and is believed to have one of the largest domestic kiwifruit orchards concentrated in the Chibi City, Hubei Province in the PRC. From time to time and whenever opportunities are identified, the Xingnong Group also engages in the ad-hoc trading of apples and oranges. Such trading activities commenced in December 2019 and are insignificant in terms of revenue and cost generation as compared to the Xingnong Group’s core Kiwifruit Business.

In connection with the Kiwifruit Business, Xingnong Agriculture holds, *inter alia*, (i) the land use right for one (1) plot of industrial land in Jianshe Road, Chimagang Office, Chibi City, Hubei Province in the PRC, spanning approximately 64,999.1 m<sup>2</sup> on which its Office Building and Packing Facilities are located; (ii) the forest use rights for eight (8) plots of forest land in Chibi City, Hubei Province in the PRC, spanning in aggregate 9,805 mu (equivalent to approximately 6,536,666 m<sup>2</sup>) on which eight (8) out of the nine (9) Xingnong Orchards are located; and (iii) a lease of two (2) warehouse units at Chibi City, Chima Port Office, Chibi Avenue, Hubei Province in the PRC. Please refer to **Section A3.12** entitled “Material Properties and Fixed Assets” of Appendix A to this Circular for further details on Xingnong Group’s land use rights and forest use rights.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

As at the Latest Practicable Date, three (3) plots of the Xingnong Orchards have commenced cultivation of some young kiwi plant saplings expected to mature by 2021 (saplings sited at新店 (Xindian), 鲁庄 (Luzhuang 1) and 麦园岭 (Maiyuanling)), whilst the remaining six (6) plots of the Xingnong Orchards comprise kiwifruit vines and bearer plants with an average age of five (5) years. Kiwifruit vines typically begin cropping in the 3rd to 4th year of cultivation, reaching full yield potential in the 9th to 10th year, and can continue producing for the next 40 years. Brief details of the Xingnong Orchards are set out below, together with the map setting out their respective locations within the Hubei Province in the PRC:

Location of Xingnong Orchard	Planted area of Land (mu)	Area of Land <sup>(1)</sup> (mu) <sup>(2)</sup>	Commencement of Operations under the Xingnong Group (Year)	Main Commercial Categories of Kiwifruits being cultivated on-site <sup>(3)</sup>
油岭 (You Ling)	519.24	2,323.20	2010	阳光金果(Sunshine Kiwi)
御屏半岛 (Yuping Peninsula)	770.17	1422	2011	精灵果(Fairy Gold)
御屏 (Yuping)	264.33	683	2010	精灵果(Fairy Gold)
西湖 (Westlake)	545.43	1114.5	2011	精灵果(Fairy Gold), 阳光金果(Sunshine Kiwi)
大桥 (Daqiao)	337.04	2697.9	2010	阳光金果(Sunshine Kiwi)
鲁庄 (Luzhuang 1)	245.93	621.1	2011	精灵果(Fairy Gold)
Luzhuang 2 (also known as 红菱 Hongling) <sup>(4)</sup>	447.07	630.5	2011	精灵果(Fairy Gold)
麦园岭 (Maiyuanling)	238.90	339.7	2009	阳光金果(Sunshine Kiwi), 精灵果 (Fairy Gold)
新店 (Xindian)	246.59	603.60	2009	阳光金果(Sunshine Kiwi), 精灵果 (Fairy Gold)

Please refer to **Appendix J** entitled “List of Forest/Land Use Rights” of this Circular for further details on the forest use rights.

### Notes:

- (1) The Xingnong Group has secured forest/land use rights over such lands for the durations as set out below. However, the planted area or any expansion thereof over the area of land with such forest use rights will depend on factors such as land elevation, soil structure, irrigation options, suitable drainage, parcel shape and size, as well as economic feasibility.
- (i) You Ling: 50 years
  - (ii) Yuping Peninsula: 50 years
  - (iii) Yuping: 50 years
  - (iv) Westlake: 50 years
  - (v) Daqiao: 50 years
  - (vi) Luzhuang 1: 50 years
  - (vii) Maiyuanling: 50 years
  - (viii) Xindian: 50 years

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

The various forest use rights were secured on 1 January 2009 and 1 January 2010, and will expire on 31 December 2058 and 31 December 2059 respectively. Please refer to **Appendix J** entitled “List of Forest/Land Use Rights” of this Circular for further details on the forest use rights, including the specific tenure thereon.



- (2) 1 mu is equivalent to 666.67 m<sup>2</sup>.
- (3) For more information on the categories of kiwifruits, please refer to the **Section A3.3** entitled “Business Operations” of Appendix A to this Circular.
- (4) The Xingnong Group does not hold the land use right certificate to the Luzhuang 2 Land (also known as 红菱 Hongling), as the usage classification of the Luzhuang 2 Land (also known as 红菱 Hongling) was unclear and the local government authorities were unable to provide further clarity on the nature of such land. As at the Latest Practicable Date, Xingnong Agriculture had applied for but had not obtained the Land Management Certification on the usage of the Luzhuang 2 Land (also known as 红菱 Hongling) and the accompanying land use rights. Please refer to **Section A3.12** entitled “Material Properties and Fixed Assets” of Appendix A to this Circular for more details.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A3.3. Business Operations

The Xingnong Group has a vertically integrated business model, possessing the relevant rights to the land on which the Xingnong Orchards are situated, and the cultivation and distribution capabilities and facilities required to independently operate the Kiwifruit Business.

Xingnong Agriculture currently cultivates and sells the following main varieties of kiwifruits, commercially marketed as:

- (a) 精灵果 (Fairy Gold) (kiwifruit varieties (i) “楚源11-48” (also known as “炎农一号 (Yannong No. 1)” or (ii) 先沃四号 (Xianwo No. 4))

This variety of kiwifruit is yellow-fleshed and is high in sugar content. The average weight of a Fairy Gold kiwifruit varies between 70g to 100g. The Fairy Gold kiwifruit is cultivated from either the (i) 楚源11-48 (also known as 炎农一号 (Yannong No. 1) kiwifruit variety or (ii) 先沃四号 (Xianwo No. 4) kiwifruit variety. The 先沃四号 (Xianwo No. 4) kiwifruit variety is a variant of the 楚源11-48 (also known as 炎农一号 (Yannong No. 1) kiwifruit variety).

Pursuant to the Changsha Yannong Licence Agreement, which has a perpetual term, the Xingnong Group has an exclusive perpetual licence to cultivate the 楚源11-48 (also known as 炎农一号 (Yannong No. 1) kiwifruit variety in the PRC (excluding Hong Kong, Macao and Taiwan). The Xingnong Group is in the process of applying for the registration of the plant variety right of the 先沃四号 (Xianwo No. 4) kiwifruit variety.

Jingtian has advised that under PRC laws and regulations, as Xingnong Agriculture has the right to own and use the variants of the 楚源11-48 (also known as 炎农一号 (Yannong No. 1) kiwifruit variety under the Changsha Yannong Licence Agreement, the Xingnong Group is also entitled to use, plant, cultivate and sell the 先沃四号 (Xianwo No. 4) kiwifruit variety in the PRC (excluding Hong Kong, Macao and Taiwan)).

- (b) 阳光金果 (Sunshine Kiwi)

This variety of kiwifruit is yellow-fleshed, has a high yield and is high in sugar content. The average weight of a Sunshine Kiwi kiwifruit varies between 80g to 140g. The Sunshine Kiwi kiwifruit variety is commonly bred, cultivated and sold across the PRC, owing to its high yield and cultivar availability. The Xingnong Group does not own the licensing rights to cultivate this kiwifruit variety and Jingtian has advised that under PRC laws and regulations, Xingnong Agriculture does not require any licence to plant, cultivate and sell this kiwifruit variety if there are no plant variety rights or any other intellectual property rights attached to it.

- (c) 翠玉 (Jade Green)

This variety of kiwifruit is green-fleshed, and its skin is wrapped in tiny hairs. It is high-yielding and has higher resistance to external environmental conditions and can withstand long periods of storage. The average weight of a Jade Green kiwifruit varies between 85g to 95g. The Xingnong Group does not own the licensing rights to cultivate this kiwifruit variety and Jingtian has advised that under PRC laws and regulations, Xingnong Agriculture does not require any licence to plant, cultivate and sell this kiwifruit variety if there are no plant variety rights or any other intellectual property rights attached to it.

- (d) 红心 (Red Heart) kiwifruits (kiwifruit variety “红贝”)

This variety of kiwifruit is yellow-fleshed and has red seeds in the centre of the fruit. This variety is hairless, has thin skin rich fruit flesh with tinge of berry-like taste. The average weight of a Red Heart kiwifruit varies between 80 g to 110 g. This kiwifruit variety is newly cultivated and was first cultivated and sold by Xingnong Agriculture in 2020. Pursuant to the Zhengzhou Fruit Research Institute Licence Agreement, which expires on 31 December 2033, the Xingnong Group has a non-exclusive licence to cultivate this kiwifruit variety from 1 January 2019 to 31 December 2033. As at the date of this Circular, barring any unforeseen circumstances, Xingnong Agriculture does not foresee any difficulties in renewing the Zhengzhou Fruit Research Institute Licence Agreement. The Xingnong Group does not expect revenue contribution from the sales of the Red Heart kiwifruits to be significant in the near term.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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The Xingnong Group's business and profitability in the near term are materially dependent on the licence granted to Xingnong Agriculture under the Changsha Yannong Licence Agreement.

Please refer to **Section A3.13** entitled "Intellectual Property, Licensing Rights and Plant Variety Rights" of Appendix A to this Circular for more details of the Xingnong Group's plant variety rights for the aforementioned kiwifruit breeds as well as the term of protection of such rights.

The Kiwifruit Business currently encompasses the following key processes and initiatives:

### ***Acquiring and Developing Kiwifruit Varieties***

The Xingnong Group utilises its research and technology capabilities to test and develop hybridised variants of kiwifruits with enhanced sweetness, flavour, fruit size and roundness to cater to consumer demand.

As at the Latest Practicable Date, the Xingnong Group has been granted the exclusive licensing rights over the plant variety rights for the Fairy Gold kiwifruit which, to the Proposed Directors' belief, possesses thinner, smoother and less hairy skins compared to those cultivated by individual farmers in the PRC. The Xingnong Group has also been granted the non-exclusive licensing rights over the plant variety rights for the Red Heart kiwifruit. The Xingnong Group has also secured the licensing rights to use the "CY-38" kiwifruit variety, also known as "炎农三号 (Yannong No. 3)", the "YH-67" kiwifruit variety for testing purposes. Please refer to **Section A3.13** entitled "Intellectual Property, Licensing Rights and Plant Variety Rights" of Appendix A to this Circular for more details of the Xingnong Group's plant variety rights.

As at the Latest Practicable Date, the Xingnong Group is in the process of obtaining the registration for the plant variety rights to another six (6) kiwifruit varieties (including the 先沃四号 (Xianwo No. 4) kiwifruit variety). Please refer to **Section A3.13** entitled "Intellectual Property, Licensing Rights and Plant Variety Rights" of Appendix A to this Circular for more details of the Xingnong Group's plant variety rights.

Xingnong Agriculture also maintains collaborative relationships with several institutions and experts in the agricultural industry in the PRC, including the Hubei Academy of Agricultural Sciences, the Wuhan Botanical Garden of Chinese Academy of Sciences, the Huazhong Agriculture University (华中农业大学) and other domestic industry experts to share and develop technology and expertise as to plant variety, cultivation, fertilisation, plant protection, soil and post-harvest techniques, as well as identify suitable cultivars for commercial cultivation.

### ***Planting***

The Xingnong Group's planting activities can be generally classified under the site assessment and planning and execution phases:

#### Site assessment

The Xingnong Group assesses suitable sites upon securing the necessary forest use rights and land use rights for the development of kiwifruit orchards, taking into account the following key factors:

- (a) a non-pollutive site;
- (b) arability of the soil;
- (c) extent of undulating landscape (which encourages proper rain and irrigation draining of the soil);
- (d) extent of damage caused by natural disasters in the vicinity in the recent past;
- (e) availability of transportation infrastructure;
- (f) low variability in weather conditions; and
- (g) plot homogeneity and size.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Planning and execution

The Xingnong Group's in-house planning team will undertake preparatory work to plan and design the layout of the kiwifruit plantation before proceeding to set up the vines for the bearer plants. Applying modern technologies, the bearer plants are grown with their vines trained to arbors for support. Younger vines of the bearer trees are tied together in clusters and are suspended in a pyramid formation to the top of a tent-like trellis, to lend support and protect the young vines against windy conditions, reduce vine breakage, and to allow such vines to mature and spread out effectively against any strong winds and varying weather conditions. This process will improve the resilience and annual yield of each bearer plant.

Each bearer plant is planted approximately three (3) metres apart from each other, in rows of at least five (5) metres apart. To ensure pollination, the male plants to female plants are distributed in the ratio 1:6.

As part of its research and development process, Xingnong Agriculture also undertakes small batch planting of newly acquired and/or developed kiwifruit varieties or cultivar in its research orchards to gather and assess data in respect of the specific characteristics and commercial viability of such new varieties or cultivar, before deciding on their commercialisation.

### **Cultivating**

#### Seasonality

The Kiwifruit Business' cultivation activities depend on seasonal and climatic factors such as weather conditions, level of rainfall and temperature. These factors may, *inter alia*, affect the cultivation, quality, overall supply and availability of the Xingnong Group's annual harvest of kiwifruits, which consequently affects its kiwifruit sales.

The Kiwifruit Business generally follows the following kiwifruit cultivation cycle:

Month	Activity
January	Prune, tie vines to arbors, disinfection of kiwifruit bearer plants
February	Soil loosening, application of fertiliser
March	Pollination, fertilisation
April	Application of fertiliser, pesticide and irrigation
May	Pruning, application of fertiliser and pesticide
June	Pruning, application of fertiliser and pesticide
July	Weeding, irrigation, application of pesticide
August	Irrigation, application of fertiliser and pesticide
September	Harvesting, sorting, packing and storage of kiwifruits
October	Sorting, packing and storage of kiwifruits
November	Disinfection of kiwifruit trees, scaffolding maintenance
December	Prune, tie vines to arbors, disinfection of kiwifruit bearer plants

The growing season for kiwifruit typically lasts up to 240 days a year. The kiwifruit harvest season takes place annually from August to September each year, and sales of harvested kiwifruit will typically occur thereafter, within the same calendar year.

As at the Latest Practicable Date, the Xingnong Group's ad-hoc trading of apples and oranges are not materially impacted by any seasonal fluctuations.

#### Cultivation Processes

The cultivation processes are adjusted to accommodate seasonal and climatic factors such as weather conditions, level of rainfall and temperature, to ensure consistency in quality and overall yield of kiwifruits during each harvest season. During cultivation, the Xingnong Group applies its fertilisation, irrigation, pesticides and medicinal sprays manually, adjusted based on the kiwifruit plants' respective needs and varying humidity conditions, and taking into consideration the prevailing and relevant regulatory guidelines in respect of the application of such fertilisers, pesticides and medical sprays.



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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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The Xingnong Group employs advanced technology to manage the entire cultivation process. Each bearer plant is tagged with global positioning system (“GPS”) and identified by its individual Quick Response Code (“QR Code”), allowing data collection on and monitoring of each individual bearer plant, its location, breed, planting date, yield, irrigation and weeding frequency and details of the plant diseases contracted and its staff in-charge. Such information is collected and stored in a database, enabling the Xingnong Group to control and manage the entire kiwifruit cultivation process as well as monitor the overall progress and performance of the various kiwifruit breeds. This enhances the Xingnong Group’s ability to oversee the varying needs and health of each bearer plant remotely, and also allows the Xingnong Group to perform prompt on-site rectification and/or preventive actions in respect of the relevant bearer plants in its kiwifruit orchards.

Xingnong Agriculture’s employees are on-site during the cultivation stage on a daily basis to ensure (a) the bearer plants are fertilised efficiently and appropriately; (b) the vines of the bearer plants are frequently pruned to allow sufficient exposure to sunlight for growth, and the removal of any misshapen kiwifruits that are not fit for sale; (c) the areas surrounding each bearer plant are free of weeds; (d) optimal utilisation of the Xingnong Group’s agricultural lands; and (e) the utilisation of appropriate pesticides to prevent pests and the spread of plant diseases.

Anti-frost is also applied to the bearer plants during the winter months of December to February each year, to prevent frost damage to the bearer plants, and in particular, the younger bearer plant saplings.

### ***Harvesting and post-harvesting***

The bearer plants take about three (3) to four (4) years to fully mature, with fruit-bearing peaking at around nine (9) to ten (10) years. The bearer plants will continue to bear kiwifruits thereafter for an additional period of approximately 40 years depending on external conditions and maintenance. Upon maturity, the bearer plants will bear kiwifruits around September each year and the harvesting season lasts for about two (2) to three (3) months from September each year. As at the Latest Practicable Date, the average age of the Xingnong Group’s bearer plants is approximately 4.4 years, with 60.3% of the bearer plants aged below 4 years and the remaining 39.7% aged between five (5) to ten (10) years.

During harvest, the Xingnong Group’s kiwifruits are picked by hand when they are sufficiently softened, with the necessary care and expertise to ensure that such kiwifruits are not harvested prematurely, and are handled with care. During each annual harvest season, in addition to the 207 full-time employees, the Xingnong Group may contract third-party labour who will pick and sort the kiwifruits according to breed, size, shape, weight and quality. Blemished, bruised and misshapen fruits are filtered out before the harvested kiwifruits are transported to the Packing Facilities.

After each harvest, the kiwifruit bearer plants would be disinfected and vines would be pruned and tied to the arbors and trellises from the periods of November to January, when the kiwifruit bearer plants are dormant. Pruning involves the removal of branches that produced fruits in the previous season and any dead or non-flowering vines and branches. Young vines would be trimmed instead of pruned, in order to allow them to grow more vigorously in the next harvest season. In February, the ditches are opened and fertilisers are applied to the kiwifruit bearer plants.

For the Period Under Review, the volume of kiwifruit harvested by the Xingnong Group is as follows:

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>9M2020</b>
Volume of kiwifruits (tonnes)	1,563	2,216	3,186	3,394

### ***Processing and packing***

The Xingnong Group carries out the packing and storage of its harvested kiwifruits at the centralised Packing Facilities located in Chibi City, Hubei Province in the PRC with a gross floor area of approximately 12,605.35 m<sup>2</sup>.

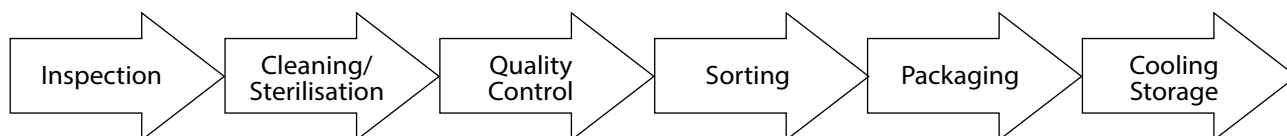
The Xingnong Group utilises an integrated automated assembly line with a sensor-enabled system to process, monitor and control the inventory flow of the harvested kiwifruits. Upon harvest, the kiwifruits are delivered to the Packing Facilities to undergo processing, including sterilisation, cleaning, quality control, sorting, cool storage and fresh-packing, in accordance with customers’ demands and specifications. Such processing techniques will stabilise the kiwifruit ripening process and prolong its shelf life, which will allow the kiwifruits to be transported over longer distances and stored for longer periods, without compromising on the freshness and marketability of such harvested kiwifruits.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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The processing and packing processes will comprise the following key sequential steps, which are further elaborated below:



A. Inspection

Upon harvest and arrival at the Packing Facilities, the kiwifruits are inspected by quality control staff to ensure that they meet the requisite quality standards and to remove any kiwifruits with bruises or damage caused during transportation.

B. Cleaning/ Sterilisation

The kiwifruits are processed through automated machinery to remove all traces of dirt, soil particles, bacteria, fertiliser, pesticide, medicinal spray to ensure the quality, hygiene and that the kiwifruits are safe for consumption. Thereafter, the kiwifruits will be subject to manual checks by processing personnel to ensure satisfactory completion of the cleaning/ sterilisation process.

C. Quality control

The kiwifruits will undergo another round of manual assessment, filtering and categorisation, in accordance with internal standards.

D. Sorting

The kiwifruits are sorted according to breed, shape, size, weight and quality.

E. Packaging

During packaging, the harvested kiwifruits are subject to another round of quality assurance inspection before packing to ensure the harvested kiwifruits meet the standards of weight, taste, colour, water content, micro-organisms, impurities, conformity with specifications, and agrichemical quantities.

Prior to delivery, the kiwifruits are sorted and packaged into plastic or foam sponge boxes in accordance with customers' demands and specifications such as weight and/or size at room temperature.

F. Cooling storage

After the kiwifruits are packaged, they are stored in the refrigerated storage facility within the Packing Facilities over varying periods depending on their delivery schedules. Refrigerated trucks will be chartered to transport the packed kiwifruits to customers. This will ensure that the kiwifruits remain fresh, as they are delivered to customers.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### ***Sales and Marketing***

The Xingnong Group's sales and marketing activities are handled by its sales team comprising 15 staff members, who are in charge of customer liaison activities, distribution, and overall coordination of the Xingnong Group's marketing efforts across the different provinces in the PRC. The Xingnong Group's sales and marketing activities will cover the following key processes:

#### A. Securing orders

On or around each annual harvest, the Xingnong Group will seek and secure sales orders from wholesale customers indicating the required kiwifruit specifications and quantities in writing, which will be aggregated, assessed and analysed, taking into account factors such as order volume, kiwifruit specifications, raw material and logistics costs, packaging requirements, delivery schedules and payment methods. Upon confirmation of each sales order, the Xingnong Group will submit a quotation to the customers and such quotation must be accepted and signed off by customers before the Xingnong Group fulfils such orders.

#### B. Marketing and Promotion

The Xingnong Group engages in various marketing and promotion efforts to increase its sales and distribution network, as well as the brand awareness and profile of its kiwifruits. Such efforts include outdoor advertisements, online promotions and attending nationwide kiwifruits events.

#### C. Establishing and leveraging on various sales and distribution channels

The Xingnong Group's kiwifruits are sold through three (3) existing channels, namely (i) distributorship, (ii) wholesale, and (iii) e-commerce platforms such as Tmall.com, Taobao, and JD.com.

In FY2019, the average selling price of the kiwifruits produced by the Xingnong Group was RMB87.26 per box. The table below sets out the fixed price per box of the various kiwifruits produced by the Xingnong Group in FY2019:

Brand/Commercial Name	Number of kiwifruit fruits per box	Price (RMB / box)
翠玉猕猴桃 (Kiwi Jade)	24	58.50
(a subset of翠玉 / Jade Green)	36	58.50
阳光金果 (Sunshine Kiwi)	27	102.00
	30	99.00
	33	96.00
	36	93.00
阳光金猕猴桃 (Kiwi Gold)	24	105.00
(a subset of阳光金果 / Sunshine Kiwi)	36	96.00
精灵果 (Fairy Gold)	27	102.00
	30	99.00
	33	96.00
	36	93.00
翠玉 (Jade Green)	27	72.00
	30	67.50
	33	63.00
	36	58.50

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A3.4. Awards and Certifications

Since its establishment in 2009, the Xingnong Group has received a number of accolades and awards in the PRC, recognising its efforts and leadership within the industry:

Year of Award	Award	Awarding Institution/Authority
2017	Xianning Modern Agricultural Industrial Park (咸宁市现代农业产业园)	Xian Ning City Agriculture Bureau, Xian Ning City Development Reform Committee and Xian Ning City Tourism Committee (咸宁市农业局•咸宁市发展和改革委员会•咸宁市旅游委员会)
2018	Top 30 Private Enterprises in 2017 (2017年度民营企业30强)	Chibi City People’s Government (赤壁市人民政府)
2018	Agricultural Industrialisation Excellence - Key Leading Enterprise (农业产业化优秀龙头企业)	Xianning Agriculture Bureau (咸宁市农业局)
2019	Agricultural Product Processing Industry (Target Gross Product of RMB100 Billion) in 2018 – Outstanding Contribution Award (2018年度农产品加工业千亿工程 - 突出贡献奖)	Xian Ning Government (咸宁市人民政府)
2019	Certificate of Good Agricultural Practice (良好农业规范认证) (expired on 10 March 2020)	China Quality Certification Centre (中国质量认证中心)
2019	Key Leading Enterprise of Agricultural Industrialisation in Hubei Province (湖北省农业产业化 - 重点龙头企业)	Hubei Agricultural Industrialisation Management Leading Group (湖北省农业产业化经营领导小组)
2020	Certificate of Good Agricultural Practice (良好农业规范认证)	China Quality Certification Centre (中国质量认证中心)

### A3.5. Quality Assurance

The Xingnong Group has established and implemented various internal controls, and quality assurance standards and procedures to regulate critical processes in the cultivation, packing, storage and sale of its kiwifruits, and to ensure adherence to the relevant regulations.

#### ***Cultivation of kiwifruits***

The Xingnong Group’s raw materials for kiwifruits comprise mainly kiwifruit seeds, pollen, fertilisers, pesticides and medicinal sprays. Prior to the purchase of its raw materials, the Xingnong Group’s quality control personnel will review the relevant product documentation and reports and ensure that the raw materials comply with its quality requirements. Similar quality control checks are also conducted on-site at the Xingnong Orchards to ensure consistency and quality.

#### ***Physical inspection and packaging of kiwifruits***

Please refer to Section A3.3 entitled “Business Operations – Processing and packing” of Appendix A to this Circular for details on the various quality control processes applied across the processing and packing processes.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### **Storage of kiwifruits**

To ensure maximum freshness and quality, the packaged kiwifruits are immediately stored in the refrigerated storage facility within the Packing Facilities until their delivery. The Xingnong Group's warehouse keepers are responsible for conducting periodic checks on the cold storage conditions such as the ambient temperature and humidity, to ensure that optimal storage conditions are consistently maintained.

During a routine inventory and quality inspection in January 2016, the Company identified some kiwifruits with quality defects in one of the rooms within the cold storage facility. Upon immediate investigation, it was discovered that this was a result of a breakdown in the refrigeration system, causing a discrepancy between the actual and displayed temperature. The actual ambient temperature was too low and resulted in 267,908 kg of kiwifruits becoming frozen and non-saleable. Consequently, kiwifruit inventory amounting to approximately RMB 5,420,000 was written off.

To prevent future recurrence of such incidents, Xingnong Agriculture implemented and established the following:

- (a) the relevant system in the affected room within the cold storage facility underwent repair and renovation, and all issues relating to the temperature display have been fully rectified;
- (b) a system of periodic checks and monitoring of the cold storage facility was implemented, with facility maintenance staff trained to conduct regular checks on the condition of the cold storage facility, and would take immediate measures upon the discovery of any abnormalities and/or faults; and
- (c) as at the Latest Practicable Date, within the cold storage facility, Xingnong Agriculture has six (6) pre-cooling storage rooms, 16 air-conditioned storage rooms and six (6) fresh storage rooms, which are operated independently of each other, thereby ensuring minimal disruption to its business operations and the cold storage of its packaged kiwifruits in the event of any facility break-down.

### **Delivery of kiwifruits**

The Xingnong Group's commitment to product quality also extends to the transportation and delivery of its kiwifruits to customers, through the selective appointment of transportation companies that meet its quality control standards for delivery, such as reliable refrigeration systems and position tracking systems.

### **A3.6. Major Customers**

The Xingnong Group sells the kiwifruits, apples and oranges to a diversified network of retail distributors, wholesalers, corporates, as well as individual retail consumers through various e-commerce platforms such as Tmall.com, Taobao, and JD.com in the PRC. Retail distributors, wholesalers and corporates accounted for approximately 93.7% to 99.2% of total revenue under the Period Under Review, while contributions from individual retail consumers accounted for 0.8% to 6.3% of total revenue in the same period. The individual retail consumers typically access the various e-commerce platforms and pay for the products via e-wallets or credit cards. Sales from such e-commerce transactions will be credited from the hosting e-commerce platforms to the Xingnong Group's payment wallet within 7 business days. Transactions on e-commerce platforms accounted for approximately 0.04% to 4.3% of total revenue from the commencement of such sales in FY2018 to 9M2020. The customers of the Xingnong Group who account for 5.0% or more of the Xingnong Group's total revenue during the Period Under Review are set out below.

Name of Customer	As a Percentage of Revenue (%)			
	FY2017	FY2018	FY2019	9M2020
杭州丰海冷食商贸有限公司 Hangzhou Fenghai Cold Food Business & Trading Co., Ltd	6.8	7.6	4.9	5.9
南京思博食品有限公司 Nanjing Sibofood Co., Ltd	6.2	4.9	4.6	3.9
福州大年食品有限公司 Fuzhou Danian Food Co., Ltd	5.6	5.9	5.7	4.4
Customer A <sup>(1)</sup>	5.3	-	-	-

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

Name of Customer	As a Percentage of Revenue (%)			
	FY2017	FY2018	FY2019	9M2020
郑州万康隆贸易有限公司 Zhengzhou Wankanglong Trading Co., Ltd	5.2	3.2	0.9	-
中牟县三亮瓜果商行 Zhongmu Three Brightness Fruit Trading Co., Ltd	4.7	6.9	5.0	5.2
重庆杜贝斯特食品有限公司 Chongqing Do Best Food Co., Ltd	5.0	5.4	3.7	2.5

**Note:**

- (1) Customer A is no longer in the business of the wholesale of fruits as at the date of this Circular and has not given its consent to be named in this Circular.

The major customers set out above are food and fruits distributors and corporate customers, who purchase kiwifruits from Xingnong Group, before re-distributing them through their own customer or retail networks, or by packaging such kiwifruits as food packs or corporate gift hampers. The year-on-year fluctuations in kiwifruit sales to the above major customers were due to general fluctuations in the demand of kiwifruits from each of the major customers, and their individual requirements with regard to their marketing and promotional activities. Xingnong Agriculture does not enter into long-term agreements with any of its major customers.

Saved as disclosed above, none of the customers accounted for 5.0% or more of the Xingnong Group's total revenue for the Period Under Review.

To the best of the Proposed Directors' knowledge and belief, as at the Latest Practicable Date, they are not aware of any information or arrangement which would lead to a cessation or termination of the current relationship with any of the major customers described above.

The Proposed Directors are of the opinion that the Xingnong Group's business and profitability are not materially dependent on any industrial, commercial or financial contract with any customer and will not be materially affected by the loss of any single customer.

As at the Latest Practicable Date, none of the Proposed Directors, Proposed Executive Officers, Substantial Shareholders of the Company or their respective associates has any interest, direct or indirect, in the Xingnong Group's major customers.

### A3.7. Major Suppliers

The principal materials used in the Xingnong Group's cultivation and production process mainly include fertilisers, packaging materials and pesticides.

The Xingnong Group does not enter into long-term or exclusive contracts with any of its suppliers so as to allow the Xingnong Group the flexibility to evaluate and select suppliers who are able to provide higher quality materials or services at competitive prices.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

The following table sets out the suppliers which accounted for 5.0% or more of the Xingnong Group's total purchases for the Period Under Review:

Name of Supplier	Type	As a Percentage of Purchases (%)			
		FY2017	FY2018	FY2019	9M2020
河南孔怀创威包装有限公司 <sup>1</sup> Henan Konghuai Chuang Wei Packing Co., Ltd.	Packaging	-	-	-	29.6
河南孔怀创新包装有限公司 <sup>1</sup> Henan Konghuai Innovation Packaging Co., Ltd.	Packaging	42.3	33.7	21.1	-
湖北兴田生物科技有限公司 Hubei Xingtian Biological Technology Co., Ltd.	Fertiliser	17.7	30.2	-	-
Supplier A <sup>2</sup> 中化化肥有限公司湖北分公司 China Chemistry and Fertiliser Co., Ltd, Hubei Branch	Fertiliser	17.2	0.6	-	-
赤壁市丰润农资经营部 Chibi Feng Run Agricultural Resources Management Company	Pesticide	0.6	6.9	6.6	5.9
湖北小花苑生物科技有限公司 Hubei Little Garden Biotechnology Co. Ltd.	Fertiliser	-	4.9	15.2	-
湖北农谷地奥生物科技有限公司 Hubei Nong Gu Di Ao Biotechnology Co. Ltd.	Fertiliser	-	-	11.6	-
武汉润土生物科技有限公司 Wuhan Runtu Biotechnology Limited Co., Ltd.	Fertiliser	-	2.6	8.6	-
云梦同泽纸业包装有限公司 Cloud Dream and All Fortune Paper Packing Co., Ltd.	Packaging	-	-	3.0	7.5

**Notes:**

- (1) To the best knowledge of the Xingnong Group, both 河南孔怀创新包装有限公司 Henan Konghuai Innovation Packaging Co., Ltd. and 河南孔怀创威包装有限公司 Henan Konghuai Chuang Wei Packing Co., Ltd. are owned by the same shareholders and since FY2019, 河南孔怀创新包装有限公司's business and operations were transferred to 河南孔怀创威包装有限公司.
- (2) Xingnong Group has ceased procuring fertilizer from this supplier since FY2019, as it seeks out other suppliers who can provide better services and quality products. Supplier A has not given its consent to be named in this Circular.

The fluctuations in the Xingnong Group's purchases from each of the above suppliers in the Period Under Review were mainly due to (i) efforts by the Xingnong Group to diversify its sources of fertilisers and packaging materials, by procuring such materials from a larger network of suppliers; and (ii) the award of tenders to different suppliers based on timeliness of delivery, the Xingnong Group's evolving needs, and the suppliers' ability to satisfy the specific quality and technical requirements of the Xingnong Group.

Save as disclosed above, there is no other supplier who accounted for 5.0% or more of Xingnong Group's total purchases in the Period Under Review.

To the best of the Proposed Directors' knowledge and belief, as at the Latest Practicable Date, they are not aware of any information or arrangement which would lead to a cessation or termination of the current relationship with any of the Xingnong Group's current major suppliers.

The Proposed Directors are of the opinion that the Xingnong Group's business and profitability are not materially dependent on any industrial, commercial or financial contract with any supplier and will not be materially affected by the loss of any single supplier.

As at the Latest Practicable Date, none of the Proposed Directors, Proposed Executive Officers, Substantial Shareholders of the Company or their respective associates has any interest, direct or indirect, in any of the Xingnong Group's major suppliers.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A3.8. Credit Management

#### ***Credit Terms to Xingnong Group's Customers***

The Xingnong Group assesses each customer's creditworthiness before offering its standard payment terms. The Xingnong Group normally grants existing customers credit terms from 30 to 45 days, and from time to time, may request for advanced payments from certain customers or pursuant to bulk orders of kiwifruits from specific customers. The credit terms extended to each customer will differ according to, *inter alia*, the nature of the contract, creditworthiness, payment history and the relationship the Xingnong Group has with the relevant customer. Credit terms may be further extended based on a case-by-case review, taking into account factors such as the size of the transactions, financial background and distribution capacity of the customer, and nature and duration of the customer's past relationship with the Xingnong Group.

The average trade receivables turnover days for the Period Under Review are as follows:

	FY2017	FY2018	FY2019	9M2020
Average trade receivables turnover (days) <sup>(1)</sup>	18	24	20	138

**Note:**

- (1) For FY2017, FY2018 and FY2019, average trade receivables turnover days = (Average trade receivables/revenue for the financial year) X number of calendar days, being 365 days each of FY2017, FY2018 and FY2019. In respect of 9M2020, average trade receivables turnover days = (Average trade receivables/revenue for 9M2020) X number of calendar days, being 270 days for 9M2020.

Average trade receivables turnover days increased from 18 days in FY2017 to 20 days in FY2019 primarily due to higher average trade receivables in FY2019, as a result of the increased volume of harvested kiwifruits and revenue.

Average trade receivables turnover days increased from 20 days in FY2019 to 138 days in 9M2020, due to a significant increase in the balance of trade receivables in September 2020, to recognise the sales of kiwifruits during the harvest season which are yet to be collected.

The Xingnong Group monitors its credit risk by performing ongoing credit evaluation of its debtors' financial condition, and compares the risk of a default occurring on trade receivables and other receivables as at the balance sheet date with the risk of default as at the date of initial recognition. The Xingnong Group considers available reasonable and supportive forward-looking information, including the following indicators:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of debtors; and
- significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors in the Xingnong Group and changes in the operating results of the debtors.

The Xingnong Group considers the credit risk characteristics and the days past due of the trade receivables to measure the expected credit loss. For the past due trade receivables, the Xingnong Group assessed the expected credit loss by considering historical default rates, existing market conditions and forward-looking information. Based on the Xingnong Group's assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material. For the Period Under Review, the Xingnong Group has not made any allowance for impairment loss on trade receivables and no trade receivables were written-off.



## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

There was RMB84.1 million trade receivables outstanding as at 30 September 2020. The aging profile of such trade receivables outstanding as at 30 September 2020 was as follows:

Age of trade receivables	Percentage of total trade receivables (%)
Current (not past due)	100.0 <sup>(1)</sup>
1 to 3 months	_(1)
Over 3 months	-
	100.0

**Note:**

(1) Trade receivables which are past 1 to 3 months due comprised 0.03% of total trade receivables as at 30 September 2020.

As at the Latest Practicable Date, all outstanding trade receivables as at 30 September 2020 had been fully collected.

### ***Credit Terms from the Xingnong Group's Suppliers***

The credit terms granted by the Xingnong Group's suppliers are typically determined and negotiated on a case-by-case basis. For the Period Under Review, credit terms granted by suppliers generally range from 30 to 90 days, taking into account factors such as, *inter alia*, the Xingnong Group's relationship with the relevant supplier and the size of the transaction.

The average trade payables turnover days for the Period Under Review are as follows:

	FY2017	FY2018	FY2019	9M2020
Average trade payables turnover (days) <sup>(1)</sup>	80	85	112	210

**Note:**

(1) For each of FY2017, FY2018 and FY2019, average trade payables turnover days = (Average trade payables/purchases for the financial year) X 365 days. In respect of 9M2020, average trade payable turnover days = (Average trade payables/purchases for 9M2020) X number of calendar days, being 270 days for 9M2020.

Average trade payables turnover days increased from 80 days in FY2017 to 112 days in FY2019 due to the Xingnong Group's ability to negotiate for longer credit terms from its suppliers as it established sufficient track record with such suppliers. In addition, the Xingnong Group also recorded increasing trade payables from FY2017 to FY2019, to support the increased volume of kiwifruit harvested and sold. Average trade payables turnover days was 210 days in 9M2020 primarily due to the results of negotiation between the Xingnong Group and its suppliers for extended settlement periods ranging from six (6) to ten (10) months as a result of the COVID-19 pandemic.

### **A3.9. Inventory Management**

The Xingnong Group's inventory consists mainly harvested kiwifruits, which are stored at its warehouses in cold storage, as well as consumables. The Xingnong Group maintains and continuously updates its register of stock movements, recording quantities of incoming and outgoing products. All incoming and outgoing products must be authorised by the supervisor of the production department.

The Xingnong Group's inventories are managed on a "first-in-first-out basis" whereby supplies or kiwifruits first received will be the first to be applied for its processing or delivered to its customers.

The demand-driven production strategy of the Xingnong Group allows it to manage its consumables efficiently and maintain optimum levels of stock to meet its business requirements. The Xingnong Group therefore generally does not experience significant write-down of inventories or have significant stock obsolescence. For the Period Under Review, the Xingnong Group wrote-off inventories of approximately RMB36,000 and RMB691,000 in FY2017 and 9M2020 respectively, and wrote-down inventories of RMB1.3 million to their net realisable values in FY2018.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

The average inventory turnover days for the Period Under Review are as follows:

	FY2017	FY2018	FY2019	9M2020
Average inventory turnover (days) <sup>(1)</sup>	12	14	17	44

**Note:**

- (1) For FY2017, FY2018 and FY2019, average inventory turnover days = (Average inventory balance / cost of sales) X 365 days. In respect of 9M2020, average inventory turnover days = (Average inventory balance / cost of sales for 9M2020) X number of calendar days, being 270 days for 9M2020.

Average inventory turnover days from FY2017 to FY2019 was maintained within 12-17 days. The average inventory turnover days in 9M2020 was 44 due to an increase in the inventory balance which coincided with the harvest season in September 2020.

### A3.10. Research and Development

The Xingnong Group has sought to improve its productivity and profitability by improving its agricultural, food processing and food preservation techniques and technologies, including improving its cultivation methods, production yield, quality and broadening its range of products, through research and development, both undertaken in-house and through its external partners.

#### In-house technology department

The Xingnong Group owns an in-house research laboratory in the Office Building where it conducts intensive research on the varied types of kiwifruit breeds, the optimum level of sweetness and nutrition to achieve in the cultivation of kiwifruits, and the methodologies and techniques to lengthen the kiwifruits' shelf life under refrigerated conditions while maintaining its freshness and sweetness.

The technology department of the Xingnong Group is managed by Yuan Yanliang (Technical Department Manager) and Chen Qi (Technical Department Deputy Manager). Yuan Yanliang is responsible for the production and quality control of kiwifruits, and oversees the research and development team. Chen Qi is responsible for the design and implementation of tools and equipment used in kiwifruit production, breeding of kiwifruit and conducting field experiments. At the end of 9M2020, the Xingnong Group's in-house technology department had four (4) research and development staff who comprises mainly university graduates and diploma holders.

The in-house technology department is complemented by the external technology advisory and research partners assisting the Xingnong Group in research and development at its testing bases.

#### External partners

The Xingnong Group has established and maintained collaborative relationships with academic institutions in relation to research, development and cultivation of kiwifruits in the PRC. The Xingnong Group has identified technology advisory and research partners who are industry experts with knowledge in the research, development and cultivation of different varieties of kiwifruits in the PRC, such as the Wuhan Botanical Garden of Chinese Academy of Sciences, which, under a technological strategic cooperation agreement dated 26 April 2019 entered into with Xingnong Agriculture, provides, *inter alia*, technological support and resources to develop the kiwifruit project and jointly promote the long-term sustainable development of the kiwifruit industry, with Xingnong Agriculture.

In addition, Xingnong Agriculture had previously entered into a technology cooperation agreement dated 1 November 2017 with 华中农业大学 (Huazhong Agricultural University (also known as Central China Agricultural University)) in relation to technical cooperation between the parties to research on the improvement of pre-harvest kiwifruit quality and the precise control of the post-harvest kiwifruit ripening period. Such contract had expired on 31 October 2020. Xingnong Agriculture has further entered into another technology cooperation agreement with 华中农业大学 (Huazhong Agricultural University (also known as Central China Agricultural University)) in relation to the research on the ecological and efficient cultivation and post-harvest treatment of kiwifruits. 华中农业大学 (Huazhong Agricultural University (also known as Central China Agricultural University)) is a multi-disciplinary university in Wuhan, PRC, giving priority to agriculture, life sciences and related scientific research and is an institute for the training of senior agricultural personnel and the development of agricultural science and technology.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

In line with the Xingnong Group's focus on research and development of its products, Xingnong Agriculture has developed six (6) varieties of kiwifruits, and is in the process of applying for plant variety rights for such kiwifruit varieties. Please also refer to **Section A3.13** entitled "Intellectual Property, Licensing Rights and Plant Variety Rights" of Appendix A to this Circular for more information on Xingnong Agriculture's pending applications for these plant variety rights.

The Xingnong Group spent RMB0.6 million, RMB1.3 million, RMB2.2 million and RMB1.4 million, on research and development in FY2017, FY2018, FY2019 and 9M2020, respectively, which amounted to 1.1%, 2.0%, 2.2% and 1.5%, respectively of the Xingnong Group's revenue for the corresponding financial periods. Fluctuations in cost of research and development invested by the Xingnong Group are due to (i) an increase in the research and development staff remuneration; (ii) an increase in the costs of collaboration with research institutes; and (iii) an increase in research activities undertaken by the Xingnong Group.

Research and development expenses mainly relate to collaboration and consultancy fees with the aforementioned research institutes and its research professionals and experts, as well as salaries for the Xingnong Group's research and development staff. These expenses are not significant as a proportion of the Xingnong Group's revenue in the Period Under Review and the Xingnong Group does not expect any further significant increase of its research and development expenses for the remaining period of FY2020.

### A3.11. Employees

As at the Latest Practicable Date, the Xingnong Group employs a workforce of 207 employees (excluding contract workers), all of whom are located in Chibi City, Hubei Province in the PRC. The following table sets forth the breakdown of full-time employees by functions as at the end of each of the last three (3) financial years, 9M2020, and as at the Latest Practicable Date:

Functions	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 September 2020	As at the Latest Practicable Date
Headquarter Operations <sup>(1)</sup> 总部业务	9	16	19	19	18
Sales销售部	3	7	17	15	13
Finance财务部 <sup>(2)</sup>	3	4	4	4	5
Procurement采购部	2	3	3	3	3
Production生产部	139	111	115	110	109
Technical技术部 <sup>(3)</sup>	13	10	24	23	22
Equipment设备部	9	11	9	25	19
Administrative and Human Resource行政和人力资源部	13	19	21	21	18
Total <sup>(4)</sup>	191	181	212	220	207

**Notes:**

- (1) Including the executive directors, Executive Officers (excluding the chief financial officer).
- (2) Including the financial controller of the Restructured Group.
- (3) Including the research and development staff.
- (4) The above headcount excludes contract workers hired by Xingnong Group from time to time, to supplement its existing workforce.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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The Xingnong Group employs a number of contract workers, to supplement the existing workforce during the peak kiwifruit cultivation and harvesting periods between September and October. The average number of contract workers employed as at 30 September 2020 and as at the Latest Practicable Date was 51 and 46 respectively. The tenure of such employment contracts ranges from 3 days to 3 months.

None of the Xingnong Group's employees are unionized and the Xingnong Group has not experienced any labour strikes or work stoppages. The Xingnong Group holds regular employee meetings with employee representatives to gather feedback on *inter alia*, general working conditions, operational processes and procedures, with a view to enhance working conditions and labour productivity.

The Xingnong Group has reduced its reliance on manual labour, and utilised additional machinery to increase labour productivity, leading to a decreasing trend in the total headcount from FY2017 to FY2018. In FY2019 and 9M2020, the Xingnong Group increased employee headcount in its sales department to support the trading of apples and oranges. The general increase in headcount in the Xingnong Group's technical department was mainly attributable to its efforts to strengthen in-house expertise in the research and development of kiwifruit breeding and cultivation capabilities, as well as to improve the Xingnong Group's agricultural technologies and processes.

The Proposed Directors believe that the Xingnong Group maintains and is expected to continue maintaining a good working relationship with its employees and the Xingnong Group did not experience any significant labour disputes or any difficulty in recruiting staff during the Period Under Review and up to the Latest Practicable Date.

The Xingnong Group also believes that its employees are its most valuable asset as they contribute to the continuing success and viability of the Xingnong Group. The Xingnong Group places strong emphasis on training its employees to equip them with the requisite technical skills and knowledge, and to enhance their operational capabilities and productivity. All new employees will undergo a 3-day training programme, and to ensure continuous professional development, the Xingnong Group engages its employees through on-site training sessions as well as multiple technology and technical-related seminars throughout the year.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A3.12. Material Properties and Fixed Assets

As at the Latest Practicable Date and in addition to the forest use rights set out in Appendix J entitled “List of Forest/Land Use Rights” to this Circular, Xingnong Agriculture holds the following land use rights and rights to the following buildings as set out below:

Land use rights and building ownership rights

Address/Location	Grantee	Title / Licence	Issuing Authority	Usage	Tenure / Expiry Date of Tenure	Approximate land area (m <sup>2</sup> )	Encumbrances
<b>Land Use Rights</b>							
Jianshe Road, Chimagang Office (赤马港办事处建设大道), Chibi City, Hubei, PRC	Xingnong Agriculture	E (2018) Chibi City Bu Dong Chan Quan Di No.0742 (鄂 (2018) 赤壁市不动产权第0005328号)	Chibi Municipal Land Resources Bureau (赤壁市国土资源局)	Industrial	24 July 2018 to 1 February 2061	64,999.10	Mortgaged to Chibi Rural Commercial Bank Co., Ltd to secure the 2018 Fixed Assets Loan
<b>Building</b>							
Jianshe Road, Chimagang Office (赤马港办事处建设大道), Chibi City, Hubei, PRC <sup>(1)</sup>	Xingnong Agriculture	E (2018) Chibi City Bu Dong Chan Quan Di No.0742 (鄂 (2018) 赤壁市不动产权第0005328号)	Chibi Municipal Land Resources Bureau (赤壁市国土资源局)	Packing Facility	24 July 2018 to 1 February 2061	12,605.35	Mortgaged to Chibi Rural Commercial Bank to secure the 2018 Fixed Assets Loan

**Notes:**

- (1) The Packing Facilities are located within this building.
- (2) Due to the nature of the Kiwifruit Business which involves planting, cultivating and selling kiwifruits, the Proposed Directors do not believe that the concepts of productive capacity and utilisation are applicable to the Xingnong Orchards, the Storage Barracks and the Packing Facilities.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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The Xingnong Group owns the land use rights for a land area of approximately 64,999.10m<sup>2</sup> at Jianshe Road, Chimagang Office (赤马港办事处建设大道), in Chibi City, PRC. It also owns the Packing Facilities of approximately 12,605.35 m<sup>2</sup>, which resides on the aforementioned land. Jingtian has verified the land use rights owned by the Xingnong Group by reviewing the land use right certificate number E (2018) Chibi City Bu Dong Chan Quan Di No.0742 (鄂 (2018) 赤壁市不动产权第0005328号).

Both the aforementioned land use rights and building ownership rights in respect of the properties located at Jianshe Road, Chimagang Office (赤马港办事处建设大道), in Chibi City in the PRC, are currently mortgaged to Chibi Rural Commercial Bank as security for the 2018 Fixed Assets Loan. Xingnong Agriculture had, on 16 August 2018 obtained the approval from Chibi Rural Commercial Bank for the Xingnong Group Restructuring Exercise pursuant to the 2018 Fixed Assets Loan.

As at 30 September 2020, the land use rights and building as listed above had an aggregate net carrying amount of approximately RMB33.7 million.

The Xingnong Group has also built an office building (covering approximately 738 m<sup>2</sup>) (“**Office Building**”), a switch board room (covering approximately 240 m<sup>2</sup>) (“**Switch Board Room**”) and a guard room (covering approximately 63 m<sup>2</sup>) (“**Guard Room**”) (the Office Building, Switch Board Room and Guard Room are collectively referred to as the “**Chibi Buildings**”). As at 30 September 2020, the Chibi Buildings had an aggregate net carrying amount of approximately RMB2.5 million.

As at the Latest Practicable Date, the Xingnong Group (i) has applied for but has yet obtained the relevant construction permits and property right certificates; and (ii) has not conducted the necessary environment completion and acceptance inspection (环保竣工验收) and the required acceptance inspections (竣工验收) on the Chibi Buildings. Xingnong Agriculture has, on 9 November 2020, undertaken to, *inter alia*, (i) apply for and obtain the construction land planning permits, construction project planning permits and construction licence in respect of the Chibi Buildings by 31 December 2021; (ii) apply for construction land planning permits, construction project planning permits and construction licence in respect of the Additional Buildings before their construction; and (iii) to conduct acceptance inspections in respect of the Chibi Buildings, and obtain the necessary certificates as soon as practicable thereafter.

Xingnong Agriculture will bear the costs of obtaining the relevant construction permits and licences issued to Xingnong Agriculture. Any failure to comply with the relevant PRC laws may result in the authorities imposing penalties and/or sanctions on it. For the avoidance of doubt, Keen Wind will not be indemnifying the Company for the costs of obtaining the relevant construction permits and licences issued to Xingnong Agriculture post-Completion as the relevant construction permits and licences for the Chibi Buildings have already been applied for (albeit yet to be obtained) as at the Latest Practicable Date. The costs of obtaining relevant construction permits and licences in respect of the Additional Buildings will be borne by Xingnong Agriculture as the construction has not commenced as at the Last Practicable Date and is intended to commence by 31 December 2021. Please refer to the **Section A3.15** entitled “Licences, Permits and Government Regulations” of Appendix A to this Circular for further details. Please also refer to the risk factors entitled “Risks relating to the Business and Operations of the Restructured Group – As the Xingnong Group’s sole operating subsidiary is located in the PRC and is therefore subject to PRC laws and regulations, the operations and profitability of the Xingnong Group may be affected by changes in government policies, laws or regulations, and non-renewal of and/or inability to obtain or maintain the relevant regulatory permits and licences required for the Kiwifruit Business” of Section 9.3(a) and “Risks relating to conducting the Kiwifruit Business in the PRC – The Xingnong Group could be liable for various penalties and/or sanctions for any failure to comply with governmental laws and regulations, or if a governmental audit reveals deficiencies or non-compliance in its operations” of **Section 9.3(c)** of this Circular.

### Leased Property

Xingnong Agriculture had, on 10 August 2020, entered into a lease agreement with Hubei Kanghua Smart Logistics Park Development Co. Ltd. (湖北康华智慧物流园发展有限公司) for the lease of two (2) warehouse units (covering approximately 309.4m<sup>2</sup>) at Chibi City, Chima Port Office, Chibi Avenue, Hubei Province in the PRC (namely, C123, C124 units of District C) from 10 August 2020 to 9 August 2021.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Pursuant to the aforementioned lease agreement, Hubei Kanghua Smart Logistics Park Development Co. Ltd. (湖北康华智慧物流园发展有限公司) has the right to unilaterally terminate the lease agreement and lease in the event that Xingnong Agriculture delays its payment of rent for more than 15 days or leaves the leased property vacant for more than 30 days.

### Forest/Land use rights

As at the Latest Practicable Date, Xingnong Agriculture holds the forest use rights for eight (8) plots of forest land spanning in aggregate 9,805 mu (equivalent to approximately 6,536,666 m<sup>2</sup>) on which the Xingnong Orchards are developed, further details of which are set out in **Appendix J** entitled “List of Forest Use Rights” of this Circular.

As at the Latest Practicable Date, the 2019 Fixed Assets Loan remains secured by certain forest use rights of Xingnong Agriculture, as indicated in the column entitled “Encumbrance” in the table set out in **Appendix J** entitled “List of Forest/Land Use Rights” to this Circular. Xingnong Agriculture had on 21 June 2019, obtained the approval from Chibi Rural Commercial Bank for the Xingnong Group Restructuring Exercise pursuant to the 2019 Fixed Assets Loan.

As disclosed in the **Section 9.3** entitled “Risk Factors relating to the Restructured Group” and **Appendix H** entitled “Summary of PRC Laws and Regulations” to this Circular, the Xingnong Group did not manage to obtain the land use right certificate to secure valid land use rights over the Luzhuang 2 Land (also known as 红菱Hongling) of 630.5 mu (equivalent to 420,333 m<sup>2</sup>), as the usage classification of the Luzhuang 2 Land (also known as 红菱Hongling) was unclear and the local government authorities were unable to provide further clarity on the nature of such land. As at the Latest Practicable Date, Xingnong Agriculture had applied for but had not obtained the Land Management Certification on the usage of the Luzhuang 2 Land (also known as 红菱Hongling) and the accompanying land use rights.

In this regard, based on the written confirmation issued by the Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) dated 21 August 2020, the Bureau confirmed that there are no legal obstacles to the registration procedures for such application. Furthermore, based on the written confirmation issued by the Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) dated 21 August 2020 and the written confirmation issued by the Chibi Forestry Bureau (赤壁市林业局) dated 28 August 2020, the aforementioned Bureaus also confirmed that as at the date of the confirmations, no penalties have been imposed by them, and there will be no future penalties imposed on Xingnong Agriculture in respect of Xingnong Agriculture's existing contractual arrangements over the Luzhuang 2 Land (also known as 红菱Hongling). It is further confirmed that, the use and occupation of the land by Xingnong Agriculture is in compliance with PRC laws and Xingnong Agriculture has the right to possess, use and benefit from the land and its agricultural products and other fixtures. In view of the foregoing, Jingtian is of the opinion that Xingnong Agriculture's use of the Luzhuang 2 Land (also known as 红菱Hongling) is not in violation of PRC laws and Xingnong Agriculture is the valid and legal holder of such land use rights in accordance with PRC laws, and that based on the aforementioned confirmations by the competent authorities, the risk of penalties being imposed by the Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) and the Chibi Forestry Bureau (赤壁市林业局) is remote.

Xingnong Agriculture will bear the costs of obtaining the Land Management Certification. Should there be any penalties imposed on Xingnong Agriculture in respect of Xingnong Agriculture's existing contractual arrangements over the Luzhuang 2 Land (also known as 红菱Hongling), Xingnong Agriculture will bear the penalties for the same.

Jingtian has verified the forest/land use rights held by Xingnong Agriculture by:

- (a) reviewing the forest use right certificates of the forest use rights owned by Xingnong Agriculture, and the forest use agreements entered into by Xingnong Agriculture;
- (b) reviewing the relevant payment vouchers of all necessary fees for the use of the forestry lands;
- (c) obtaining and reviewing the Committees and Governments Confirmations that the forest/land use agreements that were respectively entered into with Xingnong Agriculture were approved by the relevant villagers' assemblies by way of resolution and the necessary ratification steps had been taken to ensure that the relevant villagers have no objection to such forest/land use agreements;

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

- (d) reviewing the written confirmations issued by the Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) dated 21 August 2020 and the Chibi Forestry Bureau (赤壁市林业局) dated 28 August 2020 pursuant to which the aforementioned Bureaus confirmed that as at the date of the confirmations, no penalties have been imposed by them, and there will be no future penalties imposed on Xingnong Agriculture in respect of Xingnong Agriculture's existing contractual arrangements over the Luzhuang 2 Land (also known as 红菱 Hongling); and
- (e) conducting site visits covering particular areas of the Xingnong Orchards in July 2018.

Please refer to **Appendix J** entitled “List of Forest Use Rights” of this Circular for further details of the forest use rights held by Xingnong Agriculture.

The Proposed Directors are of the view that the ongoing application for the Land Management Certificate will not materially affect the business operations, financial performance and position of Xingnong Agriculture, given that the Luzhuang 2 Land (also known as 红菱 Hongling) only forms approximately 6.0% of the land with a carrying value of RMB8.6 million as at 30 September 2020 for which Xingnong Agriculture holds forest use rights. The production volume of kiwifruits from the Luzhuang 2 Land was approximately 11.3% to 13.5% of total production volume of the Xingnong Orchards in the Period Under Review.

As at the Latest Practicable Date, none of the Xingnong Group leases or sub-leases any properties to third parties.

To the best of the Proposed Directors' knowledge and belief, save as disclosed above and as disclosed in the **Section A3.15** entitled “Licences, Permits and Government Regulations” of Appendix A to this Circular and **Appendix H** entitled “Summary of PRC Laws and Regulations” to this Circular, there are no regulatory requirements or environmental issues that may materially affect the Xingnong Group's utilisation of the above properties.

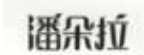


Save as disclosed in this Circular and in respect of renewals of licences in the ordinary course of business, the Xingnong Group has obtained the required material licences for its business operations in respect of the material properties and fixed assets as listed in this section.

### A3.13. Intellectual Property, Licensing Rights and Plant Variety Rights

Save as disclosed below, the Xingnong Group does not own or use any other registered trade marks, designs, patents, internet domain names, plant variety rights or other intellectual property which are material to its business. Currently, the Xingnong Group's business and profitability are not materially dependent on any other intellectual property such as licences and processes or other intangible assets. During the Period Under Review and up to the Latest Practicable Date, the Xingnong Group did not have any dispute or any other pending legal proceedings concerning intellectual property rights.




#### Trade marks

As at the Latest Practicable Date, the following trade marks have been registered by the Xingnong Group:

Trade mark	Place of Registration	Registered Owner	Registration Number	Class <sup>(1)</sup>	Registration Date	Expiry Date
	PRC	Xingnong Agriculture	12525762	31 <sup>(2)</sup>	7 October 2014	6 October 2024
	PRC	Xingnong Agriculture	12525814	31	21 March 2015	20 March 2025
	PRC	Xingnong Agriculture	12525829	31	21 March 2015	20 March 2025




**APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS**

Trade mark	Place of Registration	Registered Owner	Registration Number	Class <sup>(1)</sup>	Registration Date	Expiry Date
	PRC	Xingnong Agriculture	12525843	31	7 October 2014	6 October 2024
	PRC	Xingnong Agriculture	12525863	31	7 October 2014	6 October 2024
	PRC	Xingnong Agriculture	12525879	31	28 March 2015	27 March 2025
神山果农	PRC	Xingnong Agriculture	25268240	9 <sup>(3)</sup>	7 July 2018	6 July 2028
			25270234	29 <sup>(4)</sup>		
			25273318	31		
			25262431	32 <sup>(5)</sup>		
			25272844	35 <sup>(6)</sup>		
圣山果农	PRC	Xingnong Agriculture	25255433	42 <sup>(7)</sup>	7 July 2018	6 July 2028
			25263271	9		
			25274455	29		
			25263290	31		
			25259041	32		
Fullv	PRC	Xingnong Agriculture	25266175	35	14 January 2018	13 January 2028
			25270649	42		
			22004596	9		
			22033244	29		
			22019955	31		
sunwater	PRC	Xingnong Agriculture	22019527	32	21 August 2019	20 August 2029
			35582442	33 <sup>(8)</sup>		
			22005078	9		
先沃	PRC	Xingnong Agriculture	22005331	29	7 September 2019	6 September 2029
			35569822	7 <sup>(9)</sup>		
			35569844	8 <sup>(10)</sup>		
			22004452	9		
			22033273	29		
			22019886	31		
			22019586	32		
22018854	35					
精灵金果	PRC	Xingnong Agriculture	31505030	31	21 March 2019	20 March 2029
			31490052	35		
野觅	PRC	Xingnong Agriculture	31492815	31	28 May 2019	27 May 2029

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

Trade mark	Place of Registration	Registered Owner	Registration Number	Class <sup>(1)</sup>	Registration Date	Expiry Date
	PRC	Xingnong Agriculture	31500787	7	14 March 2019	13 March 2029
			31499851	8	14 March 2019	13 March 2029
			31493755	29	14 March 2019	13 March 2029
			31492885	32	14 March 2019	13 March 2029
			31505646	33	14 May 2019	13 May 2029
			31509287	35	28 May 2019	27 May 2029
	PRC	Xingnong Agriculture	37820466	31	7 January 2020	6 January 2030
			37822939	35	7 January 2020	6 January 2030
	PRC	Xingnong Agriculture	37028829	31	14 March 2020	13 March 2030
			37006078	35	21 December 2019	20 December 2029
			37019415	42	14 December 2019	13 December 2029
	PRC	Xingnong Agriculture	37009291	31	14 December 2019	13 December 2029
	PRC	Xingnong Agriculture	36455684	29	7 October 2019	6 October 2029
			36441730	31	7 October 2019	6 October 2029
	PRC	Xingnong Agriculture	36279826	31	21 September 2019	20 September 2029
			36277766	32	28 September 2019	27 September 2029
			36266078	33	14 October 2019	13 October 2029
			36266084	35	28 September 2019	27 September 2029
			36272618	42	21 September 2019	20 September 2029
	PRC	Xingnong Agriculture	36272582	29	21 September 2019	20 September 2029
			36267547	31	21 September 2019	20 September 2029
			36273169	32	28 September 2019	27 September 2029
			36262579	33	28 September 2019	27 September 2029
			36267567	35	21 December 2019	20 December 2029
	PRC	Xingnong Agriculture	36273171	32	28 September 2019	27 September 2029
			36266085	35	28 September 2019	27 September 2029
			36275502	42	28 September 2019	27 September 2029
	PRC	Xingnong Agriculture	36266094	42	21 December 2019	20 December 2029
	PRC	Xingnong Agriculture	26705575	9	14 October 2018	13 October 2028
			26705581	29	14 October 2018	13 October 2028
			26721918	31	14 October 2018	13 October 2028
			26700372	32	14 October 2018	13 October 2028
			26705586	35	14 October 2018	13 October 2028
			26705788	42	14 October 2018	13 October 2028
	PRC	Xingnong Agriculture	41393757	31	21 July 2020	20 July 2030
			41383137	35	7 August 2020	6 August 2030
			41396562	42	21 July 2020	20 July 2030
	PRC	Xingnong Agriculture	41402545	31	29 September 2019	28 September 2029
			41388304	35	29 September 2019	28 September 2029
			41396560	42	21 August 2020	20 August 2030

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

Trade mark	Place of Registration	Registered Owner	Registration Number	Class <sup>(1)</sup>	Registration Date	Expiry Date
	PRC	Xingnong Agriculture	41424634	31	14 October 2020	13 October 2030
			41432312	35	30 September 2019	29 September 2029
海风加力	PRC	Xingnong Agriculture	46543823	31	22 May 2020	21 May 2030
			46560367	35	22 May 2020	21 May 2030

**Notes:**

- (1) The use of each class of trade mark is based on the list published by the World Intellectual Property Organization.
- (2) Designated usage for the relevant class comprises “raw and unprocessed agricultural, aquacultural, horticultural and forestry products; raw and unprocessed grains and seeds; fresh fruits and vegetables, fresh herbs; natural plants and flowers; bulbs, seedlings and seeds for planting; live animals; foodstuffs and beverages for animals; malt”.
- (3) Designated usage for the relevant class comprises “scientific, research, navigation, surveying, photographic, cinematographic, audiovisual, optical, weighing, measuring, signalling, detecting, testing, inspecting, life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling the distribution or use of electricity; apparatus and instruments for recording, transmitting, reproducing or processing sound, images or data; recorded and downloadable media, computer software, blank digital or analogue recording and storage media; mechanisms for coin-operated apparatus; cash registers, calculating devices; computers and computer peripheral devices; diving suits, divers’ masks, ear plugs for divers, nose clips for divers and swimmers, gloves for divers, breathing apparatus for underwater swimming; fire-extinguishing apparatus”.
- (4) Designated usage for the relevant class comprises “meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs; milk, cheese, butter, yogurt and other milk products; oils and fats for food”.
- (5) Designated usage for the relevant class comprises “beers; non-alcoholic beverages; mineral and aerated waters; fruit beverages and fruit juices; syrups and other non-alcoholic preparations for making beverages”.
- (6) Designated usage for the relevant class comprises “advertising; business management; business administration; office functions”.
- (7) Designated usage for the relevant class comprises “scientific and technological services and research and design relating thereto; industrial analysis, industrial research and industrial design services; quality control and authentication services; design and development of computer hardware and software”.
- (8) Designated usage for the relevant class comprises “alcoholic beverages, except beers; alcoholic preparations for making beverages”.
- (9) Designated usage for the relevant class comprises “machines, machine tools, power-operated tools; motors and engines, except for land vehicles; machine coupling and transmission components, except for land vehicles; agricultural implements, other than hand-operated hand tools; incubators for eggs; automatic vending machines”.
- (10) Designated usage for the relevant class comprises “hand tools and implements, hand-operated; cutlery; side arms, except firearms; razors”.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

As at the Latest Practicable Date, the following trademarks have been applied for by the Xingnong Group:

Trademark	Place of Application	Applicant	Application Number	Class <sup>(1)</sup>	Application Date	Status
	PRC	Xingnong Agriculture	43028517	31 <sup>(2)</sup>	12 December 2019	Pending substantive review
	PRC	Xingnong Agriculture	43008996	31	12 December 2019	Pending substantive review
高原蜜脆	PRC	Xingnong Agriculture	41446488	31	30 September 2019	Pending substantive review
塞外阳光	PRC	Xingnong Agriculture	41431382	31	30 September 2019	Pending substantive review
长江云雾	PRC	Xingnong Agriculture	41419142	31	30 September 2019	Pending substantive review
精灵果	PRC	Xingnong Agriculture	24175190	9 <sup>(3)</sup>	17 May 2017	Pending substantive review

**Notes:**

- (1) The use of each class of trademark is based on the list published by the World Intellectual Property Organization.
- (2) Designated usage for the relevant class comprises “raw and unprocessed agricultural, aquacultural, horticultural and forestry products; raw and unprocessed grains and seeds; fresh fruits and vegetables, fresh herbs; natural plants and flowers; bulbs, seedlings and seeds for planting; live animals; foodstuffs and beverages for animals; malt”.
- (3) Designated usage for the relevant class comprises “scientific, research, navigation, surveying, photographic, cinematographic, audiovisual, optical, weighing, measuring, signalling, detecting, testing, inspecting, life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling the distribution or use of electricity; apparatus and instruments for recording, transmitting, reproducing or processing sound, images or data; recorded and downloadable media, computer software, blank digital or analogue recording and storage media; mechanisms for coin-operated apparatus; cash registers, calculating devices; computers and computer peripheral devices; diving suits, divers’ masks, ear plugs for divers, nose clips for divers and swimmers, gloves for divers, breathing apparatus for underwater swimming; fire-extinguishing apparatus”.

Based on PRC trademark laws, the trademarks are valid for a period of 10 years from the registration date and can be renewed, for an unlimited number of times, for a further 10 years upon expiry. Barring any unforeseen circumstances and to the best of the Proposed Directors’ knowledge and belief, there is no impediment which may affect the registration of the above trademarks that are pending registration.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### Patents

As at the Latest Practicable Date, the following patents have been registered by the Xingnong Group:

Patentee	Description of Patent	Patent Number	Application Date	Expiry Date
Xingnong Agriculture	A cutting device for grafting branches of fruit trees	ZL201721157842.3	11 September 2017	10 September 2027
Xingnong Agriculture	A high branched traction scaffolding for liana fruit tree in orchard	ZL201721157843.8	11 September 2017	10 September 2027
Xingnong Agriculture	A fruit picking transport frame	ZL201721158349.3	11 September 2017	10 September 2027
Xingnong Agriculture	A kiwifruit picking frame	ZL201721159055.2	11 September 2017	10 September 2027
Xingnong Agriculture	A kiwi peeling device	ZL201721625983.3	27 November 2017	26 November 2027
Xingnong Agriculture	A tie wire tightening strapping device	ZL201820486954.1	8 April 2018	7 April 2028
Xingnong Agriculture	A high-efficiency water filter pool for fruit tree irrigation	ZL201820822262.X	30 May 2018	29 May 2028
Xingnong Agriculture	A Pollen pollinator for fruit trees	ZL201820486953.7	8 April 2018	7 April 2028
Xingnong Agriculture	A Pollen pollinator	ZL201820485774.1	8 April 2018	7 April 2028
Xingnong Agriculture	A High-concentration ozone fruit tree spray system and high-efficiency ozone spray truck	ZL201820822261.5	30 May 2018	29 May 2028
Xingnong Agriculture	A component foe straightening wire rope	ZL201821983290.6	28 November 2018	27 November 2028
Xingnong Agriculture	An artificial pollination device	ZL201821983287.4	28 November 2018	27 November 2028
Xingnong Agriculture	A device for straightening wire rope	ZL201821983012.0	28 November 2018	27 November 2028
Xingnong Agriculture	A kiwi planting greenhouse	ZL201920422984.0	28 March 2019	27 March 2029
Xingnong Agriculture	A kiwi picking bag	ZL2019204152694	28 March 2019	27 March 2029
Xingnong Agriculture	A trencher for kiwi planting	ZL201920413074.6	28 March 2019	27 March 2029
Xingnong Agriculture	A kiwi pollination cart	ZL201920413071.2	28 March 2019	27 March 2029
Xingnong Agriculture	A special knife for kiwi ring cutting	ZL201920413014.4	28 March 2019	27 March 2029
Xingnong Agriculture	A windproof device for kiwi planting	ZL201920428093.6	29 March 2019	28 March 2029
Xingnong Agriculture	A kiwi cultivation frame	ZL201920428074.3	29 March 2019	28 March 2029
Xingnong Agriculture	A fresh-keeping storage system for finished fruit in paper packaging box	ZL201920511893.4	15 April 2019	14 April 2029
Xingnong Agriculture	A cooling device for fruit storage room	ZL201920506648.4	15 April 2019	14 April 2029
Xingnong Agriculture	A Fruit tree branching tool	ZL201920700303.2	16 May 2019	15 May 2029
Xingnong Agriculture	A drum type of Automatic continuous turning system for fruit turnover frame	ZL201920700156.9	16 May 2019	15 May 2029

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

Patentee	Description of Patent	Patent Number	Application Date	Expiry Date
Xingnong Agriculture	A tightening line card and tightening tool for kiwi fruit orchard shed shelf	ZL201920700137.6	16 May 2019	15 May 2029
Xingnong Agriculture	A Dust sprayer for kiwi pollination	ZL201920822628.8	31 March 2019	30 March 2029
Xingnong Agriculture	A slicing device for kiwifruit	ZL201920822627.3	31 March 2019	30 March 2029
Xingnong Agriculture	A kiwi fruit picking device	ZL201920822626.9	31 March 2019	30 March 2029
Xingnong Agriculture	A grading device for kiwi	ZL201920821884.5	31 March 2019	30 March 2029
Xingnong Agriculture	An Adjustable fertilizing device	ZL201920905554.4	14 June 2019	13 June 2029
Xingnong Agriculture	A Ditching device for kiwi planting field	ZL201920905553.X	14 June 2019	13 June 2029
Xingnong Agriculture	A Blasting pollination car for kiwi	ZL201920904427.2	14 June 2019	13 June 2029
Xingnong Agriculture	A Fertilization mechanism for kiwifruit planting	ZL201920904426.8	14 June 2019	13 June 2029
Xingnong Agriculture	Packing box (精灵金果)	ZL202030507197.4	31 August 2020	30 August 2030
Xingnong Agriculture	Packing box (蜜恋红心)	ZL202030508082.7	31 August 2020	30 August 2030
Xingnong Agriculture	Packing box (蜜语绿果)	ZL202030508088.4	31 August 2020	30 August 2030

As at the Latest Practicable Date, the following patents have been applied for by the Xingnong Group:

Patentee	Description of Patent	Application Number	Application Date
Xingnong Agriculture	A kind of method for grafting kiwi fruit	ZL201811432780.1	28 November 2018
Xingnong Agriculture	A kind of method for Kiwi fruit tea and preparation thereof	ZL202010745769.1	29 July 2020

### **Registered Copyright / Copyright Applications**

As at the Latest Practicable Date, the following copyrights have been registered by the Xingnong Group:

Registered Owner	Description of Copyright	Registration Number	Registration Date	Expiry Date
Xingnong Agriculture	Yangtze River Kiwi Technology Forum	Guozuo Dengzi-2019-F-00956046	16 December 2019	31 December 2069
Xingnong Agriculture	Our sweetness is just right at this moment	Guozuo Dengzi-2019-F-00950929	8 December 2019	31 December 2069
Xingnong Agriculture	Logo of Holymountain Orchardman	Guozuo Dengzi-2019-F-00950928	8 December 2019	31 December 2069
Xingnong Agriculture	Holymountain Orchardman	Guozuo Dengzi-2019-F-00784789	19 May 2019	31 December 2069

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### **Registered Software Copyrights**

As at the Latest Practicable Date, the following software copyrights have been registered by the Xingnong Group:

Registered Owner	Description of Registered Software Copyright	Registration Number	Registration / Application Date	Expiry Date
Xingnong Agriculture	Kiwifruit automatic sorting system	2018SR066359	26 January 2018	31 December 2068
Xingnong Agriculture	Kiwifruit production process data statistics system	2018SR066353	26 January 2018	31 December 2068

### **Web Domains**

As at the Latest Practicable Date, the following domain names are owned by the Xingnong Group:

Registered Owner	Web Domain	Registration Date	Expiry Date
Xingnong Agriculture	shenshanxingnong.com	25 September 2017	25 September 2027
Xingnong Agriculture	shenshanxingnong.cn	25 September 2017	25 September 2021
Xingnong Agriculture	shenshanxingnong.net	25 September 2017	25 September 2021

### **Plant Variety Rights**

The Proposed Directors noted that since the incorporation of Xingnong Agriculture to date, the Xingnong Group has planted, cultivated and sold five (5) kiwifruit varieties, being marketed as 精灵果 Fairy Gold, 阳光金果 Sunshine Kiwi, 翠玉 Jade Green and 红心 Red Heart. The Fairy Gold kiwifruit's plant variety right has been exclusively licensed to Xingnong Agriculture by Changsha Yannong and the Red Heart kiwifruit's plant variety rights has been non-exclusively licensed to Xingnong Agriculture by the Zhengzhou Fruit Research Institute, as set forth under this **Section A3.13** entitled "Intellectual Property, Licensing Rights and Plant Variety Rights" of Appendix A to this Circular, while the other two (2) kiwifruit breeds being the Sunshine Kiwi and Jade Green kiwifruit varieties are unlicensed. In this regard, Jingtian has advised that under PRC laws and regulations, Xingnong Agriculture does not require any licence to plant, cultivate and sell the aforementioned two (2) kiwifruit varieties if there are no plant variety rights or any other intellectual property rights attached to them, and the planting, cultivation and sale of the Fairy Gold, Sunshine Kiwi, Jade Green and Red Heart kiwifruit varieties by Xingnong Agriculture are in compliance with, and do not violate, any PRC laws and regulations, and do not infringe any existing plant variety rights of any third parties under the PRC laws and regulations. The Xingnong Group is not in breach of any of the licence agreements in relation to such plant variety rights set forth hereunder as at the Latest Practicable Date.

### **Plant Variety Rights Licensed to the Xingnong Group**

Pursuant to PRC laws, the term of the protection of variety rights, counted from the date of grant thereof, shall be 20 years for vines, forest trees, fruit trees and ornamental plants. Beyond the aforementioned term, there are no provisions under the PRC laws for any further renewals.

#### Yannong No. 1

Xingnong Agriculture entered into a kiwifruit variety licence agreement dated 12 July 2012 with Changsha Yannong (as amended by a written confirmation dated 7 November 2018 issued by Changsha Yannong), pursuant to which Changsha Yannong granted Xingnong Agriculture the exclusive perpetual right to use the new kiwifruit variety "楚源 11-48" or "炎农一号" (Yannong No. 1) which is also known as the Fairy Gold kiwifruit in the PRC (excluding Hong Kong, Macao and Taiwan), for a cash consideration of RMB8,000,000 ("**Changsha Yannong Licence Agreement**").

Pursuant to PRC laws, the term of protection for the Fairy Gold kiwifruit is 20 years, commencing from 1 May 2016.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### Yannong No. 3

Xingnong Agriculture entered into a kiwifruit variety licence agreement dated 30 July 2018 with Changsha Yannong (as supplemented by a written confirmation dated 14 August 2020 issued by Changsha Yannong), pursuant to which Changsha Yannong granted Xingnong Agriculture the non-exclusive right to use the kiwifruit variety “炎农三号” (Yannong No. 3) from 30 July 2018 to 2 January 2038 for no consideration. As at the Latest Practicable Date, Xingnong Agriculture currently intends to use the kiwifruit variety in its own orchard for testing purposes only.

The term of protection for the 炎农三号 (Yannong No. 3) kiwifruit variety is 20 years, commencing from 2 January 2018.

### YH-67

Xingnong Agriculture also entered into a kiwifruit variety licence agreement dated 30 July 2018 with Changsha Yannong, pursuant to which Changsha Yannong granted Xingnong Agriculture the non-exclusive perpetual right to test the kiwifruit variety “YH-67” within 100 mu of Xingnong Agriculture’s land. The aforementioned licence agreement did not stipulate the consideration payable for such licence. As at the Latest Practicable Date, Xingnong Agriculture has confirmed that it has ceased its testing of the “YH-67” kiwifruit variety.

### 红贝

On 15 May 2019, Xingnong Agriculture entered into a kiwifruit variety right licence agreement with Zhengzhou Fruit Research Institute, pursuant to which Zhengzhou Fruit Research Institute granted Xingnong Agriculture the non-exclusive right to use the ‘红贝’ kiwifruit plant variety right in the Hubei Province, PRC, from 1 January 2019 to 31 December 2033, for a consideration of RMB900,000 (“**Zhengzhou Fruit Research Institute Licence Agreement**”). The sale of the 红心Red Heart kiwifruits that are cultivated using the ‘红贝’ kiwifruit variety is limited to the Hubei Province only. Based on the Zhengzhou Fruit Research Institute Licence Agreement, Xingnong Agriculture will pay Zhengzhou Fruit Research Institute a sum equivalent to 12% of the selling price of the kiwifruits every year and Zhengzhou Fruit Research Institute will have the right to negotiate or commence litigation proceedings to inspect Xingnong Agriculture’s relevant accounts to verify the aforementioned payment computations. As the cultivation and trial sales of the Red Heart kiwifruits first commenced in 2020, the Xingnong Group does not expect sales of the Red Heart kiwifruits to contribute significantly to its revenue in the near term. Based on information available to Xingnong Agriculture, other than the grant of licence to Xingnong Agriculture, Zhengzhou Fruit Research Institute has also granted a third party the non-exclusive right to use the ‘红贝’ kiwifruit plant variety right in Guizhou Province, PRC.

At the Latest Practicable Date, the kiwifruit varieties 炎农三号 (Yannong No. 3) and YH-67 are not being sold by Xingnong Agriculture.

### **Applications for Plant Variety Rights**

As at the Latest Practicable Date, the following plant variety rights have been applied for by the Xingnong Group:

Applicant	Name of Plant Variety	Application Number	Application Date	Status
Xingnong Agriculture	先沃一号 (Xianwo No. 1)	20183807.5	22 November 2018	Pending Registration
Xingnong Agriculture	先沃二号 (Xianwo No. 2)	20183808.4	22 November 2018	Pending Registration
Xingnong Agriculture	先沃三号 (Xianwo No. 3)	20183809.3	22 November 2018	Pending Registration
Xingnong Agriculture	先沃四号 (Xianwo No. 4)	20183810.0	22 November 2018	Pending Registration
Xingnong Agriculture	先沃五号 (Xianwo No. 5)	20183811.9	22 November 2018	Pending Registration
Xingnong Agriculture	先沃六号 (Xianwo No. 6)	20183812.8	22 November 2018	Pending Registration



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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A3.14. Insurance

As at the Latest Practicable Date, the Xingnong Group maintains motor vehicle insurance on its motor vehicles, which insures the Xingnong Group against, amongst others, death, disability, medical expenses and compensation for property damage.

The Xingnong Group currently does not have any product liability insurance in respect of its products or any third party insurance coverage as it is not a requirement in PRC. There has not been any third party claims or claims against the Xingnong Group for product defects during the Period Under Review.

Based on the overall assessment of the operating risk for its present business operations, the Xingnong Group is of the view that its insurance coverage is sufficient for the present operations of the Xingnong Group following Completion and is in line with industry practice. As the Kiwifruit Business expands, the Xingnong Group will continue to regularly review and assess its risk portfolio and adjust its insurance coverage based on its needs and industry practice. Significant disruption to Xingnong Group's operations or damage to the properties or assets, whether as a result of fire and/or other causes, may still have a material and adverse effect on the Xingnong Group's business operations, financial condition and results of operations.

For further details, please refer to **Section 9.3** entitled "Risk Factors relating to the Restructured Group" of this Circular.

### A3.15. Licences, Permits and Government Regulations

As at the Latest Practicable Date, save as disclosed in **Appendix H** entitled "Summary of PRC Laws and Regulations" to this Circular, the Kiwifruit Business of the Xingnong Group is not subject to any special legislation or regulatory controls which have a material effect on its business and operations other than those generally applicable to companies and businesses operating in the PRC.

For a summary of the relevant laws and regulations applicable to the Kiwifruit Business of the Xingnong Group, please refer to **Appendix H** entitled "Summary of PRC Laws and Regulations" to this Circular.

The following are the material permits, approvals and licences issued and/or granted to the Xingnong Group pursuant to the PRC laws and regulations applicable to the Xingnong Group and which are essential for the Kiwifruit Business and the trading activities of the Xingnong Group:

#### Business-related Licences

Xingnong Agriculture's current business licence (Licence Number 91421281685649629T) is issued by Xianning AMR for its operation of the Kiwifruit Business provides for an operation period of 50 years (commencing from 27 April 2009 and ending on 26 April 2059).

Xingnong Agriculture also obtained the Food Operation Licence dated 26 December 2019 issued by Chibi Administration for Market Regulation (赤壁市市场监督管理局), which grants Xingnong Agriculture the right to sell food (including online sales) for a period of five (5) years commencing from 26 December 2019 to 25 December 2024. This licence was obtained pursuant to Xingnong Agriculture's future plans to sell fruits in supermarkets. Xingnong Agriculture has also obtained the Record Registration Form for Foreign Trade Dealers (《对外贸易经营者备案登记表》) dated 20 December 2019 issued by the Hubei Xianning Foreign Trade Operators Record Registration Authority (湖北咸宁对外贸易经营者备案登记), and was also issued the Customs Import and Export Goods Consignee Record Receipt (《海关进出口货物收发货人备案回执》) dated 30 December 2019 by the Wuchang Customs of the PRC (中华人民共和国武昌海关), both of which are effective perpetually without the need for renewal, for the purpose of import and export of fruits in the future.

As part of the Restructured Group being listed on the SGX-ST, Xingnong Agriculture would be deemed a FIE and would also have to comply with the foreign investment regulations issued by the MOFCOM. In this regard, Jingtian advised that the Kiwifruit Business and the Xingnong Group's ad-hoc trading of apples and oranges are in compliance with the foreign investment regulations issued by the MOFCOM, and such business and operations do not require any approval from the China Securities Regulatory Commission.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Construction Permits

On 1 April 2011, Xingnong Agriculture obtained a construction project planning permit to build buildings covering 35,914 m<sup>2</sup>, including a research building covering 6,144 m<sup>2</sup>, two (2) cold storages covering 18,194 m<sup>2</sup>, a packing workshop covering 7,381 m<sup>2</sup>, an office building covering 4,096 m<sup>2</sup>, and a public toilet covering 99 m<sup>2</sup>. However, Xingnong Agriculture had constructed the Packing Facilities, the Office Building, the Switch Board Room and the Guard Room, which did not comply with the construction project planning permit obtained. However, Xingnong Agriculture did not report the change of construction plans to the relevant authority. Xingnong Agriculture subsequently obtained a construction land planning permit on 16 March 2011 and a construction licence on 7 July 2011. Xingnong Agriculture also did not conduct the environment completion and acceptance inspection (环保竣工验收) and the acceptance inspection (竣工验收) on the Chibi Buildings before their use. Therefore, Xingnong Agriculture did not obtain the certificate of property rights or certificate of inspection in respect of the Chibi Buildings.

Pursuant to the Law of the People's Republic of China on Urban and Rural Planning (《中华人民共和国城乡规划法》), construction within the areas covered by city and town plans shall be conducted in compliance with the requirements of such plans, and the change of such plans shall be approved by and reported to the competent authority for the record. Xingnong Agriculture's failure to comply with the earlier permit and failure to obtain the approval of such change and report the change of construction plans to the competent authority for the record may result in the authorities imposing any one or both of the following on Xingnong Agriculture:

- (a) requiring Xingnong Agriculture to rectify within a time limit and imposing a fine of between 5% and 10% of the cost of the construction project if measures for rectification can be adopted to eliminate the impact on the implementation of the plans; and
- (b) requiring Xingnong Agriculture to demolish the building within a time limit if measures for rectification cannot be adopted to eliminate the impact on the implementation of the plans; confiscation of the building itself or any illegal income received in respect of the building and a fine below 10% of the cost of the construction project if the building cannot be demolished.

Pursuant to the Administrative Regulations on the Quality Management of Construction Engineering (《建设工程质量管理条例》), Xingnong Agriculture's failure to conduct acceptance inspection on the Chibi Buildings before their delivery for use may result in the following:

- (a) Xingnong Agriculture being required to take remedial action and bear a fine of between 2% and 4% of the contractual price for the construction project; and
- (b) Xingnong Agriculture being required to make compensation for any potential loss arising from the failure to conduct such acceptance inspection.

As the abovementioned permit and licence did not cover the current specifications of the Chibi Buildings, Xingnong Agriculture is required to (i) apply for the approval of such changes; (ii) report the approved changes of construction plans to the relevant competent authorities for record; and thereafter (iii) complete the environment completion and acceptance (环保竣工验收) and the acceptance inspections inspection (竣工验收) on the Chibi Buildings and apply for the property right certificates for the Chibi Buildings. Xingnong Agriculture also did not apply for the property right certificates for the Chibi Buildings, which may result in Xingnong Agriculture not having the relevant property rights over the Chibi Buildings.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Xingnong Agriculture has obtained written confirmations dated 18 August 2020 from the Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) and the Chibi Housing and Urban-Rural Development Bureau (赤壁市住房和城乡建设局) respectively (collectively, the "**Chibi Buildings Confirmations**"), confirming that (i) save for the relevant permits, licences and property rights certificates for the Chibi Buildings which are in the process of application and have yet to be obtained, Xingnong Agriculture has complied with the laws and regulations relating to the planning and construction of its constructed facilities; (ii) save for the ongoing application for the relevant permits, licences and property rights certificates for the Chibi Buildings, Xingnong Agriculture has complied with the laws and regulations relating to acceptance inspections of its constructed facilities; and that (iii) as of 18 August 2020, Xingnong Agriculture has not been penalised or fined in respect of the relevant construction permits for the Chibi Buildings and the acceptance inspections for the Chibi Buildings. Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) further confirmed that Xingnong Agriculture will not be penalised in respect of its failure to obtain the property right certificates in respect of the Chibi Buildings. Furthermore, Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) has confirmed that Xingnong Agriculture has the right to possess and use the Chibi Buildings, and that Xingnong Agriculture does not face any obstacles in obtaining the relevant certificate of property rights that it has applied for.

In addition, Xingnong Agriculture has obtained written confirmation dated 18 August 2020 from the Chibi Environmental Protection Bureau (赤壁市环境保护局) confirming that Xingnong Agriculture has complied with the laws and regulations relating to environmental protection, and there has been no environmental pollution accidents or environmental complaints since 2019.

Based on the Chibi Buildings Confirmations and the confirmation received from the Chibi Environmental Protection Bureau (赤壁市环境保护局), Jingtian has advised that the risk of penalties being imposed by the relevant authorities on Xingnong Agriculture for the foregoing matters is remote.

In addition, Xingnong Agriculture intends to commence construction of the Additional Buildings within the same premise as the Chibi Buildings by 31 December 2021, to support its business expansion plans. Please refer to **Section A5.3** entitled "Strategies and Future Plans" of Appendix A of this Circular for further details of the future plans of the Xingnong Group.

In relation to the Chibi Buildings and the Additional Buildings, Xingnong Agriculture has on 9 November 2020, undertaken to, (i) apply for and obtain the construction land planning permits, construction project planning permits and construction licence in respect of the Chibi Buildings by 31 December 2021; (ii) apply for construction land planning permits, construction project planning permits and construction licence in respect of the Additional Buildings before their construction; and (iii) to conduct acceptance inspections in respect of the Chibi Buildings and the Additional Buildings, and obtain the necessary certificates as soon as practicable thereafter.

### **Record-filing procedures for farming facilities**

Xingnong Agriculture had constructed Storage Barracks in the Xingnong Orchards for the storage of farming equipment which are utilised for kiwifruit cultivation and harvest. Pursuant to the Circular of the Ministry of Natural Resources and the Ministry of Agriculture and Rural Affairs on Issues concerning the Management of Agricultural Land used for Facilities (《自然资源部、农业农村部关于设施农业用地管理有关问题的通知》), the authorities for natural resources of each city or county together with each city's or county's agriculture and rural affairs are responsible for the daily management of agricultural land used for facilities. The authorities for natural resources together with the authorities for agriculture and rural affairs at the national or provincial level are responsible for the supervision and regulation of agricultural land used for facilities through various technical means. Use of agricultural land shall be filed for the record by the rural collective economic organization or business operator concerned with the township government, which shall in turn summarise the information regularly and submit it to the authorities for natural resources at the county level. As the Storage Barracks are a form of agricultural land used for facilities, Xingnong Agriculture is required to make the abovementioned record-filings for its Storage Barracks. Failure to make the relevant filings may result in the Storage Barracks being demolished. As at the Latest Practicable Date, save for the record-filing of the Storage Barracks at the 御屏半岛 (Yuping Peninsula) orchard which has been completed, the record-filing procedures by Xingnong Agriculture for the remaining eight (8) Storage Barracks are still ongoing and have not been completed.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Xingnong Agriculture had on 18 August 2020 and 17 August 2020 obtained written confirmations from the Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) and the Chibi Agricultural and Rural Bureau (赤壁市农业农村局) respectively, along with written confirmations by the relevant township governments, confirming that Xingnong Agriculture has not been and will not be penalised in future in respect of its failure to file the relevant land use right agreements in respect of the Storage Barracks, with the record-filing authorities (collectively, the "Chibi Barracks Confirmation"). Based on the written confirmation by Chibi Natural Resources and Planning Bureau (赤壁市自然资源和规划局) dated 18 August 2020, Xingnong Agriculture has the right to possess and use the abovementioned barracks.

Having considered the above matter, and the Chibi Barracks Confirmation, Jingtian is of the opinion that the risk of penalties being imposed on Xingnong Agriculture for its failure to file the necessary land use right agreements in respect of the Storage Barracks is remote.

### Labour Regulations

#### Social Insurance

Xingnong Agriculture has maintained the mandatory social insurance which covers basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance for its employees as required under PRC laws since July 2019.

For the period commencing from the establishment of Xingnong Agriculture in April 2009 until June 2019, Xingnong Agriculture was not able to ensure full and timely payment of social insurance contributions in respect of certain of its employees ("**Previous Shortfall**"). Such employees were mostly farmers employed at Xingnong Agriculture's kiwifruit orchards who did not intend to maintain and contribute to their respective social insurance accounts.

Pursuant to the Social Insurance Law of the PRC 《中华人民共和国社会保险法》, Xingnong Agriculture's failure to pay social insurance fees on time and in full prior to July 2019, may result in (a) the Chibi Municipal Social Insurance Office (赤壁市社会保险稽核结算中心) (the "**Social Insurance Office**") pursuing the unpaid contributions, (b) an imposition of a late payment fee of 0.05% of the outstanding amount incurred each day past the payment due date; and (c) in the event that Xingnong Agriculture fails to make such payment within the relevant governmental authorities' stipulated period, the relevant governmental authorities may further impose a fine of one (1) to three (3) times of the outstanding amount of such payment and the principals who bear direct responsibilities and other persons with direct responsibilities shall be liable for a fine between RMB500 and RMB3,000.

Pursuant to the Several Provisions on Implementation of the Social Insurance Law of the PRC 《实施<中华人民共和国社会保险法>若干规定》, if the employer has not fully paid the employee's social insurance, and where an employee holds the view that the employer harmed his or her social insurance rights and interests, the employee may require the administrative department of social insurance of the Social Insurance Office to handle the case in accordance with the PRC laws or apply for mediation, arbitration, or file a lawsuit. Xingnong Agriculture has not received any material and outstanding claims from its employees in relation to the social insurance contributions during the Relevant Period.

Xingnong Agriculture has obtained a written confirmation dated 18 August 2020 from the Social Insurance Office, confirming that (i) Xingnong Agriculture has passed all annual reviews of its social insurance contributions; (ii) the Social Insurance Office is aware of its social insurance contribution status, being that Xingnong Agriculture has made the full social insurance fees to its employees since July 2019; and that (iii) Xingnong Agriculture has not been and will not be penalised or fined by the Social Insurance Office in connection with the Previous Shortfall and it will not be required to make rectification payments on the Previous Shortfall (the "**CMSIO Confirmation**").

Having considered the above matter, as well as the CMSIO Confirmation, Jingtian is of the opinion that the risk of penalties being imposed on Xingnong Agriculture in respect of the Previous Shortfall and the Previous Shortfall being pursued by the relevant governmental authorities is remote. Since July 2019, Xingnong Agriculture has ensured full and timely payment of social insurance contributions for all its employees.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Housing Provident Fund

For the period commencing from the establishment of Xingnong Agriculture in April 2009 until June 2019, Xingnong Agriculture did not complete the necessary housing provident fund registration and has not made housing provident fund contributions for all its employees (“**HPF Matter**”). The housing provident fund contributions are mainly meant to assist employees with their housing or property rental needs in the area of their employment. Accordingly, certain of Xingnong Agriculture’s employees had specifically requested not to be registered for the housing provident fund as they do not reside in Chibi City where Xingnong Agriculture’s operations are based and have no intention of purchasing or renting a house in Chibi City.

Pursuant to the Regulation on the Administration of Housing Provident Funds 《住房公积金管理条例》 of the PRC, Xingnong Agriculture’s failure to complete the housing provident fund registration and to open a housing provident fund for each of its employees may result in a fine of RMB10,000 to RMB50,000. Xingnong Agriculture’s failure to contribute to the housing provident funds in a timely manner and in full may result in the Xianning Housing Provident Fund Management Center Chibi Office (咸宁市住房公积金管理中心赤壁办事处) pursuing the outstanding payments from Xingnong Agriculture.

Since July 2019, Xingnong Agriculture has ensured full and timely payment of housing provident fund contributions for all its employees. Xingnong Agriculture has also obtained a written confirmation on 21 August 2020 from the Xianning Housing Provident Fund Management Center Chibi Office (咸宁市住房公积金管理中心赤壁办事处) (“**Housing Office**”), confirming that (i) Xingnong Agriculture had completed its housing provident fund registration on 24 January 2019; (ii) the Housing Office is aware of Xingnong Agriculture’s housing provident fund contribution status being that Xingnong Agriculture has fully paid the housing provident fund contributions to its employees since July 2019 and is not found to be in violation of any laws or regulations in the PRC relating to housing provident fund; (iii) the Housing Office has not ordered Xingnong Agriculture to pay the historical unpaid housing provident fund contributions incurred prior to July 2019 and has not applied to the people’s court for enforcement in respect of the HPF Matter; and (iv) the Housing Office will not pursue the unpaid contributions or impose any penalties on Xingnong Agriculture in respect of the HPF Matter (the “**HPF Confirmation**”).

Having considered the above matter, as well as the HPF Confirmation, Jingtian is of the opinion that the risk of penalties being imposed on Xingnong Agriculture on the past non-compliances, and the pursuit of undue payments by the relevant governmental authorities in respect of the HPF Matter is remote.

### Compliance with laws and regulations

Jingtian advised that save for the aforementioned licences obtained by Xingnong Agriculture, and those disclosed in this Circular, there are no other licences, permits and approvals required for the Kiwifruit Business, and as at the Latest Practicable Date:

- (a) save for the foregoing governmental/regulatory approvals and permits not yet obtained by the Xingnong Group and the PRC laws and regulations (including procedural, filing and registration requirements) not complied with by the Xingnong Group but have been or are currently being dealt with pursuant to the respective confirmation letters from the competent authorities as disclosed in this Circular, the Xingnong Group is not in material violation of any applicable laws and regulations in relation to its business operations and all relevant governmental/ regulatory approvals, permits, licences, consents, authorisations and registrations necessary for its business operations have been obtained and are presently in force;
- (b) none of the relevant material licences and permits had been suspended, revoked or cancelled, as the case may be, and no applications for or renewal of, any of these permits, approvals and licences had been rejected by the relevant authorities; and
- (c) there is no fact or circumstance which would cause the suspension, or revocation or cancellation or affect the renewal of the relevant permits, approvals and licences prior to Completion.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Indemnity and Undertakings

Wang Peng and Keen Wind have executed the Vendor Undertaking in favour of the Company to indemnify the Company for any losses, liabilities or penalties that the Company and/or the Restructured Group may at any time and from time to time sustain, incur or suffer, by reason of Xingnong Agriculture's breach or non-compliance with any PRC laws prior to Completion; and/or for the failure or delay by Wang Peng or Keen Wind in procuring and ensuring that Xingnong Agriculture shall have prior to Completion:

- (a) (whether as employer or on behalf of its employees) made from time to time the requisite housing provident fund registration and full payment of social insurance contributions and housing provident fund contributions, pension fund and such other employee-related funds for all its employees, in the manner and to the extent required under PRC laws;
- (b) ensured that the continued use of the Luzhuang 2 Land (also known as 红菱Hongling) by Xingnong Agriculture is in compliance with PRC laws;
- (c) complied with record-filing procedures in respect of the land use right agreements in relation to the Storage Barracks with the competent authorities in accordance with PRC laws;
- (d) (i) undertaken all necessary steps and procedures to obtain and maintain the construction land planning permits, construction project planning permits and construction licences (updated or otherwise) for the construction and subsequent use of the Chibi Buildings and the Additional Buildings; (ii) conducted acceptance inspections in respect of the Chibi Buildings and Additional Buildings, and obtained the necessary certificates (including the certificate of property rights and certificate of inspection) thereafter, and (iii) complied with its obligations under its undertaking dated 9 November 2020 executed in favour of the Company in relation thereto ("**Xingnong Undertaking**") prior to Completion and in any case within such period that the Xingnong Undertaking remains valid and effective (or such other date as may be agreed in writing by the Company);
- (e) carried on its business in compliance in all respects with all PRC laws to which it is subject and, between the date of the Vendor Undertaking and Completion, carried on its business as a going concern in the ordinary and usual course as carried on prior to the date of the Vendor Undertaking and in a manner consistent with past practices.

Wang Peng has further undertaken to provide the Company with all necessary financial resources to enable the Company to comply with its obligations in relation to the TDRs Acquisition, and keep the Company fully indemnified from and against any loss (including all costs and expenses incurred in doing so). Such financial support by Wang shall include, without limitation, putting the Restructured Group in freely transferrable funds or provision of interest-free loans with no fixed tenures, guarantees and any other undertakings. The repayment of such loans shall be at the sole option of the Company and shall be subjected to the approval of the Audit Committee of the Company, who will consider, *inter alia*, the working capital position of the Restructured Group, its available cash balances, loan repayment obligations and its capital and operating expenditures. Wang Peng's and Keen Wind's undertakings under the Vendor Undertaking shall subsist for the period until such obligations are fulfilled in accordance with the terms of the Vendor Undertaking, while the indemnities under the Vendor Undertaking do not have a time limitation period.

The Legal Representative of Xingnong Agriculture, Hu Chao, has undertaken to the Company to oversee and supervise, and to procure and ensure that Xingnong Agriculture shall take such steps as may be necessary to comply with PRC laws in respect of the abovementioned matters, pursuant to the Legal Representative Undertaking. Where required, the Company will also appoint a suitably qualified PRC legal counsel to ensure Xingnong Agriculture's compliance with PRC laws in respect of the abovementioned matters. Hu Chao's undertakings under the Legal Representative Undertaking shall subsist for the period until he ceases to be the legal representative of Xingnong Agriculture, and until such obligations are fulfilled in accordance with the terms of the Legal Representative Undertaking.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Zhengzhou Synear has also executed the Synear Undertaking in favour of the Company to, *inter alia*:

- (a) guarantee and undertake as primary obligor the due and punctual performance by Wang Peng of his undertakings, covenants, agreements and obligations contained in the Vendor Undertaking and the due and punctual payment to the Company and/or its nominee(s) of all sums which are payable to the Company and/or its nominee(s) under the Vendor Undertaking; and
- (b) in the event that Wang Peng fails to perform his undertakings, covenants, agreements and obligations contained in the Vendor Undertaking, undertake to perform all such actions required by Wang Peng under the Vendor Undertaking and, on demand, indemnify and save harmless the Company from and against any and all losses which the Xingnong Group or, following Completion, the Restructured Group may at any time or from time to time sustain, incur or suffer in connection with or arising out of Wang Peng's failure to comply with his obligations under the Vendor Undertaking.

The abovementioned undertakings and indemnities under the Synear Undertaking do not have a time limitation period.

Please refer to **Section 9.3(f)** of the Circular entitled "Risk relating to the Company's listing on the Taiwan Stock Exchange" for details on Zhengzhou Synear.

### A3.16. Occupational Safety and Health

Pursuant to the Labour Law of the PRC (中华人民共和国劳动法), Xingnong Agriculture is required to establish and implement a system ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards.

The Xingnong Group provides the necessary training to its staff on matters relating to occupational health and safety. Such training includes on-job training involving the transferring of skills and knowledge from senior personnel to junior personnel and new hires covering both standard operating procedures, safe work procedures and proper handling of machinery and equipment. The Xingnong Group also conducts internal safety checks on a periodic basis to ensure compliance from its staff.

### A3.17. Environmental Protection and Corporate Social Responsibility

#### Environmental Protection

The Xingnong Group carries out its cultivation activities in a manner consistent with usual practice and applicable environmental laws and regulations. The Xingnong Group recognises the environmental impact of kiwifruit cultivation, which may lead to land becoming barren and has adopted the following measures to mitigate such consequences: (1) the use of physical insecticides which minimises any undesirable impact to the environment; (2) the use of organic fertilizers; and (3) the practice of organic recycling. The Xingnong Group has also (i) installed water treatment systems and adopted the necessary measures to control the disposal of waste gases, waste water and other environmental waste materials; and (ii) implemented procedures to ensure the efficient use of electricity in its Packing Facilities, through ongoing monitoring and periodic checks on the coolant systems and temperature readings in its Packing Facilities. The Xingnong Group carries out periodic training of staff on compliance with the applicable environmental regulations.

Please also refer to **Appendix H** entitled "Summary of PRC Laws and Regulations" to this Circular on the applicable environmental protection regulations under PRC laws and **Section A3.12** entitled "Licences, Permits and Government Regulations" of Appendix A to this Circular for more details on the environment completion and acceptance inspection (环保竣工验收) to be conducted by the Xingnong Group in respect of the Chibi Buildings.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Corporate Social Responsibility

As the Xingnong Group's kiwifruit cultivation operations impact the local communities in and around its kiwifruit orchards, the Xingnong Group has focused its corporate social responsibilities efforts on the engagement of these local communities, as well as spearheading initiatives to improve the livelihood of these communities.

The Xingnong Group has contributed to the development of these local communities by offering employment opportunities and providing technical training and skills upgrading programs for these employees. In addition, the Xingnong Group collaborates with the Xianning Profession and Technology Training College, to offer students, amongst others, a platform for research and development training, as well as technical training opportunities.

The Proposed Directors intend to formalise the aforementioned initiatives, by establishing a corporate social responsibility policy. In addition, the Xingnong Group will be required to disclose its policies with reference to the Guide to Sustainability Reporting for Listed Companies issued by the SGX-ST.

## A4 COMPETITION AND COMPETITIVE STRENGTHS

### A4.1. Competition

The fruit cultivation and processing industry, and specifically the kiwifruits produce market in the PRC are highly fragmented, involving a large number of small-scale growers comprising farmers and villagers with self-owned farms producing other types of vegetables and fruits in addition to kiwifruits. These farmers and villagers sell excess kiwifruits to local fruit retailers on an ad-hoc basis and therefore the Xingnong Group does not consider the aforementioned parties as its key competitors. Given the highly fragmented nature of the industry the Xingnong Group operates in, it is difficult for the Xingnong Group to undertake or commission a nationwide research on the PRC kiwifruits produce market that will yield specific and accurate market data, and to ascertain its market share. Notwithstanding so and as part of the Xingnong Group's sales and marketing activities, the group periodically undertakes market and competitive analysis within its area of operations in Hubei Province, the PRC by *inter alia*, collating and analysing market data and feedback from its network of customers, suppliers, bankers, business associates, industry and research partners. To the best knowledge of the Xingnong Group, it is one of the few kiwifruit producers in the Hubei Province to operate multiple but homogenous parcels of agricultural land concentrated within a specific area, which has enabled the Xingnong Group to achieve better operating efficiencies, scale, and quality control.

The Proposed Directors believe that the Xingnong Group is differentiated from other small-scale kiwifruit producers in the PRC, primarily through its use of advanced technology, automated systems and proprietary kiwifruit cultivar and breeds for its operations.

The table below sets forth the key competitor of the Xingnong Group in the PRC:

Province in the PRC	Competitor	Basis
Nation-wide	ZESPRI	Kiwifruit production and sales

The principal competitive factors for the kiwifruit cultivation industry include market presence, scale of operations and kiwifruit orchards, the quality, specifications and taste of the harvested kiwifruit, as well as operational track record.

Having made all enquiries as are reasonable under the circumstances, to the best of the Proposed Directors' knowledge and belief, none of the Proposed Directors, the Xingnong Group Directors, and Controlling Shareholders of the Xingnong Group or any of their associates has any interest, direct or indirect, in the competitor listed above.

To the best of the Proposed Directors' knowledge and belief, the Xingnong Group does not have any other direct competitors in the industry with an integrated kiwifruit cultivation, processing and sales platform on the same scale.



### A4.2. Competitive Strengths

The Proposed Directors believe that the Xingnong Group possesses the following competitive strengths that have and will continue to enable the Xingnong Group to compete effectively:

**(a) Modern industrialised approach to agriculture**

The Xingnong Group adopts a modern industrialised approach to agriculture combining (i) large-scale standardisation of its operations and procedures to increase efficiency and economies of scale; (ii) use of superior kiwifruit breeds with consistent quality and high yield through acquisition of rights to use such breeds and extensive research and development initiatives; and (iii) the use of dedicated resources to develop its proprietary range of premium kiwifruit breeds as well as agriculture infrastructure in its kiwifruit orchards.

**(b) Leverage on Research and Development**

The Xingnong Group is able to leverage on the results of its research and development conducted through its experienced in-house technical department and its external technology advisory and research partners, to establish leading and reputable kiwifruit brands of consistent quality and yield, further details of which are set out in **Section A3.10** entitled “Research and Development” of Appendix A to this Circular. As at the Latest Practicable Date, the Xingnong Group has 36 approved patents for, amongst others, grafting and harvesting methods and devices, and have two (2) patents pending registration. For more information, please refer to **Section A3.13** entitled “Intellectual Property, Licensing Rights and Plant Variety Rights” of Appendix A to this Circular. It is expected that the Xingnong Group’s continued efforts in research and development will be a key driver for future growth.

The Xingnong Group also undertakes small batch planting of newly acquired and/or developed kiwifruit varieties or cultivar in its research orchards to gather and assess data in respect of the specific characteristics and commercial viability of such new varieties or cultivar, before deciding on their commercialisation. Such initiatives are necessary, and will ensure sustainability and viability of the group’s research and development efforts.

**(c) Strategically located kiwifruit orchards**

The Xingnong Orchards are situated across multiple but homogenous parcels of agricultural land concentrated within a specific area in Hubei Province, the PRC. This allows the group to enjoy significant economies of scale in the deployment of raw materials such as fertilisers, pollen, pesticides and other equipment and machinery, as well as labour and the transportation of harvested kiwifruit. In addition, the Xingnong Group is able to effectively monitor and ensure consistency in the quality and specifications of the kiwifruits cultivated across the kiwifruit orchards.

The Xingnong Orchards are strategically located within the Hubei Province and are located inland, where there are little to no typhoons faced throughout the year and enjoy optimal weather conditions with minimal fluctuation of temperature, rainfall and humidity beyond the respective seasons. Such orchards are also situated on gentle slopes, which encourage easy soil drainage from rainfall and irrigation, thus preventing waterlogged conditions in the Xingnong Orchards. The Xingnong Orchards’ central location in the PRC makes it easily accessible via the PRC’s advanced transportation infrastructure (e.g. railway network, highway network and Wuhan Tianhe International Airport), which facilitates the delivery of raw materials to Xingnong Agriculture, and the despatch of the kiwifruits to customers.

**(d) Dedicated and experienced management team**

The Xingnong Group is led by an experienced and competent management team, led by the Proposed Executive Director and CEO of the Company, Hu Chao. Hu Chao has extensive experience in the food and beverage industry, having overseen the production and sale of quick freeze food products as the assistant to the general manager of Zhengzhou Synear from 2008 to 2014. He has been the general manager and director of Xingnong Agriculture since October 2016 and December 2017 respectively, and has accumulated considerable experience and has established a track record of operating the Kiwifruit Business.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Hu Chao is ably supported by an experienced technical team led by Yuan Yanliang (Technical Department Manager) and Chen Qi (Technical Department Deputy Manager), both of whom have the necessary experience and expertise to oversee the kiwifruit cultivation process and quality control.

### A5. PROSPECTS, STRATEGIES AND FUTURE PLANS

#### A5.1. Prospects

*The following discussion about the Xingnong Group's prospects and trends included forward-looking statements that involve risks and uncertainties, and historical market data that may not be entirely reflective of the Xingnong Group and its business. Actual results could differ materially from those that may have been projected in these forward statements, and those that were reflected as historical market data. The market data and statistics contained in the following discussion about the Xingnong Group's prospects have been extracted from and should be read in conjunction with the relevant reports below.*

*The parties mentioned in the footnotes below have not provided their consents, for the purposes of Section 249 of the SFA to the inclusion of the relevant information extracted from their respective websites referenced below and are therefore not liable for such information under Sections 253 and 254 of the SFA. While we, the Company, the Current Group, the Xingnong Group, the Restructured Group and their respective directors, executive officers and employees have taken reasonable steps to ensure that the relevant information has been reproduced in its proper form and context, neither the Company, the Current Group, the Xingnong Group, the Restructured Group and their respective directors, executive officers and employees nor any other party has conducted an independent review or verified the accuracy or completeness of such information. Please also see page 21, the section entitled "Market and Industry Information" of this Circular.*

The Proposed Directors believe that barring any unforeseen circumstances, the prospects of the Xingnong Group's business are favourable for the following reasons:

#### (a) Growing affluence and changing consumer patterns in the PRC

The Proposed Directors noted that the PRC, being the Xingnong Group's primary market, has experienced modernisation, strong economic growth and continued improvement in standards of living across its major cities. The continued modernisation, rise in standards of living, and growth in disposable income of the PRC consumers, in tandem with increasing urbanisation in the PRC, have led to an increase in spending power of the PRC consumers.

The Proposed Directors believe that the increased affluence and spending power of PRC consumers have led to shifts in consumption patterns towards premium fruits, such as kiwifruit. Based on information extracted from the New Zealand Horticulture Export Authority, New Zealand's kiwifruit exports to the PRC grew from 93,646 tonnes in 2016 to 101,457 tonnes in 2018.<sup>13</sup> The PRC overtook Japan as the second largest market for New Zealand kiwifruits in 2018, behind the European Union. The Proposed Directors expect this trend to continue and in particular, the PRC consumers' preference for premium-quality, healthy and organic fruits, that are traceable from source, differentiated, safe, with high brand-value, coupled with the maturing domestic kiwifruit cultivation industry in the PRC, will provide ample opportunities for the Xingnong Group to capitalise and grow the Kiwifruit Business to meet rising domestic demand for quality and premium fruits in the PRC.

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13 The information was extracted from a report entitled "Kiwifruit Trade – Information" published by New Zealand Horticulture Export Authority on its website at <http://www.hea.co.nz/2012-05-11-03-05-28/kiwifruit-trade>, which was accessed on 27 March 2021. The New Zealand Horticulture Export Authority has not consented to the inclusion of the above information in this Circular for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Sections 253 and 254 of the SFA.

### (b) Growing online sales channels

The PRC's digital media and smart technologies have developed rapidly over the recent years. The COVID-19 outbreak has greatly boosted demand for contactless payment methods, and increasingly, new sales channels such as online-offline fresh food and food delivery. Online consumption grew, with a particular surge in online sales of fresh food, which has proved to be an enormous hit with consumers. In fact, fresh food e-commerce has seen rapid uptake, with demand being predominantly from customers from a younger age group (those born in the 1980s to 1990s). Fresh food e-commerce also holds significant appeal with consumers who can afford premium services. Such consumers place particular importance on safety, hygiene, convenience and the e-shopping experience, and are expected to remain fresh food e-commerce users after the COVID-19 outbreak is over. The fresh food e-commerce segment has the distinction of being the most important, sophisticated example of the "trend towards community". As a mainstay thereof, it is working to further steer the retail industry towards a tighter community focus through innovative sales models<sup>14</sup>.

In 2018, Xingnong Group commenced sales of its kiwifruits on online shopping platforms in the PRC, including Taobao Marketplace and JD.com, and has gained considerable traction from online sales of its kiwifruits.

The Proposed Directors are of the view that with the increasing trend of online shopping, e-commerce and digital marketing globally and in the PRC, PRC consumers will place greater emphasis on time efficiency, convenience and freshness of the purchases. The rise in digitalisation and internet penetration rates in the PRC will allow the Xingnong Group to (i) improve the time-to-market for its kiwifruits; (ii) reduce risks of kiwifruit obsolescence; and (iii) access multiple online and e-commerce sales and marketing channels for its kiwifruits, which augurs well for the Xingnong Group's future growth.

### (c) Government support

The PRC government has set itself the goal of eradicating total poverty by *inter alia*, modernising the PRC's agricultural industry by 2035. The PRC government also aims to create over 53 million hectares of farmland and invest in technology and training for farmers by 2020.<sup>15</sup> Rural land transfer process has been accelerated, and large-scale landholders are currently granted higher subsidies. With such support, farmers are experimenting with technology, using drones to distribute pesticides and tractors to harvest crops. On this front, the Xingnong Group had received annual cash grants from government-related agencies in the PRC for the Period Under Review and from 1 January 2020 up till the Latest Practicable Date, in support of the Xingnong Group's agricultural activities. The Proposed Directors are of the view that such development and modernisation efforts, as well as the support from the PRC government, could potentially increase the demand, yield, quality and variety of the Xingnong Group's kiwifruits in the PRC.

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14 The information was extracted from a report entitled "The Fresh Food Business: Spurring the 'Local Community' Trend Forward" published by Deloitte China on its website at <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/COVID-19/gx-deloitte-china-the-fresh-food-business-spurring-local-community-trend-forward.pdf>, which was accessed on 27 March 2021. Deloitte China has not consented to the inclusion of the above information in this Circular for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Sections 253 and 254 of the SFA.

15 The information was extracted from a report entitled "Betting the Farm: Modernizing China's Agriculture Sector", published by China Briefing from Dezan Shira & Associates on its website at <https://www.china-briefing.com/news/modernizing-china-agriculture-sector/> which was accessed on 27 March 2021. Dezan Shira & Associates has not consented to the inclusion of the above information in this Circular for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Sections 253 and 254 of the SFA.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A5.2. Trend Information

Based on the operations of the Xingnong Group as at the Latest Practicable Date and barring any unforeseen circumstances (including a prolonged COVID-19 pandemic outbreak or a reoccurrence of the same in the PRC which will result in disruptions to the Xingnong Group's plantation operations, specifically, delays in fertilisation and other ancillary cultivation processes at the Xingnong Orchards), the Proposed Directors observe the following trends for the next 12 months from the Latest Practicable Date:

- (a) the Xingnong Group expects revenue growth, supported by (i) continuing domestic demand for kiwifruits on the back of continued modernisation, rise in standards of living, and growth in disposable income of the PRC consumers; and (ii) the continued development, maturity, and increasing yield of existing kiwifruit bearer plants in the Xingnong Orchards;
- (b) administrative expenses, selling expenses, and other operating expenses are generally expected to increase, in line with the increase in the Xingnong Group's business activities;
- (c) the Xingnong Group will continue to streamline and rationalise its operations in respect of the ad-hoc trading of apples and oranges, and such business activities are not expected to contribute significantly to the Xingnong Group's revenue and costs;
- (d) the Xingnong Group continued alignment with the PRC government's reform policies on agricultural product farming, which are encouraging higher efficiencies through larger scale and intensity farming. Accordingly, the Xingnong Group expects continued receipts of unconditional cash grants from government-related agencies, and at the same time, the continued application of tax on such grants.

Save as disclosed above and in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors affecting the Xingnong Group's Business, Financial Condition and Results of Operations" and **Appendix C** entitled "Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020" to this Circular, and barring any unforeseen circumstances, to the best of the Proposed Directors' knowledge and belief, there are no other significant recent known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material and adverse effect on the Xingnong Group's financial condition and results of operations, or may cause financial information disclosed in this Circular to be not necessarily indicative of the Xingnong Group's future operating results or financial condition. Please also refer to the section entitled "Cautionary Note On Forward-Looking Statements" of this Circular.

### A5.3. Strategies and Future Plans

The Xingnong Group believes that it is still in a phase of growth and intends on maintaining its growth momentum, to achieve its strategic objective of enhancing its market share, scale of operations and product quality in the PRC. The Xingnong Group plans to achieve these objectives by pursuing the following strategies:

#### (a) **Enhancing and increasing the scale of operations**

The Xingnong Group intends to increase the scale of its operations in the PRC by (i) ramping up its research and breeding efforts to identify new cultivars; (ii) upgrading and acquiring new machinery and equipment for the Packing Facilities, (iii) investing in infrastructure and other necessary operating facilities (including access roads and laboratories); and (iv) improving planting and cultivation techniques such as exploring organic cultivation methods, with the aim of increasing and maximising its kiwifruit yield and sales.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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The Xingnong Group also intends to commence construction of the Additional Buildings within the same premise as the Chibi Buildings by 31 December 2021 and to complete construction thereof by 31 December 2023, to support its business expansion plans. The construction costs in respect of the Additional Buildings are estimated to be approximately RMB34.5 million and the Xingnong Group expects to fund such construction costs through internally generated resources. Upon completion of construction for the Additional Buildings, it is anticipated that the Xingnong Group's annual kiwifruit production capacity will increase. In this respect, Xingnong Agriculture has, on 9 November 2020, undertaken to (i) apply for and obtain the construction land planning permits, new construction project planning permits and construction licence in respect of the Chibi Buildings by 31 December 2021; (ii) apply for construction land planning permits, construction project planning permits and construction licence in respect of Additional Buildings before construction; and (iii) to conduct acceptance inspections in respect of the Chibi Buildings and the Additional Buildings, and obtain the necessary certificates as soon as practicable thereafter.

**(b) Expanding marketing and sales networks**

As the Xingnong Group increases its kiwifruit production capacity and harvest yield, it intends to leverage on and expand its existing sales network, as well as establish new distribution, sales and commercial networks and channels by seeking out new partners including supermarkets, wholesalers and distributors. The Xingnong Group also intends to strengthen its kiwifruit branding and market penetration efforts, by further developing its market reach and reputation, increased marketing efforts as well as enhancing brand awareness.

**(c) Acquisitions, joint ventures and strategic alliances with similar growers or other partners**

The Xingnong Group intends to grow and build its business through acquisitions, joint ventures and strategic alliances as part of its long-term growth strategy, and may also consider strategic partnerships or alliances with parties which are synergistic with the Kiwifruit Business. Should such opportunities arise, the Company will seek approvals, where necessary, from its Shareholders and the relevant authorities as may be required under the prevailing laws and regulations.

Please refer to **Section 9.3(a)** entitled "Risks relating to the Business and Operations of the Restructured Group – The Xingnong Group may require additional funding in the future" of this Circular for further discussion of the relevant risks associated with the funding of such expansion opportunities.

### A6. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Xingnong Group should be read in conjunction with the full text of this Circular, including without limitation, **Section A7** entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Appendix A and **Appendix C** entitled "Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020" to this Circular, and together with the notes thereto in this Circular.

The unaudited pro forma financial information set out in **Appendix D** entitled "Unaudited Pro Forma Consolidated Financial Information of the Restructured Group for the Financial Year Ended 30 June 2020" to this Circular has been prepared for illustrative purposes only. The unaudited pro forma financial information, because of its nature, may not give a true picture of the Restructured Group's actual financial position or performance. Please refer to **Appendix D** entitled "Unaudited Pro Forma Consolidated Financial Information of the Restructured Group for the Financial Year Ended 30 June 2020" to this Circular for further details.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

*Unaudited pro forma consolidated statements of comprehensive income*

	<b>The Current Group for the year ended 30 June 2020</b>	<b>The Xingnong Group for the year ended 31 December 2019</b>	<b>The Restructured Group</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	113,331	99,490	99,490
Cost of sales	(69,443)	(88,468)	(88,468)
<b>Gross profit</b>	43,888	11,022	11,022
Gain arising from changes in fair value less costs to sell of biological assets	-	80,697	80,697
Other income and gains	1,936	6,862	6,862
Selling and distribution expenses	(40,538)	(7,354)	(7,354)
Administrative expenses	(68,936)	(19,040)	(37,398)
Other operating expenses	(858)	(17,083)	(17,083)
Impairment loss on interest in an associate	(3,172)	-	-
<b>Operating (loss)/ profit</b>	(67,680)	55,104	36,746
Finance cost	(7,629)	(70)	(70)
Share of profit of an associate	624	-	-
(Loss)/profit before income tax	(74,685)	55,034	36,676
Income tax credit/(expense)	751	(1,589)	(1,589)
<b>(Loss)/profit for the year</b>	(73,934)	53,445	35,087
<b>Other comprehensive income for the year</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations	1,381	(67)	60
<b>Total comprehensive income for the year</b>	(72,553)	53,378	35,147

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

*Unaudited pro forma consolidated statements of financial position*

	<b>The Current Group as at 30 June 2020</b>	<b>The Xingnong Group as at 30 September 2020</b>	<b>The Restructured Group</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	373,842	244,119	244,119
Interest in an associate	11,123	-	-
Prepayments	731	-	-
Intangible assets	-	7,040	7,040
Deposit paid for property, plant and equipment	-	326	326
	<b>385,696</b>	<b>251,485</b>	<b>251,485</b>
<b>Current assets</b>			
Inventories and consumables	751,136	21,731	21,731
Trade receivables	-	84,052	84,052
Prepayments, deposits and other receivables	16,682	2,299	2,299
Income tax recoverable	466	-	-
Cash and cash equivalents	121,877	23,846	23,854
	<b>890,161</b>	<b>131,928</b>	<b>131,936</b>
<b>Current liabilities</b>			
Trade payables	85,072	12,160	12,160
Amount due to an associate	8,887	-	-
Accruals and other payables	110,140	9,124	26,263
Amounts due to shareholders	-	115,990	-
Bank and other borrowings	115,000	4,400	4,400
Lease liabilities	-	31	31
Deferred government grants	-	478	478
Income tax payable	-	292	292
	<b>319,099</b>	<b>142,475</b>	<b>43,624</b>
<b>Net current assets/(liabilities)</b>	<b>571,062</b>	<b>(10,547)</b>	<b>88,312</b>
<b>Total assets less current liabilities</b>	<b>956,758</b>	<b>240,938</b>	<b>339,797</b>
<b>Non-current liabilities</b>			
Other payables	-	300	300
Bank and other borrowings	-	21,000	21,000
Lease liabilities	-	9,090	9,090
Deferred tax liabilities	11,021	-	-
Deferred government grants	-	13,122	13,122
	<b>11,021</b>	<b>43,512</b>	<b>43,512</b>
<b>Net assets</b>	<b>945,737</b>	<b>197,426</b>	<b>296,285</b>
<b>Equity</b>			
Share capital	279,499	-	279,499
Reserves	666,238	197,426	16,786
	<b>945,737</b>	<b>197,426</b>	<b>296,285</b>

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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The preparation of and adjustments in relation to the unaudited pro forma consolidated financial information of the Restructured Group were made based on the following key assumptions respectively:

*Consolidated statements of comprehensive income*

- (a) adjustments to include the financial performance of the Xingnong Group for FY2019, as if the Xingnong Acquisition was completed on 1 July 2019;
- (b) adjustments to exclude the financial performance of the Dukang Group for FY2020, as if the Dukang Disposal was completed on 1 July 2019;
- (c) adjustments in respect of estimated professional fees and transaction costs incurred by the Company in connection with the Proposed Transactions, which are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income;
- (d) the unaudited pro forma consolidated statement of comprehensive income does not take into account any potential impact on the profit or loss of the Restructured Group arising from fair value adjustments as a result of acquisition accounting; and
- (e) the inclusion of corporate expenses of the Company for FY2020, including the directors' fees, annual listing fee, and corporate secretarial fees.

*Consolidated statements of financial position*

- (a) adjustments to include the financial position of the Xingnong Group as at 30 September 2020, as if the Xingnong Acquisition was completed on 30 June 2020;
- (b) adjustments to exclude the financial position of the Dukang Group as at 30 June 2020, as if the Dukang Disposal was completed on the same date;
- (c) the unaudited pro forma consolidated statement of financial position does not take into account any potential impact on the net assets of the Restructured Group arising from fair value adjustments as a result of acquisition accounting; and
- (d) adjustments to exclude the Unpaid Consideration which amounted to RMB115.99 million. The Unpaid Consideration, which was a necessary restructuring step to facilitate the completion of the Xingnong Acquisition, will be repaid by Go National prior to Completion, from the proceeds of the XN Loan. The XN Loan will be subsequently waived pursuant to the Deeds of Release and Discharge. Please refer to **Section A2.4(e)** entitled "Restructuring Exercise in respect of Xingnong Agriculture – Xingnong Group Restructuring Exercise" of Appendix A to this Circular for further details.



## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A6.1. Consolidated Statements of Comprehensive Income

The consolidated financial statements of comprehensive income of the Xingnong Group for the Period Under Review are set out below:

	Year ended 31 December 2017 RMB'000 <i>(audited)</i>	2018 RMB'000 <i>(audited)</i>	2019 RMB'000 <i>(audited)</i>	Nine months ended 30 September 2019 RMB'000 <i>(unaudited)</i>	2020 RMB'000 <i>(audited)</i>
	Revenue	49,500	61,708	99,490	79,435
Cost of sales	(44,640)	(55,418)	(88,468)	(70,133)	(80,485)
Gross profit	4,860	6,290	11,022	9,302	9,466
Gain arising from changes in fair value less costs to sell of biological assets	39,712	53,615	80,697	80,697	89,517
Other income and gains	1,012	1,099	6,862	6,059	3,376
Selling expenses	(2,747)	(3,653)	(7,354)	(3,312)	(9,071)
Administrative expenses	(11,845)	(17,967)	(19,040)	(13,318)	(16,670)
Other operating expenses	(11,294)	(13,836)	(17,083)	(9,224)	(13,480)
Finance costs	(28)	(51)	(70)	(50)	(76)
Profit before income tax	19,670	25,497	55,034	70,154	63,062
Income tax expense	(213)	(151)	(1,589)	(1,422)	(293)
Profit for the year/period	19,457	25,346	53,445	68,732	62,769
Other comprehensive income Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation to presentation currency	-	(124)	(67)	(122)	58
Total comprehensive income for the year/period	19,457	25,222	53,378	68,610	62,827
Earnings per share attributable to ordinary equity holder of the parent Basic and diluted	_2	_2	_2	_2	_2

**Notes:**

- (1) The consolidated statements of comprehensive income of the Xingnong Group for the Period Under Review have been prepared on the basis that the Xingnong Group Restructuring Exercise was completed, and the Target Group structure has been in existence throughout the Period Under Review.
- (2) As a result of footnote (1) above, earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful for the Period Under Review.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A6.2. Consolidated Statements of Financial Position

The consolidated statements of financial position of the Xingnong Group for the Period Under Review are set out below:

<b>ASSETS AND LIABILITIES</b>	<b>As at 31 December</b>			<b>As at 30 September</b>
	<b>2017 RMB'000</b>	<b>2018 RMB'000</b>	<b>2019 RMB'000</b>	<b>2020 RMB'000</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Non-current assets</b>				
Property, plant and equipment	226,011	233,806	241,333	244,119
Intangible assets	7,328	6,896	7,362	7,040
Deposit paid for property, plant and equipment	1,733	1,766	6,166	326
	235,072	242,468	254,861	251,485
<b>Current assets</b>				
Inventories and consumables	611	3,628	4,399	21,731
Trade receivables	4,767	3,230	7,617	84,052
Prepayments and other receivables	797	1,155	2,814	2,299
Cash and cash equivalents	8,619	7,153	53,860	23,846
	14,794	15,166	68,690	131,928
<b>Current liabilities</b>				
Trade payables	2,482	3,663	9,401	12,160
Accruals and other payables	17,601	16,517	9,996	9,124
Loan from a shareholder	-	5,000	-	-
Amounts due to shareholders	-	-	115,990	115,990
Bank and other borrowings	30,000	3,000	4,400	4,400
Lease liabilities	25	27	29	31
Deferred government grants	478	478	478	478
Income tax payable	167	140	167	292
	50,753	28,825	140,461	142,475
<b>Net current liabilities</b>	(35,959)	(13,659)	(71,771)	(10,547)
<b>Total assets less current liabilities</b>	199,113	228,809	183,090	240,938
<b>Non-current liabilities</b>				
Other payables	-	-	300	300
Bank and other borrowings	12,521	17,500	25,400	21,000
Lease liabilities	9,367	9,340	9,311	9,090
Deferred government grants	14,436	13,958	13,480	13,122
	36,324	40,798	48,491	43,512
<b>Net assets</b>	162,789	188,011	134,599	197,426
<b>EQUITY</b>				
Share capital	_2	_2	_2	_2
Reserves	162,789	188,011	134,599	197,426
<b>Total equity</b>	162,789	188,011	134,599	197,426

**Notes:**

- (1) The consolidated statements of financial positions of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020 have been prepared on the basis that the Xingnong Group Restructuring Exercise was completed, and the Target Group structure has been in existence at those dates.
- (2) Amount is less than RMB1,000.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A6.3. Consolidated Statements of Cash Flow

The consolidated statements of cash flows of the Xingnong Group for the Period Under Review are set out below:

	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000 <i>(audited)</i>	2018 RMB'000 <i>(audited)</i>	2019 RMB'000 <i>(audited)</i>	2019 RMB'000 <i>(unaudited)</i>	2020 RMB'000 <i>(audited)</i>
<b>Cash flows from operating activities</b>					
Profit before income tax	19,670	25,497	55,034	70,154	63,062
Adjustments for:					
Bank interest income	(22)	(15)	(39)	(12)	(116)
Depreciation of property, plant and equipment	7,916	8,412	9,276	6,680	8,047
Amortisation of intangible assets	432	432	490	366	378
Amortisation of deferred government grants	(473)	(478)	(478)	(358)	(358)
Written off of bearer plants	3,072	220	37	37	88
Written off of property, plant and equipment	-	-	38	38	-
Written off of inventories	36	-	-	-	691
Written down of inventory to net realisable value	-	1,250	-	-	-
Written off of prepayment	-	300	-	-	-
Written off of deposit paid for acquisition of property, plant and equipment	-	-	-	-	319
Finance costs	28	51	70	50	76
Gain on disposal of property, plant and equipment	-	(43)	-	-	-
Gain arising from changes in fair value less costs to sell of biological assets	(39,712)	(53,615)	(80,697)	(80,697)	(89,517)
<b>Operating loss before working capital changes</b>	(9,053)	(17,989)	(16,269)	(3,742)	(17,330)
Decrease in inventories and consumables	41,480	49,348	79,926	65,063	71,494
(Increase)/decrease in trade receivables	(4,767)	1,537	(4,387)	(72,818)	(76,435)
Decrease/(increase) in prepayments and other receivables	91	(658)	(1,659)	(1,581)	515
Increase in trade payables	2,022	1,181	5,738	3,378	2,759
Decrease in accruals and other payables	(1,998)	(1,208)	(7,721)	(4,194)	(875)
<b>Cash generated from/(used in) operations</b>	27,775	32,211	55,628	(13,894)	(19,872)
Income tax paid	(883)	(178)	(1,562)	(140)	(168)
<b>Net cash generated from/(used in) operating activities</b>	26,892	32,033	54,066	(14,034)	(20,040)

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
<b>Cash flows from investing activities</b>					
Interest received	22	15	39	12	116
Deposit paid for property, plant and equipment	(1,529)	(1,190)	(5,359)	(4,814)	(327)
Purchases of property, plant and equipment	(2,900)	(5,061)	(5,224)	(3,727)	(955)
Proceed from disposal of property, plant and equipment	-	51	-	-	-
Proceeds of government grants for acquisition of property, plant and equipment	150	-	-	-	-
Payments for bearer plants	(3,013)	(7,539)	(6,815)	(4,303)	(1,766)
Purchases of intangible assets	-	-	(325)	(325)	(56)
<b>Net cash used in investing activities</b>	<b>(7,270)</b>	<b>(13,724)</b>	<b>(17,684)</b>	<b>(13,157)</b>	<b>(2,988)</b>
<b>Cash flows from financing activities</b>					
Capital injection from shareholder	-	-	9,200	9,200	-
Interest paid	(2,935)	(1,965)	(2,386)	(1,762)	(1,797)
Proceeds from bank and other borrowings	18,000	31,000	13,000	13,000	-
Repayment of bank and other borrowings	(34,848)	(53,021)	(3,700)	(3,700)	(4,400)
Proceeds from loans from a shareholder	-	40,000	12,000	12,000	-
Repayment of loans from a shareholder	-	(35,000)	(17,000)	(1,300)	-
Repayment of principal on lease liabilities	(22)	(25)	(27)	(217)	(219)
Repayment of interest on lease liabilities	(767)	(764)	(762)	(572)	(570)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(20,572)</b>	<b>(19,775)</b>	<b>10,325</b>	<b>26,649</b>	<b>(6,986)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(950)</b>	<b>(1,466)</b>	<b>46,707</b>	<b>(542)</b>	<b>(30,014)</b>
<b>Cash and cash equivalents at beginning of year/period</b>	<b>9,569</b>	<b>8,619</b>	<b>7,153</b>	<b>7,153</b>	<b>53,860</b>
<b>Cash and cash equivalents at end of year/period</b>	<b>8,619</b>	<b>7,153</b>	<b>53,860</b>	<b>6,611</b>	<b>23,846</b>

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of the Xingnong Group’s financial position and results of operations should be read in conjunction with the full text of this Circular, including the “Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020” as set out in **Appendix C** to this Circular. This discussion contains forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Circular, particularly in “Risk Factors”. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumption by the Company, the Xingnong Group, the Financial Adviser or any other person. Investors and Shareholders are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled “Cautionary Note On Forward-Looking Statements” of this Circular.*

#### A7.1. Overview

The Xingnong Group is principally engaged in the business of planting, cultivating, and sale of kiwifruits (also known as Chinese gooseberries). As at the Latest Practicable Date, the Xingnong Group holds, *inter alia*, (i) the land use right for one plot of industrial land spanning approximately 64,999.1 m<sup>2</sup>, on which its Office Building, Switch Room, Guard Room and Packing Facilities are located, and (ii) the forest use rights for eight (8) plots of forest land spanning in aggregate 9,805 mu (equivalent to approximately 6,536,666 m<sup>2</sup>) on which the orchards for the kiwifruits are developed. From time to time and whenever opportunities are identified, the Xingnong Group also engages in the ad-hoc trading of apples and oranges. Such trading activities had commenced in December 2019 and were insignificant as compared to the Xingnong Group’s core business of kiwifruit cultivation and sales. Please refer to the **Section A3.2** entitled “Principal Activities” of Appendix A to this Circular, for further information.

#### A7.2. Basis of Presentation of the Xingnong Group’s Consolidated Financial Information

Please refer to Note 3 of the “Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020” as set out in **Appendix C** to this Circular, for the basis of preparation of the consolidated financial statements of the Xingnong Group.

#### A7.3. Key Factors Affecting the Xingnong Group’s Results of Operations

The results of operations of the Xingnong Group have been and will continue to be affected by a number of factors, including those set out in **Section 9.3** entitled “Risk Factors” of this Circular and those set out below. Accordingly, its historical financial results may not be indicative of its future performance and its management’s assessment of the prospects of the Xingnong Group. The key factors affecting the Xingnong Group’s results of operations include, among other factors, the following:

- (a) general economic conditions which will have an impact on the domestic household consumption levels and patterns of fruits;
- (b) the Xingnong Group’s kiwifruit yield and production capacity, in particular, its ability to increase the yield of its kiwifruit and its ability to increase production and processing capacities to meet any increased demand for kiwifruit;
- (c) the demand of kiwifruit from the Xingnong Group’s customers, which mainly comprise food and fruits distributors and corporate customers;
- (d) the changes in government policies governing agriculture and crop cultivation in the jurisdictions in which the Xingnong Group has a presence, in particular, the PRC;
- (e) the number of competitors and the level of competition which will impact the Xingnong Group’s market share and profit margins;

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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- (f) the supply and prices of raw materials, such as fertilisers, pesticides and kiwifruit pollen; and
- (g) the Xingnong Group's ability to develop new kiwifruit cultivar to, *inter alia*, (i) meet the changing trends in consumers' demand; and (ii) mitigate the impact of outbreak of bacterial diseases on its kiwifruit vines, through consistent improvements in the Xingnong Group's plant breeding techniques by its research and development team.

### A7.4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The Xingnong Group's historical financial information as set out in **Appendix C** entitled "Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020" to this Circular as of and for FY2017, FY2018 and FY2019 have been prepared in accordance with the International Financial Reporting Standards.

In the application of the Xingnong Group's accounting policies, which are described in Note 5 to its audited financial statements included in this Circular, its management is required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Impairment loss for non-financial assets*

The Xingnong Group assesses whether there are any indicators of impairment for all non-financial assets at the end of reporting periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows.

#### *Fair value measurement*

Certain assets included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Xingnong Group's non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Xingnong Group measures biological assets except for bearer plants at fair value less cost to sell.

For more detailed information in relation to the fair value measurement of the item above, please refer to the Note 16 in **Appendix C** entitled "Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020" to this Circular.

The Company intends to retain JLL CAA as its independent valuer for the Restructured Group's requirements post-Completion (including the aforementioned fair value measurement requirement), or such other experienced and suitable independent valuation firm, having regard to Rule 226(4)(a) of the Catalist Rules and after consulting the Proposed Sponsor and the SGX-ST.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### *Useful life of property, plant and equipment (other than bearer plants)*

The Xingnong Group determines the estimated useful lives and related depreciation method for the Xingnong Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Xingnong Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### *Bearer plants and depreciation*

The Xingnong Group determines the estimated point of maturity, useful lives and related depreciation method for the Xingnong Group's bearer plants. This estimate is based on the historical experience of the point of maturity and actual useful lives of bearer plants of particular species. The Xingnong Group will revise the depreciation charge where point of maturity and useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

### *Going concern consideration*

The assessment of the going concern assumption involves making judgement by the GR Directors, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The GR Directors consider that the Xingnong Group has the capability to continue as a going concern and the going concern assumption is set out in Note 3(b) in **Appendix C** entitled "Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020" to this Circular.

### *Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

### *Impairment of receivables*

The Xingnong Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. The Xingnong Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Xingnong Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the periods in which such estimates have been changed.

### *Estimating the incremental borrowing rate*

The Xingnong Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Xingnong Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Xingnong Group "would have to pay", which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Xingnong Group estimates the IBR using observable inputs (such as market rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### *Significant Changes in Accounting Policies*

The Xingnong Group has not made any significant changes in its accounting policies during the Period Under Review.

Please refer to **Appendix C** entitled “Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020” to this Circular for further details on its accounting policies.

### **A7.5. Principal Components of the Xingnong Group’s Consolidated Statements of Comprehensive Income**

#### **Revenue**

For the Period Under Review and up to the Latest Practicable Date, the Xingnong Group’s revenue is mainly derived from the sale of kiwifruit to food and fruits distributors and corporate customers in the PRC. Kiwifruit harvesting typically takes place in the months of August to September each year. In FY2019 and 9M2020, the Xingnong Group also recorded revenue from the ad-hoc trading of apples and oranges.

Revenue is recognised when control of the goods has been transferred (i.e. when the fruits have been delivered to and received by the customers). The Xingnong Group generally does not allow sales returns by its customers unless there are product-related quality issues. For the Period Under Review and up to the Latest Practicable Date, the Xingnong Group did not experience any material sales returns by its customers arising from product quality issues.

The volume of kiwifruit sold, as well as the average selling price per kg for the Period Under Review are as follows:

	Volume of kiwifruit sold  (kg’000)	Average Selling Price per kg  (RMB)	Revenue  (Audited/ Unaudited)  (RMB’000)
<b>FY2017</b>	1,380	35.87	49,500
<b>FY2018</b>	1,664	37.08	61,708
<b>FY2019</b>	2,844	34.96	99,436
<b>9M2019</b>	2,260	35.15	79,435
<b>9M2020</b>	2,492	34.07	84,913

The volume of apples and oranges traded, as well as the average selling price per kg for the Period Under Review are as follows:

	Volume of apples and oranges sold  (kg’000)	Average Selling Price per kg  (RMB)	Revenue  (Audited/ Unaudited)  (RMB’000)
<b>FY2017</b>	-	-	-
<b>FY2018</b>	-	-	-
<b>FY2019</b>	4	13.50	54
<b>9M2019</b>	-	-	-
<b>9M2020</b>	311	16.19	5,038

#### **Cost of sales**



## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

The Xingnong Group's cost of sales comprised inventory costs of kiwifruit, inventory costs of apples and oranges, direct labour costs, factory overhead and costs of packaging materials incurred in the cultivation and harvesting of kiwifruit, and trading of apples and oranges. Cost of sales accounted for 90.2%, 89.8%, 88.9%, 88.3% and 89.5% of the Xingnong Group's revenue in FY2017, FY2018, FY2019, 9M2019 and 9M2020 respectively.

The Xingnong Group's cost of sales for the Period Under Review is as follows:

	FY2017 (Audited)		FY2018 (Audited)		FY2019 (Audited)		9M2019 (Unaudited)		9M2020 (Audited)	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Inventory costs of kiwifruit	41,369	92.7	50,498	91.1	82,562	93.4	65,314	93.2	70,061	87.0
Inventory costs of apples and oranges	-	-	-	-	36	0.0 <sup>(1)</sup>	-	-	5,321	6.6
Direct labour	160	0.3	325	0.6	322	0.4	285	0.4	382	0.5
Factory overheads	123	0.3	25	0.1	28	0.0 <sup>(2)</sup>	27	0.0 <sup>(3)</sup>	44	0.1
Costs of packaging materials	2,988	6.7	4,570	8.2	5,520	6.2	4,507	6.4	4,677	5.8
<b>Cost of sales</b>	<b>44,640</b>	<b>100.0</b>	<b>55,418</b>	<b>100.0</b>	<b>88,468</b>	<b>100.0</b>	<b>70,133</b>	<b>100.0</b>	<b>80,485</b>	<b>100.0</b>

**Notes:**

- (1) Inventory costs of apples and oranges comprised 0.04% of total cost of sales in FY2019.
- (2) Factory overhead expenses comprised 0.03% of total cost of sales in FY2019.
- (3) Factory overhead expenses comprised 0.04% of total cost of sales in 9M2020.

*Inventory costs of kiwifruit, apples and oranges*

The inventory costs of kiwifruit, and apples and oranges, which are recognised under cost of sales at the time of the sale, comprised the main component of cost of sales and accounted for 92.7%, 91.1%, 93.4%, 93.2% and 93.6% of the Xingnong Group's cost of sales for each of FY2017, FY2018 and FY2019, 9M2019 and 9M2020, respectively.

The inventory costs of kiwifruit mainly comprised the fair value of kiwifruits less costs to sell at the point of harvest.

The inventory costs of apples and oranges mainly comprised the costs to purchase such apples and oranges from individual farmers and local producers.

*Direct labour*

Direct labour costs mainly comprised salaries and other related costs of employees in charge of packing the harvested kiwifruit, and the apples and oranges. Direct labour costs accounted for 0.3%, 0.6%, 0.4%, 0.4% and 0.5% of the Xingnong Group's cost of sales in FY2017, FY2018, FY2019, 9M2019 and 9M2020, respectively.

*Factory overheads*

Factory overheads mainly comprised transportation costs related to the cultivation and harvesting of kiwifruits, and trading of apples and oranges, as well as utility charges in relation to the Packing Facilities. Factory overheads accounted for 0.3%, 0.1%, 0.03%, 0.04% and 0.1% of the Xingnong Group's cost of sales in FY2017, FY2018, FY2019, 9M2019 and 9M2020, respectively.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Gross profit margin

The Xingnong Group's gross profit margins during the Period Under Review were as follows:

	<b>FY2017</b> <b>(Audited)</b>	<b>FY2018</b> <b>(Audited)</b>	<b>FY2019</b> <b>(Audited)</b>	<b>9M2019</b> <b>(Unaudited)</b>	<b>9M2020</b> <b>(Audited)</b>
	%	%	%	%	%
<b>Gross Profit Margin</b>	<b>9.8</b>	<b>10.2</b>	<b>11.1</b>	<b>11.7</b>	<b>10.5</b>

The Xingnong Group's gross profit margin is mainly affected by the amount of harvested kiwifruits, the amount of apples and oranges purchased, and their respective selling prices and inventories costs. Gross profit margins increased from 9.8% in FY2017 to 11.1% in FY2019, mainly due to increased revenue and volume of kiwifruits sold. Gross profit margins decreased from 11.7% in 9M2019 to 10.5% in 9M2020, mainly due to gross loss from the ad-hoc trading of apples and oranges, as there is no established and stable customer base for such ad-hoc trading activities.

### Gain arising from changes in fair value less costs to sell of biological assets

Pursuant to International Accounting Standard 41, the Xingnong Group recognises its agricultural produce, being the harvested kiwifruit, as biological assets which are accounted for under inventories in the Xingnong Group's consolidated statements of financial position. Such harvested kiwifruits are measured at their fair value less costs to sell at the point of their harvest. Such fair value is the comparable market prices, less transportation costs, at point of their harvest, and the costs to sell are the related packing costs of harvested kiwifruits as assessed by an independent valuer appointed by the Xingnong Group. The non-cash gain or loss arising from the difference between such fair value and the costs to sell the harvested kiwifruit is included as a line item in profit or loss for the period in which it arises. Such non-cash gain or loss arising from changes in fair value less costs to sell of biological assets are recorded as part of cost of sales when the harvested kiwifruits are eventually sold.

During the Period Under Review, the gain arising from changes in fair value of the Xingnong Group's kiwifruits were RMB39.71 million, RMB53.62 million and RMB80.70 million, RMB80.70 million and RMB89.52 million for FY2017, FY2018 and FY2018, 9M2019 and 9M2020. This represented 80.2%, 86.9%, 81.1%, 101.6% and 99.5% of the Xingnong Group's revenue for FY2017, FY2018, FY2019, 9M2019 and 9M2020, respectively.

### Fair value measurement

When measuring the fair value of a non-financial asset, the Xingnong Group utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation techniques are:

- Level 1: Quoted prices (unadjusted) in active markets for identical items;
- Level 2: Observable direct or indirect inputs other than level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfer of items between levels are recognised in the period they occur.

The Xingnong Group measures biological assets except for bearer plants at fair value less cost to sell at the point of harvest. The fair value measurement of such biological assets for the Xingnong Group is categorised as Level 3 fair value measurement within the abovementioned fair value hierarchy. During the Period Under Review, there was no transfer between levels in the hierarchy.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

The following unobservable inputs were used to measure the Xingnong Group's biological assets:

Valuation technique	Unobservable inputs	As at 31 December			As at 30 September
		2017	2018	2019	2020
Market approach	Prices of similar transactions	RMB22-RMB37 per kg	RMB23-RMB38 per kg	RMB23-RMB38 per kg	RMB21-RMB31 per kg

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use. The higher the market price, the higher the fair value measurement of the biological assets. The major assumptions of the valuations conducted on the biological assets were as follows:

- The biological assets were in good and saleable condition as at the end of the reporting periods;
- The growth condition and specification (i.e. size and weight) of biological assets are uniform regardless of the nutritional treatment, soil conditions or sunlight coverage; and
- No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the biological assets may be impaired.

### Other income and gains

Other income and gains mainly relate to unconditional cash grants received from government-related agencies in support of agricultural activities in the PRC, and the amortised portion of the deferred government grants received in respect of the Xingnong Group's acquisition of property, plant and equipment and prepaid land lease payments. As at the Latest Practicable Date, there are no unfulfilled conditions or contingencies attached to these grants. Other income and gains represented 2.0%, 1.8%, 6.9%, 7.6% and 3.8% of the Xingnong Group's revenue in FY2017, FY2018, FY2019, 9M2019 and 9M2020 respectively.

### Selling expenses

Selling expenses mainly comprised advertising and promotion expenses, depreciation charges over property, plant and equipment used for the Xingnong Group's sales and marketing activities, transportation costs, employee benefit costs (including salaries and allowances for the Xingnong Group's sales and marketing personnel) and other miscellaneous expenses incurred, such as entertainment, travelling and utility expenses.

Selling expenses represented 5.5%, 5.9%, 7.4%, 4.2% and 10.1% of the Xingnong Group's revenue in FY2017, FY2018, FY2019, 9M2019 and 9M2020, respectively.

### Administrative expenses

Administrative expenses mainly comprised (i) employee benefit costs (including salaries and salary-related costs) of the Xingnong Group's management, product development and administrative personnel; (ii) entertainment and travelling expenses incurred by the aforementioned personnel; (iii) amortization of prepaid land lease payments, licenses and trademarks; (iv) depreciation of property, plant and equipment held for administrative uses; (v) office expenses; and (vi) professional expenses incurred for the Proposed Transactions. In 2010, the Xingnong Group acquired land use rights over approximately 64,999.1 m<sup>2</sup> of land in Chibi City, Hubei Province, the PRC, which are held as medium-term leases. The upfront payments made by the Xingnong Group in the form of prepaid land lease payments are amortised over 50 years, being the average tenure of such land use rights acquired, on a straight-line basis.

### Other operating expenses

Other operating expenses mainly comprise plantation cost of mature bearer kiwifruit plants, depreciation of bearer plants and the property, plant and equipment utilised in the Xingnong Orchards. Such plantation costs mainly consist of labour costs of farmers, costs of fertilizers, pesticide and consumables used in the Xingnong Orchards for the ongoing cultivation and weeding of the mature kiwifruit bearer plants, and interest expense on lease liabilities on leases and interest expense on bank and other borrowings related to the Xingnong Orchards with mature kiwifruit bearer plants.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Finance costs

Finance costs mainly comprise interest on bank and other borrowings and lease liabilities in relation to the leases related to the Xingnong Orchards with immature kiwifruit bearer plants. Please refer to **Section A8** entitled “Capitalisation and Indebtedness” of Appendix A to this Circular for information on the aforementioned bank and other borrowings, and lease liabilities.

A portion of such finance costs relate to borrowing costs attributable to the acquisition, construction or production of qualifying assets such as refrigerated warehouses or storage facilities and immature bearer plants, which are capitalised until such assets are ready for their intended use.

### Income tax expense

The provision of PRC enterprise income tax is based on the respective applicable rates on the estimated assessable income in the PRC as determined in accordance with the relevant income tax laws, rules and regulations of the PRC. According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption on profits derived from such agricultural business. As at the Latest Practicable Date, the Xingnong Group operates solely in the PRC and the Kiwifruit Business is determined by the competent tax authorities in the PRC to be engaged in qualifying agricultural business. The Xingnong Group is therefore entitled to full exemption of enterprise income tax on profits derived from the Kiwifruit Business.

The Xingnong Group’s profits arising from the ad-hoc trading of apples and oranges in the PRC is subject to the applicable corporate tax rate of 25%.

During the Period Under Review, the Xingnong Group received government subsidies, which were not qualified as income derived from agricultural business and were therefore not entitled to any enterprise income tax exemption. Accordingly, the Xingnong Group’s overall effective tax rates for FY2017, FY2018, FY2019, 9M2019 and 9M2020 were 1.1%, 0.6%, 2.9%, 2.0% and 0.5%, respectively.

### Inflation

Inflation did not have a material impact on the Xingnong Group’s financial performance in the Period Under Review.

## A7.6. Review of Past Performance

### FY2017 vs FY2018

#### *Revenue*

Revenue increased by RMB12.21 million or 24.7%, from RMB49.50 million in FY2017 to RMB61.71 million in FY2018.

The increase in revenue was mainly attributable to (i) the increase in sales of kiwifruit by approximately 284,000 kg, as the Xingnong Group recorded an increase in the harvest of kiwifruit; (ii) the expansion by the Xingnong Group of its distribution networks and the enhancement of its brand profile among its customers; and (iii) the increase in average selling price of the harvested kiwifruit, from RMB35.87 per kg in FY2017 to RMB37.08 per kg in FY2018.

#### *Cost of sales*

Cost of sales increased by RMB10.78 million or 24.1%, from RMB44.64 million in FY2017 to RMB55.42 million in FY2018.

The increase in cost of sales was mainly attributable to the increase in inventory costs of kiwifruit of RMB9.13 million and costs of packaging materials of RMB1.58 million.

The increase in cost of sales in FY2018 was in line with the increase in revenue and amount of harvested kiwifruit.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### *Gross profit and gross profit margin*

Gross profit increased by RMB1.43 million or 29.4%, from RMB4.86 million in FY2017 to RMB6.29 million in FY2018. Gross profit margin increased by 0.4 percentage points, from 9.8% in FY2017 to 10.2% in FY2018. The aforementioned increase in gross profit and gross profit margin from FY2017 to FY2018 was mainly due to the increased volume of harvested kiwifruit and average selling price of the harvested kiwifruit in FY2018.

### *Gain arising from changes in fair value less costs to sell of biological assets*

The gain arising from changes in fair value of biological assets increased by RMB13.90 million or 35.0%, from RMB39.71 million in FY2017 to RMB53.62 million in FY2018. This was mainly due to the increased volume of harvested kiwifruit, and market prices of kiwifruit which was in line with the increased domestic demand for kiwifruit in the PRC.

### *Other income and gains*

Other income and gains increased by approximately RMB90,000 or 8.9%, from RMB1.01 million in FY2017 to RMB1.10 million in FY2018.

### *Selling expenses*

Selling expenses increased by RMB0.90 million or 33.0%, from RMB2.75 million in FY2017 to RMB3.65 million in FY2018. This was mainly due to increases in (i) transportation costs related to sales and marketing of RMB0.27 million; (ii) utilities charges in relation to sales and marketing of RMB0.27 million; (iii) employment benefits costs for the Xingnong Group's sales and marketing personnel of RMB0.14 million, which was in line with the increased sales of kiwifruit and scale of production in FY2018; (iv) advertising and promotion expenses of RMB0.01 million; and (v) entertainment expenses of approximately RMB80,000.

### *Administrative expenses*

Administrative expenses increased by RMB6.12 million or 51.6%, from RMB11.85 million in FY2017 to RMB17.97 million in FY2018. This increase was mainly attributable to increases in (i) professional fees incurred for the Proposed Transactions of RMB3.53 million; (ii) employee benefit costs of the Xingnong Group's management, product development and administrative personnel of RMB2.07 million; and (iii) entertainment, travelling and accommodation and motor vehicle expenses of RMB0.48 million to support the expansion of the Xingnong Group's business operations.

### *Other operating expenses*

Other operating expenses increased by RMB2.55 million or 22.6%, from RMB11.29 million in FY2017 to RMB13.84 million in FY2018. This was mainly attributable to an increase in plantation cost of mature bearer plants of (i) RMB3.94 million primarily due to increases in (a) fertilizer, pesticide, consumables, and other material costs of RMB2.97 million; and (b) labour costs on farmers of RMB1.29 million; and (ii) write-down of inventories to net realizable value of RMB1.25 million. Such increase was partially offset by a decrease in write-off of bearer plants of RMB3.07 million in FY2017, as such bearer plants were disposed of subsequent to the grafting of kiwifruit cultivar for propagation purposes.

### *Finance costs*

Finance costs increased by approximately RMB23,000 from RMB28,000 in FY2017 to RMB51,000 in FY2018. This was mainly attributable to the decrease in capitalised borrowing costs of RMB996,000 related to qualifying assets. Such decrease was mainly offset by the decrease in interest paid on bank and other borrowings of RMB970,000 as a result of repayments made in FY2018.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### *Profit before income tax*

Profit before income tax increased by RMB5.83 million or 29.6%, from RMB19.67 million in FY2017 to RMB25.50 million in FY2018. The increase was mainly due to the increase in gross profit and gain arising from changes in fair value less costs to sell of biological assets. Such increase was partially offset by the increase in administrative expenses, selling expenses and other operating expenses.

### *Income tax expense*

Income tax expense decreased by approximately RMB62,000 or 29.1%, from RMB0.21 million in FY2017 to RMB0.15 million in FY2018.

## **FY2018 vs FY2019**

### *Revenue*

Revenue increased by RMB37.78 million or 61.2%, from RMB61.71 million in FY2018 to RMB99.49 million in FY2019. The increase in revenue was mainly attributable to (i) the increase in sales of kiwifruit by approximately 1,180,000 kg, as the Xingnong Group recorded an increase in the harvest of kiwifruit; and (ii) the expansion by the Xingnong Group of its distribution networks and the enhancement of its brand profile among its customers.

### *Cost of sales*

Cost of sales increased by RMB33.05 million or 59.6%, from RMB55.42 million in FY2018 to RMB88.47 million in FY2019.

The increase in cost of sales was mainly attributable to the increase in inventory costs of kiwifruit, apples and oranges of RMB32.10 million and costs of packaging materials of RMB0.95 million. Such increase was in line with the increase in revenue and volume of harvested kiwifruit.

### *Gross profit and gross profit margin*

Gross profit increased by RMB4.73 million or 75.2%, from RMB6.29 million in FY2018 to RMB11.02 million in FY2019. Gross profit margin increased by approximately 0.9 percentage points, from 10.2% in FY2018 to 11.1% in FY2019. The aforementioned increase in gross profit and gross profit margin from FY2018 to FY2019 was mainly due to the increased volume of harvested kiwifruit and the decrease in inventory costs per kg of kiwifruit in FY2019.

### *Gain arising from changes in fair value less costs to sell of biological assets*

The gain arising from changes in fair value of biological assets increased by RMB27.08 million or 50.5%, from RMB53.62 million in FY2018 to RMB80.70 million in FY2019. This was mainly due to the increased volume of harvested kiwifruit (largely due to the increased domestic demand for kiwifruit in the PRC).

### *Other income and gains*

Other income and gains increased by RMB5.76 million or 523.6%, from RMB1.10 million in FY2018 to RMB6.86 million in FY2019. This was mainly due to an increase in unconditional grants from government-related agencies in the form of cash subsidies, in support of agricultural activities in the PRC.

### *Selling expenses*

Selling expenses increased by RMB3.70 million or 101.4%, from RMB3.65 million in FY2018 to RMB7.35 million in FY2019. This was mainly due to increases in (i) advertising and promotion expenses of RMB1.38 million; (ii) transportation costs related to sales and marketing of RMB1.19 million; (iii) commission paid of RMB0.67 million to the e-commerce platform providers for the online sales of kiwifruits, apples and oranges; and (iv) employee benefit costs for the Xingnong Group's sales and marketing personnel of RMB0.42 million, which was in line with the increased sales of kiwifruit and scale of production, as well as the commencement of ad-hoc trading of apples and oranges in December 2019.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### *Administrative expenses*

Administrative expenses increased by RMB1.07 million or 6.0%, from RMB17.97 million in FY2018 to RMB19.04 million in FY2019. This increase was mainly attributable to an increase in employee benefit costs of RMB1.08 million to support the expansion of the Xingnong Group's business operations.

### *Other operating expenses*

Other operating expenses increased by RMB3.24 million or 23.4%, from RMB13.84 million in FY2018 to RMB17.08 million in FY2019. This was mainly attributable to an increase in plantation cost of mature bearer plants of RMB3.99 million primarily due to increases in (a) fertilizer, pesticide, consumables, and other material costs of RMB2.94 million; (b) labour costs on farmers of RMB0.56 million; and (c) interest expense arising from lease liabilities and bank and other borrowings of RMB0.49 million.

### *Finance costs*

Finance costs increased by approximately RMB19,000 from RMB51,000 in FY2018 to RMB70,000 in FY2019. This was mainly attributable to the increase in interest paid on bank borrowings of RMB421,000 in relation to a new bank borrowing of RMB13.00 million secured in FY2019. Such increase was partially offset by the increase in capitalised borrowing costs of RMB400,000 related to qualifying assets.

### *Profit before income tax*

Profit before income tax increased by RMB29.53 million or 115.8%, from RMB25.50 million in FY2018 to RMB55.03 million in FY2019. The increase was mainly due to increases in gross profit and gain arising from changes in fair value less costs to sell of biological assets, and other income and gains. Such increase was partially offset by increases in administrative expenses, selling expenses and other operating expenses.

### *Income tax expense*

Income tax expense increased by RMB1.44 million or 960.0%, from RMB0.15 million in FY2018 to RMB1.59 million in FY2019. The increase was mainly due to the significant increase of RMB5.84 million in unconditional grants from government-related agencies in the form of cash subsidies, which are taxable.

## **9M2019 vs 9M2020**

### *Revenue*

Revenue increased by RMB10.51 million or 13.2%, from RMB79.44 million in 9M2019 to RMB89.95 million in 9M2020.

The increase in revenue was mainly attributable to (i) the increase in sales of kiwifruit by approximately 232,000 kg, as the Xingnong Group recorded an increase in the volume of kiwifruit sold pursuant to the 2020 harvest; (ii) the expansion by the Xingnong Group of its distribution networks and the enhancement of its brand profile among its customers; and (iii) the increase in volume of apples and oranges sold pursuant to the Xingnong Group's ad-hoc trading business which commenced in December 2019.

### *Cost of sales*

Cost of sales increased by RMB10.36 million or 14.8%, from RMB70.13 million in 9M2019 to RMB80.49 million in 9M2020.

The increase in cost of sales was mainly attributable to the increase in inventory costs of kiwifruit, apples and oranges of RMB10.07 million. Such increase was in line with the increase in revenue, and volume of harvested kiwifruit, and apples and oranges sold.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### *Gross profit and gross profit margin*

Gross profit increased by RMB0.17 million or 1.8%, from RMB9.30 million in 9M2020 to RMB9.47 million in 9M2020. Gross profit margin decreased by approximately 1.2 percentage points, from 11.7% in 9M2019 to 10.5% in 9M2020. The aforementioned decrease in gross profit and gross profit margin from 9M2019 to 9M2020 was mainly due to gross loss of RMB0.28 million from the sale of apples and oranges.

### *Gain or loss arising from changes in fair value less costs to sell of biological assets*

The gain arising from changes in fair value of biological assets increased by RMB8.82 million or 10.9%, from RMB80.70 million in 9M2019 to RMB89.52 million in 9M2020. This was mainly due to the increased volume of harvested kiwifruit as at 30 September 2020.

### *Other income and gains*

Other income and gains decreased by RMB2.68 million or 44.2%, from RMB6.06 million in 9M2019 to RMB3.38 million in 9M2020. This was mainly due to a decrease in unconditional grants from government-related agencies in the form of cash subsidies, in support of agricultural activities in the PRC.

### *Selling expenses*

Selling expenses increased by RMB5.76 million or 174%, from RMB3.31 million in 9M2019 to RMB9.07 million in 9M2020. This was mainly due to increases in (i) advertising and promotion expenses of RMB2.42 million; (ii) transportation costs related to sales and marketing of RMB1.18 million; (iii) commission paid of RMB0.73 million to e-commerce platform providers for the online sales of kiwifruits, apples and oranges; (iv) employee benefit costs for the Xingnong Group's sales and marketing personnel of RMB0.63 million, which was in line with the increased sales of kiwifruit and scale of production, as well as the commencement of ad-hoc trading of apples and oranges in December 2019; and (v) utilities charges in relation to sales and marketing of RMB0.61 million.

### *Administrative expenses*

Administrative expenses increased by RMB3.35 million or 25.2%, from RMB13.32 million in 9M2019 to RMB16.67 million in 9M2020. This increase was mainly attributable to an increase in staff costs and office expenses of RMB3.84 million, to support the expansion of the Xingnong Group's business operations and the ad-hoc trading of apples and oranges by the Xingnong Group in 9M2020, partially offset by a decrease in entertainment, travelling and accommodation, and motor vehicle expenses of RMB0.47 million.

### *Other operating expenses*

Other operating expenses increased by RMB4.26 million or 46.2%, from RMB9.22 million in 9M2019 to RMB13.48 million in 9M2020. This was mainly attributable to (i) increase in plantation cost of mature bearer plants of RMB2.44 million primarily due to increases in (a) pesticide, consumables, and other material costs of RMB0.76 million; (b) labour costs on farmers of RMB1.48 million; and (c) interest expense arising from lease liabilities and bank and other borrowings of RMB0.21 million; (ii) increase in depreciation of property, plant and equipment mainly related to the infrastructure located at the Xingnong Orchards of RMB0.59 million; (iii) increase of RMB0.69 million in the write-off of deteriorated fruits; and (iv) increase in write-off of bearer plants of RMB0.46 million, as such bearer plants were disposed of subsequent to the grafting of kiwifruit cultivar for propagation purposes.

### *Finance costs*

Finance costs increased by approximately RMB26,000 from RMB50,000 in 9M2019 to RMB76,000 in 9M2020. This was mainly attributable to the increase in interest paid on bank and other borrowings of RMB35,000 as a result of the increased average outstanding balance of the Xingnong Group's bank and other borrowings. Such increase was partially offset by the increase in capitalised borrowing costs of RMB9,000 related to qualifying assets.



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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### *Profit before income tax*

Profit before income tax decreased by RMB7.09 million or 10.1%, from RMB70.15 million in 9M2019 to RMB63.06 million in 9M2020. The decrease was mainly due to increases in administrative expenses, selling expenses and other operating expenses, and decrease in other income and gains, which was partially offset by the increase in gross profit and gain arising from changes in fair value less costs to sell of biological assets.

### *Income tax expense*

Income tax expense decreased by RMB1.13 million or 79.6%, from RMB1.42 million in 9M2019 to RMB0.29 million in 9M2020. The decrease was mainly due to the significant decrease of RMB2.97 million in unconditional grants from government-related agencies in the form of cash subsidies, which are taxable.

## **A7.7. Review of Financial Position**

### **As at 31 December 2017**

#### *Non-Current Assets*

As at 31 December 2017, the Xingnong Group's non-current assets amounted to RMB235.07 million, which represented 94.1% of its total assets. Non-current assets comprised property, plant and equipment, intangible assets and deposit paid for property, plant and equipment.

Property, plant and equipment comprise plant and machinery, computer equipment, transportation equipment, farmland infrastructure and equipment, construction in progress, buildings, bearer plants and right-of-use assets. Property, plant and equipment amounted to RMB226.01 million, which represented 96.1% of the Xingnong Group's total non-current assets.

Intangible assets amounted to RMB7.33 million, which represented 3.1% of the Xingnong Group's total non-current assets, and were in relation to the Xingnong Group's patents and trademarks in relation to the various varieties of kiwifruits.

Deposit paid for property, plant and equipment such as refrigeration and irrigation systems amounted to RMB1.73 million, which represented 0.7% of the Xingnong Group's total non-current assets.

#### *Current Assets*

As at 31 December 2017, the Xingnong Group's current assets amounted to RMB14.79 million, which represented 5.9% of its total assets. Such current assets comprised inventories and consumables, trade receivables, prepayments and other receivables, and cash and cash equivalents.

Inventories and consumables amounted to RMB0.61 million and represented 4.1% of the Xingnong Group's total current assets. Such inventories and consumables as at 31 December 2017 comprised consumables of RMB0.61 million only. As at 31 December 2017, all the harvested kiwifruit for FY2017 were sold, and as such, no inventories were recorded.

Trade receivables amounted to RMB4.77 million and represented 32.2% of the Xingnong Group's total current assets. Such trade receivables comprised receivables pursuant to the sale of the harvested kiwifruits.

Prepayments and other receivables amounted to RMB0.80 million and represented 5.4% of the Xingnong Group's total current assets. Such prepayments and other receivables mainly comprised prepayments to suppliers and service providers in relation to consultation and advertising services of RMB0.54 million and cash advances to staff of RMB0.21 million.

Cash and cash equivalents amounted to RMB8.62 million and represented 58.3% of the Xingnong Group's total current assets.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### *Current liabilities*

As at 31 December 2017, the Xingnong Group's current liabilities amounted to RMB50.75 million and represented 58.3% of its total liabilities. Current liabilities comprised trade payables, accruals and other payables, bank and other borrowings, lease liabilities, deferred government grants and income tax payable.

Trade payables amounted to RMB2.48 million and represented 4.9% of the Xingnong Group's total current liabilities.

Accruals and other payables amounted to RMB17.60 million and represented 34.7% of the Xingnong Group's total current liabilities. These mainly comprised (i) payables in respect of property, plant and equipment such as refrigeration and irrigation systems of RMB15.38 million; and (ii) payables of RMB1.00 million to Changsha Yannong in respect of the exclusive right to use the Fairy Gold kiwifruit variety.

Current portion of bank and other borrowings amounted to RMB30.00 million and represented 59.1% of the Xingnong Group's total current liabilities, and comprised (i) outstanding secured bank borrowings obtained by the Xingnong Group of RMB29.00 million to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements. Such bank borrowings bore effective interest at 8.28% per annum (or 0.69% per month) over the loan tenure of 5 years and are secured against the Xingnong Group's buildings, prepaid land lease payments and certain forest use rights certificates over the Xingnong Orchards; and (ii) outstanding unsecured other borrowings of RMB1.00 million for working capital purposes. Such unsecured other borrowings relate to a loan provided by an individual who is unrelated to the directors, key executives and shareholders of the Xingnong Group, was interest-free and has been fully repaid since FY2018. Please refer to Section A8 entitled "Capitalisation and Indebtedness" of Appendix A to this Circular for further details of the bank borrowings.

Current portion of lease liabilities relate to the forest use agreements over the Xingnong Orchards obtained by the Xingnong Group, and amounted to approximately RMB25,000.

Deferred government grants mainly relate to grants for the acquisition of property, plant and equipment and prepaid land use rights. The deferred government grants amounted to RMB0.48 million and represented 0.9% of the Xingnong Group's total current liabilities as at 31 December 2017.

Income tax payable in relation to the government grants amounted to RMB0.17 million.

### *Non-Current Liabilities*

As at 31 December 2017, non-current liabilities amounted to RMB36.32 million and represented 41.7% of the Xingnong Group's total liabilities, comprising bank and other borrowings, lease liabilities and deferred government grants.

Non-current portion of bank and other borrowings amounted to RMB12.52 million and represented 34.5% of the Xingnong Group's total non-current liabilities. Such amount related to loans from Shi Dongkai, the director of Xingnong Agriculture for working capital purposes, was unsecured, interest-free and was fully repaid in FY2018.

Non-current portion of lease liabilities relate to the forest use agreements over the Xingnong Orchards obtained by the Xingnong Group which amounted to RMB9.37 million and represented 25.8% of the Xingnong Group's total non-current liabilities as at 31 December 2017.

Non-current portion of deferred government grants for the Xingnong Group's acquisition of property, plant and equipment and land use rights amounted to RMB14.44 million and represented 39.7% of the Xingnong Group's total non-current liabilities.

### *Equity*

As at 31 December 2017, the Xingnong Group recorded total equity of RMB162.79 million.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### As at 31 December 2018

#### *Non-Current Assets*

As at 31 December 2018, the Xingnong Group's non-current assets amounted to RMB242.47 million, which represented 94.1% of its total assets. Non-current assets comprised property, plant and equipment, intangible assets and deposit paid for property, plant and equipment.

Property, plant and equipment amounted to RMB233.81 million, which represented 96.4% of its total non-current assets. Property, plant and equipment increased by RMB7.80 million as at 31 December 2018 mainly due to additions of bearer plants of RMB12.13 million, plant and machinery of RMB2.38 million, infrastructure and equipment for the Xingnong Orchards of RMB1.71 million and construction in progress with respect to development of the kiwifruits orchards of RMB1.59 million, partially offset by depreciation of property, plant and equipment of RMB10.33 million.

Intangible assets amounted to RMB6.90 million, which represented 2.8% of the Xingnong Group's total non-current assets, and were in relation to the Xingnong Group's patents and trademarks in relation to the various varieties of kiwifruits.

Deposit paid for property, plant and equipment amounted to RMB1.77 million, which represented 0.7% of the Xingnong Group's total non-current assets.

#### *Current Assets*

As at 31 December 2018, the Xingnong Group's current assets amounted to RMB15.17 million and represented 5.9% of its total assets. Such current assets comprised inventories and consumables, trade receivables, prepayments and other receivables, and cash and cash equivalents.

Inventories and consumables amounted to RMB3.63 million, and represented 23.9% of the Xingnong Group's total current assets. Such inventories and consumables comprised harvested kiwifruits of RMB1.87 million and consumables of RMB1.76 million. Inventories and consumables increased by RMB3.02 million as at 31 December 2018, in anticipation of Xingnong Group launching new online sales channels in the first quarter of 2019.

Trade receivables amounted to RMB3.23 million, and represented 21.3% of the Xingnong Group's total current assets. Such trade receivables comprised receivables pursuant to the sale of the harvested kiwifruit.

Prepayments and other receivables amounted to RMB1.16 million, and represented 7.6% of the Xingnong Group's total current assets. Such prepayments and other receivables comprised prepayments to suppliers and service providers in relation to consultation and advertising services of RMB0.91 million and cash advances to staff of RMB0.19 million.

Cash and cash equivalents amounted to RMB7.15 million and represented 47.2% of the Xingnong Group's total current assets.

#### *Current liabilities*

As at 31 December 2018, the Xingnong Group's current liabilities amounted to RMB28.8 million and represented 41.4% of its total liabilities. Current liabilities comprised trade payables, accruals and other payables, loan from a shareholder, bank and other borrowings, lease liabilities, deferred government grants, and income tax payable.

Trade payables amounted to RMB3.66 million and represented 12.7% of the Xingnong Group's total current liabilities.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Accruals and other payables amounted to RMB16.52 million and represented 57.3% of the Xingnong Group's total current liabilities. These mainly comprised (i) payables in respect of property, plant and equipment such as refrigeration and irrigation systems of RMB11.79 million; (ii) accrued expenses for daily operations, as well as professional fees for the Proposed Transactions of RMB3.70 million; and (iii) accrued staff costs of RMB0.85 million.

Loan from a shareholder amounted to RMB5.00 million and represented 17.3% of the Xingnong Group's total current liabilities. This was in relation to the remaining balance of a shareholder's loan from Wang Peng, the controlling shareholder of the Xingnong Group, which was unsecured and interest-free. Such shareholder's loan has been fully repaid since FY2019.

Current portion of bank and other borrowings amounted to RMB3.00 million and represented 10.4% of the Xingnong Group's total current liabilities. This relates to the secured bank borrowings obtained by the Xingnong Group in FY2018 to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements. Such secured bank borrowings bore effective interest at 8.28% per annum (or 0.69% per month) over the loan tenure of 5 years and are secured against the Xingnong Group's buildings and prepaid land lease payments. Please refer to **Section A8** entitled "Capitalisation and Indebtedness" of Appendix A to this Circular for further details of the bank borrowings.

Current portion of lease liabilities relate to the forest use agreements over the Xingnong Orchards obtained by the Xingnong Group, and amounted to approximately RMB27,000.

Deferred government grants mainly relate to grants for the acquisition of property, plant and equipment and prepaid land use rights. The current portion of the deferred government grants amounted to RMB0.48 million and represented 1.7% of the Xingnong Group's total current liabilities as at 31 December 2018.

Income tax payable in relation to the unconditional government grants amounted to RMB0.14 million.

### *Non-Current Liabilities*

As at 31 December 2018, non-current liabilities amounted to RMB40.80 million and represented 58.6% of the Xingnong Group's total liabilities. Such non-current liabilities comprised bank borrowings, lease liabilities and deferred government grants.

Non-current portion of bank borrowings amounted to RMB17.50 million and represented 42.9% of the Xingnong Group's total non-current liabilities. This relates to secured bank borrowings obtained by the Xingnong Group in FY2018 to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements. Such secured bank borrowing bore effective interest at 8.28% per annum (or 0.69% per month) over the loan tenure of 5 years and are secured against the Xingnong Group's buildings and prepaid land lease payments. Please refer to **Section A8** entitled "Capitalisation and Indebtedness" of Appendix A to this Circular for further details of the bank borrowings.

Non-current portion of lease liabilities relate to the forest use agreements over the Xingnong Orchards obtained by the Xingnong Group which amounted to RMB9.34 million and represented 22.9% of the Xingnong Group's total non-current liabilities as at 31 December 2018.

Non-current portion of the deferred government grants for the Xingnong Group's acquisition of property, plant and equipment and land use rights amounted to RMB13.96 million and represented 34.2% of the Xingnong Group's total non-current liabilities.

### *Equity*

As at 31 December 2018, the Xingnong Group recorded total equity of RMB188.01 million.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### As at 31 December 2019

#### *Non-Current Assets*

As at 31 December 2019, the Xingnong Group's non-current assets amounted to RMB254.86 million, which represented 78.8% of its total assets. Non-current assets comprised property, plant and equipment, intangible assets and deposit paid for property, plant and equipment.

Property, plant and equipment amounted to RMB241.33 million, which represented 94.7% of its total non-current assets. Property, plant and equipment increased by RMB7.53 million as at 31 December 2019 mainly due to additions of bearer plants of RMB11.75 million, plant and machinery of RMB2.1 million, infrastructure and equipment for the Xingnong Orchards of RMB0.86 million and construction in progress with respect to development of the Xingnong Orchards of RMB3.80 million, partially offset by depreciation of property, plant and equipment of RMB11.14 million.

Intangible assets amounted to RMB7.36 million, which represented 2.9% of the Xingnong Group's total non-current assets, and were in relation to the Xingnong Group's patents and trade marks in relation to the various varieties of kiwifruits.

Deposit paid for property, plant and equipment amounted to RMB6.17 million, which represented 2.4% of the Xingnong Group's total non-current assets. Deposits paid increased by RMB4.40 million as at 31 December 2019, which was mainly attributable to the acquisition of additional equipment for fruit sorting and packaging.

#### *Current Assets*

As at 31 December 2019, the Xingnong Group's current assets amounted to RMB68.69 million, which represented 21.2% of its total assets. Such current assets comprised inventories and consumables, trade receivables, prepayments and other receivables, and cash and cash equivalents.

Inventories and consumables amounted to RMB4.40 million, and represented 6.4% of the Xingnong Group's total current assets. Such inventories and consumables comprised apples and oranges of RMB2.54 million and consumables of RMB1.86 million. There were no harvested kiwifruits recognised as inventories as at 31 December 2019, as all of the harvested kiwifruits in FY2019 were fully sold as at 31 December 2019.

Trade receivables amounted to RMB7.62 million, and represented 11.1% of the Xingnong Group's total current assets. Such trade receivables comprised receivables pursuant to the sale of the harvested kiwifruit.

Prepayments and other receivables amounted to RMB2.81 million and represented 4.1% of the Xingnong Group's total current assets. Such prepayments and other receivables comprised prepayments to suppliers and service providers in relation to consultation and advertising services of RMB1.45 million, cash advances to staff of RMB1.02 million and deposits paid to online sales platform providers of RMB0.12 million.

Cash and cash equivalents amounted to RMB53.86 million and represented 78.4% of the Xingnong Group's total current assets.

#### *Current liabilities*

As at 31 December 2019, the Xingnong Group's current liabilities amounted to RMB140.46 million and represented 74.3% of its total liabilities. Current liabilities comprised trade payables, accruals and other payables, amounts due to the Previous Xingnong Shareholders, bank and other borrowings, lease liabilities, deferred government grants, and income tax payable.

Trade payables amounted to RMB9.40 million and represented 6.7% of the Xingnong Group's total current liabilities.

Accruals and other payables amounted to RMB10.0 million and represented 7.1% of the Xingnong Group's total current liabilities. These mainly comprised (i) payables in respect of property, plant and equipment such as refrigeration and irrigation systems of RMB3.60 million; (ii) accrued expenses for daily operations, as well as professional fees for the Proposed Transactions of RMB4.73 million; and (iii) accrued staff costs of RMB1.20 million.

Amounts due to the Previous Xingnong Shareholders amounted to RMB115.99 million and represented 82.6% of the

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Xingnong Group's total current liabilities. These arose from the Unpaid Consideration. In this regard, Great Resolute had on 2 December 2020, entered into a shareholder's loan agreement with Keen Wind (as amended by the deed of amendment dated 29 March 2021) pursuant to which Keen Wind agreed to grant the XN Loan to Great Resolute, to be repaid or waived by 31 May 2021 or such later date as the parties to the loan agreement may mutually agree. The XN Loan will be disbursed directly to a bank account belonging to Go National for the purpose of effecting full settlement of the Unpaid Consideration. The proposed Financial Controller of the Restructured Group (Ho Hin Yip) and the directors of Great Resolute (Wang Peng and David Zhao) and Go National (Wang Peng) will be responsible in overseeing the disbursement of the XN Loan from the date of the Shareholders' approval being obtained by the Company for the Proposed Transactions at the SGM and in any case no later than 31 May 2021.

Current portion of bank and other borrowings amounted to RMB4.40 million and represented 3.1% of the Xingnong Group's total current liabilities. This relates to the secured bank borrowings obtained by the Xingnong Group in each of FY2018 and FY2019 to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements. Such secured bank borrowings bore effective interest at 8.28% per annum (or 0.69% per month) over the loan tenure of 4 years and 2 months to 5 years and are secured against the Xingnong Group's buildings, prepaid lease payments and certain forest use rights certificates over the Xingnong Orchards. Please refer to **Section A8** entitled "Capitalisation and Indebtedness" of Appendix A to this Circular for further details of the bank borrowings.

Current portion of lease liabilities relate to the forest use agreements over the Xingnong Orchards obtained by the Xingnong Group, which amounted to approximately RMB29,000.

Deferred government grants mainly relate to grants for the acquisition of property, plant and equipment and prepaid land use rights. The current portion of the deferred government grants amounted to RMB0.48 million and represented 0.3% of the Xingnong Group's total current liabilities as at 31 December 2019.

Income tax payable in relation to the unconditional government grants amounted to RMB0.17 million.

### *Non-Current Liabilities*

As at 31 December 2019, non-current liabilities amounted to RMB48.49 million and represented 25.7% of the Xingnong Group's total liabilities. Such non-current liabilities comprised other payables, bank and other borrowings, lease liabilities and deferred government grants.

Other payables amounted to RMB0.30 million and represented 0.6% of the Xingnong Group's total non-current liabilities. Such payables arose pursuant to the acquisition of licenses and trademarks in relation to the various varieties of kiwifruits.

Non-current portion of the bank borrowings amounted to RMB25.40 million and represented 52.4% of the Xingnong Group's total non-current liabilities. This relates to the secured bank borrowings obtained by the Xingnong Group in each of FY2018 and FY2019 to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements. Such secured bank borrowings bore effective interest at 8.28% per annum (or 0.69% per month) over the loan tenure of 4 years and 2 months to 5 years and are secured against the Xingnong Group's buildings, prepaid land lease payments and certain forest use rights certificates over the Xingnong Orchards. Please refer to **Section A8** entitled "Capitalisation and Indebtedness" of Appendix A to this Circular for further details of the bank borrowings.

Non-current portion of lease liabilities relate to the forest use agreements over the Xingnong Orchards obtained by the Xingnong Group, which amounted to RMB9.31 million and represented 19.2% of the Xingnong Group's total non-current liabilities as at 31 December 2019.

Non-current portion of deferred government grants for the Xingnong Group's acquisition of property, plant and equipment and land use rights amounted to RMB13.48 million and represented 27.8% of the Xingnong Group's total non-current liabilities.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### *Equity*

As at 31 December 2019, the Xingnong Group recorded total equity of RMB134.60 million.

#### **As at 30 September 2020**

### *Non-Current Assets*

As at 30 September 2020, the Xingnong Group's non-current assets amounted to RMB251.49 million, and represented 65.6% of its total assets. Such non-current assets comprised property, plant and equipment, intangible assets and deposit paid for property, plant and equipment.

Property, plant and equipment amounted to RMB244.1 million, and represented 97.1% of its total non-current assets. Property, plant and equipment increased by RMB2.79 million as at 30 September 2020 mainly due to addition of plant and machinery of RMB6.21 million and bearer plants of RMB4.94 million, partially offset by depreciation of property, plant and equipment of RMB8.93 million.

Intangible assets amounted to RMB7.04 million, which represented 2.8% of the Xingnong Group's total non-current assets, and were in relation to the Xingnong Group's patents and trademarks in relation to the various varieties of kiwifruits.

Deposit paid for property, plant and equipment amounted to RMB0.33 million, which represented 0.1% of the Xingnong Group's total non-current assets. Deposits paid decreased by RMB5.84 million as at 30 September 2020 as certain of such acquired equipment for fruit sorting and packaging was ready for use and the relevant balance was transferred to property, plant and equipment.

### *Current Assets*

As at 30 September 2020, the Xingnong Group's current assets amounted to RMB131.9 million, which represented 34.4% of its total assets. Such current assets comprised inventories and consumables, trade receivables, prepayments and other receivables, and cash and cash equivalents.

Inventories and consumables amounted to RMB21.73 million and represented 16.5% of the Xingnong Group's total current assets. Such inventories and consumables comprised harvested kiwifruits of RMB19.45 million and consumables of RMB2.28 million.

Trade receivables amounted to RMB84.05 million, and represented 63.7% of the Xingnong Group's total current assets. Such trade receivables comprised receivables pursuant to the sale of the harvested kiwifruit and sale of apples and oranges.

Prepayments and other receivables amounted to RMB2.30 million and represented 1.7% of the Xingnong Group's total current assets. Such prepayments and other receivables mainly comprised prepayments to suppliers and service providers in relation to consultation and advertising services of RMB1.42 million, cash advances to staff of RMB0.29 million, value-added tax receivables of RMB0.20 million and deposits paid to online sales platform providers of RMB0.31 million.

Cash and cash equivalents amounted to RMB23.85 million and represented 18.1% of the Xingnong Group's total current assets.

### *Current liabilities*

As at 30 September 2020, the Xingnong Group's current liabilities amounted to RMB142.48 million and represented 76.6% of its total liabilities. Current liabilities comprised trade payables, accruals and other payables, amounts due to the Previous Xingnong Shareholders, bank and other borrowings, lease liabilities, deferred government grants, and income tax payable.

Trade payables amounted to RMB12.16 million and represented 8.5% of the Xingnong Group's total current liabilities.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Accruals and other payables amounted to RMB9.12 million and represented 6.4% of the Xingnong Group's total current liabilities. These mainly comprised (i) payables in respect of property, plant and equipment such as refrigeration and irrigation systems of RMB0.36 million; (ii) accrued expenses for daily operations, as well as professional fees for the Proposed Transactions of RMB5.55 million; and (iii) accrued staff costs of RMB2.89 million.

Amounts due to the Previous Xingnong Shareholders amounted to RMB115.99 million and represented 81.4% of the Xingnong Group's total current liabilities. These arose from the Unpaid Consideration in respect of the Xingnong Equity Transfer Agreements. As at the date of this Circular, the XN Loan has yet been disbursed to Go National.

Current portion of bank borrowings amounted to RMB4.40 million and represented 3.1% of the Xingnong Group's total current liabilities. This relates to the secured bank borrowings obtained by the Xingnong Group in each of FY2018 and FY2019 to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements. Such secured bank borrowings bore effective interest at 8.28% per annum (or 0.69% per month) over the loan tenure of 4 years and 2 months to 5 years and are secured against the Xingnong Group's buildings, prepaid land lease payment and certain forest use rights certificates over the Xingnong Orchards. Please refer to **Section A8** entitled "Capitalisation and Indebtedness" of Appendix A to this Circular for further details of the bank borrowings.

Current portion of lease liabilities relate to the forest use agreements over the Xingnong Orchards obtained by the Xingnong Group, which amounted to approximately RMB31,000.

Deferred government grants mainly relate to grants for the acquisition of property, plant and equipment and prepaid land use rights. The current portion of the deferred government grants amounted to RMB0.48 million and represented 0.3% of the Xingnong Group's total current liabilities as at 30 September 2020.

Income tax payable in relation to the unconditional government grants amounted to RMB0.29 million.

### *Non-Current Liabilities*

As at 30 September 2020, non-current liabilities amounted to RMB43.51 million and represented 23.4% of the Xingnong Group's total liabilities. Such non-current liabilities comprised other payables, bank and other borrowings, lease liabilities and deferred government grants.

Other payables amounted to RMB0.30 million and represented 0.7% of the Xingnong Group's total non-current liabilities. Such payables arose pursuant to the acquisition of patents and trademarks in relation to the various varieties of kiwifruits.

Non-current portion of bank borrowings amounted to RMB21.0 million and represented 48.3% of the Xingnong Group's total non-current liabilities. This relates to the secured bank borrowings obtained by the Xingnong Group in each of FY2018 and FY2019 to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements. Such secured bank borrowings bore effective interest at 8.28% per annum (or 0.69% per month) over the loan tenure of 4 years and 2 months to 5 years and are secured against the Xingnong Group's buildings, prepaid land lease payments and certain forest use rights certificates over the Xingnong Orchards. Please refer to **Section A8** entitled "Capitalisation and Indebtedness" of Appendix A to this Circular for further details of the bank borrowings.

Non-current portion of lease liabilities relate to the forest use agreements over the Xingnong Orchards obtained by the Xingnong Group, which amounted to RMB9.09 million and represented 20.9% of the Xingnong Group's total non-current liabilities as at 30 September 2020.

Non-current portion of deferred government grants for the Xingnong Group's acquisition of property, plant and equipment and land use rights amounted to RMB13.12 million and represented 30.2% of the Xingnong Group's total non-current liabilities.

### *Equity*

As at 30 September 2020, the Xingnong Group recorded total equity of RMB197.4 million.



## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A7.8 Capital Expenditures and Divestments, Commitments and Contingent Liabilities

Majority of the Xingnong Group's capital expenditure comprised additions of plant and machinery, computer equipment, transportation equipment, farmland infrastructure and equipment such as sprinkler systems and agricultural scaffolding to be installed in the Xingnong Orchards, construction in progress, buildings, bearer plants and right-of-use assets such as prepaid land lease payments and the woodlands in which the Xingnong Orchards are situated.

The capital expenditure and divestments for the Period Under Review, and from 1 October 2020 up to the Latest Practicable Date were as follows:

(RMB'000)	FY2017	FY2018	FY2019	9M2020	1 October 2020 to the Latest Practicable Date
	Audited	Audited	Audited	Audited	Unaudited
<b>Capital Expenditure</b>					
Plant and machinery	1,096	2,377	2,991 <sup>(3)</sup>	6,239 <sup>(6)</sup>	3,154 <sup>(8)</sup>
Computer equipment	230	181	2,919 <sup>(4)</sup>	332	10
Transportation equipment	654	361	30	89	-
Farmland infrastructure and equipment	1,097 <sup>(1)</sup>	1,711	860	104	62
Construction in progress	-	1,588 <sup>(2)</sup>	3,801 <sup>(2)</sup>	133 <sup>(2)</sup>	491
Buildings	-	-	-	-	718
Bearer plants	8,592	12,131	11,752	4,935	7,925
Right-of-use assets	-	-	-	-	-
<b>Capital Divestment</b>					
Plant and machinery	-	-	-	-	-(7)
Construction in progress	162 <sup>(1)</sup>	-	3,616 <sup>(3)(4)</sup>	-(6)	1,876 <sup>(8)</sup>
Transportation equipment	-	8	1	-	-
Farmland infrastructure and equipment	-	-	37	-	-
Bearer plants <sup>(5)</sup>	3,072	220	37	88	77

**Notes:**

- (1) Includes transfer from construction in progress of RMB0.16 million.
- (2) Such construction in progress mainly comprise kiwifruit orchard infrastructure.
- (3) Includes transfer from construction in progress of RMB0.87 million.
- (4) Includes transfer from construction in progress of RMB2.75 million.
- (5) Such bearer plants are written off due to deterioration.
- (6) Includes transfer from construction in progress of RMB0.03 million.
- (7) Disposal of plant and machinery with net book value of RMB193.
- (8) Includes transfer from construction in progress of RMB1.88 million

The above capital expenditures were financed by bank and other borrowings, shareholder's loans (Wang Peng) and loans from a director of Xingnong Agriculture (Shi Dongkai), other external loans and borrowings and internally generated funds.

The above divestment of transportation equipment, and farmland infrastructure and equipment were in relation to assets written-off as they were no longer in working order.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Commitments

#### *Capital Commitments*

From 1 October 2020 up to the Latest Practicable Date, the Xingnong Group has committed to the purchase of approximately RMB29,000 of property, plant and equipment such as industrial fans and a packaging machine. Such capital commitment is financed by internally generated funds.

#### *Finance Lease Commitments*

As at the Latest Practicable Date, the Xingnong Group does not have any finance lease commitments which are not recognised on its statements of financial position.

### Contingent Liabilities

As at the Latest Practicable Date, the Xingnong Group does not have any contingent liabilities.

### A7.9. Foreign Exchange Management

The Xingnong Group's reporting currency is RMB and operations of Xingnong Agriculture, the sole operating subsidiary of the Xingnong Group, are carried out in PRC. Accordingly, the Xingnong Group transacts mainly in RMB and denomination of other currencies, such as Hong Kong dollars, is not material.

The accounting records for the companies in the Xingnong Group are maintained in their respective functional currencies of HK\$ and RMB. In the preparation of the consolidated financial statements of the Xingnong Group, the financial statements of the non-PRC entities within the Xingnong Group have been translated at the rate of exchange ruling at the balance sheet date except share capital and reserves which are translated at historical exchange rate and income statement items which are translated at the average exchange rate for the financial year/period. Exchange differences arising from the above translation are reclassified in other comprehensive income and accumulated in the equity as foreign exchange reserve.

Transactions in foreign currencies are recorded at the exchange rates when the transactions occur. Foreign currency monetary assets and liabilities at the end of the reporting period are translated into functional currency at exchange rates at that date. All resultant exchange differences are dealt with through the consolidated statements of comprehensive income.

The Xingnong Group's net foreign exchange gain/loss for the Period Under Review arose from the translation of foreign currency monetary assets and liabilities into the functional currency, and were insignificant and therefore not meaningful to be expressed as percentages of revenue and profit/(loss) before tax.

At present, the Xingnong Group does not have any formal policy for hedging against foreign exchange exposure. The Xingnong Group will continue to monitor its foreign exchange exposure, if any, and may employ hedging instruments to manage the Xingnong Group's foreign exchange exposure should the need arises. The Xingnong Group may also put in place, where necessary and if the need arises, procedures to hedge its exposure to foreign currency fluctuations. Prior to implementing any formal hedging policies, the Xingnong Group will seek the approval of the Proposed Directors and put in place adequate control procedures which shall be reviewed and approved by the Audit Committee. Thereafter, all hedging transactions entered into by the Xingnong Group will be undertaken in accordance with the set policies and procedures.

### A7.10. Inflation

Inflation did not have a material impact on the Xingnong Group's financial performance in the Period Under Review.

### A7.11. Order Book

The Xingnong Group does not consider the concept of an order book relevant to the Kiwifruit Business, as the group does not enter into long-term contracts or provide firm kiwifruit sale commitments to its customers. Kiwifruits are sold to customers upon their harvest on a 'spot' basis.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A8. CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with **Sections A6 and A7** entitled “Selected Consolidated Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Appendix A to this Circular respectively and the Xingnong Group’s historical financial statements and the notes thereto included in this Circular in their entirety.

The following table sets out the Xingnong Group’s cash and cash equivalents, capitalisation and indebtedness as at 28 February 2021, which have been prepared based on the Xingnong Group’s unaudited consolidated management accounts as at 28 February 2021.

	<b>As of 28 February 2021 (RMB’000)</b>
<b>Cash and cash equivalents</b>	101,986
Current Indebtedness	
Secured and non-guaranteed	4,400
Secured and guaranteed	-
Unsecured and non-guaranteed	115,990
Unsecured and guaranteed	-
Non-Current Indebtedness	
Secured and non-guaranteed	21,000
Secured and guaranteed	-
Unsecured and non-guaranteed	-
Unsecured and guaranteed	-
<b>Total Indebtedness</b>	141,390
<b>Total equity</b>	188,949
<b>Total capitalisation and indebtedness</b>	330,339

As at the Latest Practicable Date, there are no material changes in the total capitalisation and indebtedness as disclosed above, save for scheduled repayments on the Xingnong Group’s bank borrowings, changes in its working capital and reserves arising from its day-to-day operations in the ordinary course of its business.

As at the Latest Practicable Date, the Xingnong Group’s cash and cash equivalents amounted to RMB100.37 million. The Joint Auditors of the Current Group and Joint Reporting Accountants in respect of the Proposed Transactions are performing certain procedures, including obtaining bank and cash confirmations, inspecting bank statements and bank reconciliations on the cash and cash equivalents as at the Latest Practicable Date. The Company will make an announcement on the SGXNET following the outcome of the aforementioned cash audit procedures in due course prior to the SGM. Should there be any material changes to such cash and cash equivalents balance post-cash audit, an updated Circular shall be re-lodged with the SGX-ST and thereafter be despatched to Shareholders.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### Borrowings

#### Bank Borrowings

As at the Latest Practicable Date, the Xingnong Group's bank borrowings from financial institutions are as follows:

Financial institution	Nature of banks borrowings	Amount of Bank borrowings (RMB '000)	Amount owing (RMB'000)	Interest Rate	Maturity profile
Chibi Rural Commercial Bank	2018 Fixed Assets Loan <sup>(1)</sup>	22,000	14,500	0.69% per month	5 years from 26 March 2018
Chibi Rural Commercial Bank	2019 Fixed Assets Loan <sup>(2)</sup>	13,000	10,900	8.28% per year	50 months from 24 January 2019

#### Notes:

- (1) Secured by land use rights and building ownership rights at Jianshe Road, Chimagang Office, in Chibi City in the PRC, further details on these land use rights and building ownership rights are set out in **Section A3.12** entitled "Material Properties and Fixed Assets" of Appendix A to this Circular.
- (2) Secured by certain forest use rights certificates over the Xingnong Orchards, as indicated in the column entitled "Encumbrance" in the table set out in **Appendix J** entitled "List of Forest/Land Use Rights" of this Circular.

As at the Latest Practicable Date, each of the 2018 Fixed Assets Loan and 2019 Fixed Assets Loan is fully utilised.

Each of the 2018 Fixed Assets Loan and 2019 Fixed Assets Loan contains the following restrictive provisions:

- (a) no dividends may be distributed without the consent of Chibi Rural Commercial Bank before the respective loan is paid off; and
- (b) in the event of a restructuring, Xingnong Agriculture must notify and seek the prior written consent of Chibi Rural Commercial Bank 30 days in advance, and implement the repayment guarantee measures as required. Should Xingnong Agriculture fail to repay the principal and interests as requested by Chibi Rural Commercial Bank, the bank may enforce the mortgage by exercising its power of sale under the mortgage (including by way of an auction) and applying the sale proceeds towards repayment of the outstanding loan. If the parties fail to reach an agreement as to the enforcement method, Chibi Rural Commercial Bank may directly apply to the The People's Court of the PRC for the auction or sale of the properties subject to the mortgage.

On 16 August 2018 and 21 June 2019, Xingnong Agriculture obtained consent from Chibi Rural Commercial Bank for the Xingnong Group Restructuring Exercise pursuant to the 2018 Fixed Assets Loan and the 2019 Fixed Assets Loan respectively, but have not obtained the approval from Chibi Rural Commercial Bank to discharge the restrictive covenants which are common and standard covenants for credit facilities in the PRC, relating to dividend distribution in both loan agreements. Under the current circumstances, there is no assurance that dividends will be paid by the Xingnong Group to the Company in the future or as to the amount or timing of any dividends that will be paid. Please refer to **Section 9.3(e)** entitled "Risks relating to the Shares - The Restructured Group may not be able to pay dividends to Shareholders upon Completion" of this Circular for further details on such implications.

Chibi Rural Commercial Bank had issued a notification letter on 13 June 2019, informing Xingnong Agriculture of its agreement to grant a RMB25.0 million loan for working capital purposes, and such letter having a validity period of two (2) years from the date of issue. The loan will be effective upon (i) entry into a facility agreement between the parties within the validity period, and (ii) pledging of certain forest use rights certificates over the Xingnong Orchards as securities for the loan. As at the Latest Practicable Date, Xingnong Agriculture has yet to enter into a facility agreement in relation to, and therefore has not drawn down, the proposed loan.

To the best of the Proposed Directors' knowledge and belief, the Xingnong Group is not in breach of any of the terms and conditions or covenants associated with any of its financing arrangements which could materially affect its financial position and results or business operations, or the investments of its shareholders.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Save as disclosed above and in **Section A2.4** entitled “Restructuring Exercise in respect of Xingnong Agriculture” of this Circular, as at the Latest Practicable Date, the Xingnong Group does not have any committed credit facilities or material unused sources of liquidity.

### A9. LIQUIDITY AND CAPITAL RESOURCES OF THE RESTRUCTURED GROUP

The Xingnong Group’s operations were financed through a combination of equity (including accumulated profits), net cash generated from operating activities, shareholder’s loans (Wang Peng) and loans from a director of Xingnong Agriculture (Shi Dongkai), and external loans and borrowings from its principal banker. The Xingnong Group’s principal uses of cash have been for the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements.

As at the Latest Practicable Date, the outstanding bank borrowings which bore effective interest at 8.28% per annum (or 0.69% per month) and are secured against the Xingnong Group’s buildings, prepaid land lease payments, and certain forest use rights certificates over the Xingnong Orchards, amounted to approximately RMB25.4 million. Such bank borrowings shall mature in March and May 2023. As at the Latest Practicable Date, the outbreak of the COVID-19 pandemic has not had any impact on the material sources of liquidity of the Xingnong Group. Please refer to **Section A8** entitled “Capitalisation and Indebtedness” of Appendix A to this Circular for further details.

The Xingnong Group recorded net current liabilities in the Period Under Review. The net current liability positions as at 31 December 2017 and 2018 were mainly due to (i) short-term bank and other borrowings secured to finance the purchases of property, plant and equipment, acquisition of forest use rights over the Xingnong Orchards and general working capital purposes. The “other borrowings” related to loans from a director of Xingnong Agriculture and independent third parties, which were fully repaid in FY2018; (ii) accruals and other payables in relation to the property, plant and equipment, and accrued professional fees in connection to the Proposed Transactions; and (iii) short-term shareholder’s loan from Wang Peng for general working capital purposes, which were fully repaid in FY2019.

The net current liabilities positions as at 31 December 2019 and 30 September 2020 mainly arose from the Unpaid Consideration due to the Previous Xingnong Shareholders pursuant to the Xingnong Equity Transfer Agreements, which was a necessary restructuring step to facilitate the completion of the Xingnong Acquisition. On 2 December 2020, the Xingnong Group secured the XN Loan, which will be disbursed upon satisfaction of the Release Condition and in any case no later than 31 May 2021, and shall pursuant to the Deeds of Release and Discharge (as amended by the respective deeds of amendment dated 29 March 2021), be irrevocably and unconditionally waived by Keen Wind upon the satisfaction of the Release Condition, and in any case no later than 1 June 2021.

For illustrative purposes only and assuming the Unpaid Consideration is fully settled with the proceeds from the XN Loan, and pursuant to the Deeds of Release and Discharge as at 30 September 2020, the Xingnong Group would have recorded a net current asset position of RMB105.4 million as at 30 September 2020.

The Xingnong Group had generated net cash flows from operating activities during the Period Under Review, except for the interim financial periods of 9M2019 and 9M2020. The negative operating cash flows in the interim financial periods were due to timing differences on the sale of harvested kiwifruits, and the collection of cash proceeds arising from such sales. The Xingnong Group’s kiwifruit harvest season takes place annually from August to September, with sales of such harvested kiwifruit taking place between September and December. Cash proceeds from such sales will be collected thereafter, within the typical credit period granted to customers of up to 45 days. Please refer to **Sections A3.3 and A3.8** entitled “Business Operations” and “Credit Management” of Appendix A to this Circular for more details. The Xingnong Group recorded trade receivables of RMB84.1 million as at 30 September 2020, on the back of revenue of RMB90.0 million mainly from the sale of the harvested kiwifruits. Most of such outstanding trade receivables were current and within their respective credit period. As at the Latest Practicable Date, all such outstanding trade receivables had been fully collected.

As at 30 September 2020 and the Latest Practicable Date, the Xingnong Group had cash and cash equivalents amounting to RMB23.85 million and RMB100.37 million respectively.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

The Proposed Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account (i) the net cash generated from the Xingnong Group's operating activities; (ii) its existing cash and cash equivalents; (iii) the impact of the COVID-19 pandemic outbreak on the Xingnong Group; (iv) credit facilities that could be made available to the Xingnong Group; and (v) the XN Loan and the Deeds of Release and Discharge, the working capital available to the Xingnong Group as at the date of this Circular is sufficient for its present requirements and for at least 12 months after Completion and (if applicable) the date of the Proposed Listing Transfer (whichever is later).

The Proposed Sponsor is of the reasonable opinion that, after having made due and careful enquiry and after taking into account (i) the net cash generated from the Xingnong Group's operating activities; (ii) its existing cash and cash equivalents; (iii) the impact of the COVID-19 pandemic outbreak on the Xingnong Group; (iv) credit facilities that could be made available to the Xingnong Group; and (v) the XN Loan and the aforementioned Deeds of Release and Discharge, the working capital available to the Xingnong Group as at the date of this Circular is sufficient for its present requirements and for at least 12 months after Completion and (if applicable) the date of the Proposed Listing Transfer (whichever is later).

Below is a summary of the Xingnong Group's consolidated statements of cash flows for the Period Under Review. The following net cash flow summary should be read in conjunction with the full text of this Circular, including the "Audited Consolidated Financial Statements of the Xingnong Group for FY2017, FY2018, FY2019 and 9M2020" as set out in Appendix C to this Circular.

(RMB'000)	FY2017 (Audited)	FY2018 (Audited)	FY2019 (Audited)	9M2019 (Unaudited)	9M2020 (Audited)
Net cash from/(used in) operating activities	26,892	32,033	54,066	(14,034)	(20,040)
Net cash used in investing activities	(7,270)	(13,724)	(17,684)	(13,157)	(2,988)
Net cash (used in)/from financing activities	(20,572)	(19,775)	10,325	26,649	(6,986)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(950)</b>	<b>(1,466)</b>	<b>46,707</b>	<b>(542)</b>	<b>(30,014)</b>
Cash and cash equivalents at the beginning of the financial year/period	9,569	8,619	7,153	7,153	53,860
<b>Cash and cash equivalents at the end of the financial year/period</b>	<b>8,619</b>	<b>7,153</b>	<b>53,860</b>	<b>6,611</b>	<b>23,846</b>

### **FY2017**

Cash generated from operations amounted to RMB26.89 million, which was a result of operating loss before working capital changes of RMB9.05 million and net cash generated from working capital changes of RMB36.83 million. This was mainly due to (i) a decrease in inventories and consumables of RMB41.48 million, mainly arising from an increase in sales of kiwifruit and an effect of the biological asset valuation which resulted in a higher fair value less cost to sell per kg of kiwifruits; (ii) an increase in trade payables of RMB2.02 million; partially offset by (i) an increase in trade receivables of RMB4.77 million and (ii) decrease in accruals and other payables of RMB2.00 million. The Xingnong Group's cash flows from operations was reduced by income taxes paid of RMB0.88 million in FY2017. As a result, net cash generated from operating activities amounted to RMB26.89 million.

Net cash used in investing activities of RMB7.27 million was mainly due to (i) payments for bearer plants of RMB3.01 million as the Xingnong Group scaled up its kiwifruit cultivation operations; (ii) purchases of property, plant and equipment of RMB2.90 million; and (iii) deposits paid for property, plant and equipment of RMB1.53 million partially offset by proceeds from government grants for the acquisition of property, plant and equipment and prepaid land use rights of RMB0.15 million.

Net cash used in financing activities of RMB20.57 million was mainly due to (i) repayment of bank and other borrowings of RMB34.85 million and (ii) interest paid on bank and other borrowings of RMB2.94 million; partially offset by proceeds from bank and other borrowings of RMB18.00 million.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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As a result of the above, the Xingnong Group recorded a net decrease in cash and cash equivalents of RMB0.95 million and as at 31 December 2017, the Xingnong Group's cash and cash equivalents amounted to RMB8.62 million.

### **FY2018**

Cash generated from operations amounted to RMB32.03 million, as a result of operating loss before working capital changes of RMB17.99 million and the net cash generated from working capital of RMB50.20 million. This was mainly due to (i) a decrease in inventories and consumables of RMB49.35 million, mainly arising from an increase in sales of kiwifruit and an effect of the biological asset valuation which resulted in a higher fair value less cost to sell per kg of kiwifruits; (ii) a decrease in trade receivables of RMB1.54 million; (iii) an increase in trade payables of RMB1.18 million and, partially offset by (i) a decrease in accruals and other payables of RMB1.21 million; and (ii) an increase in prepayments and other receivables of RMB0.66 million. The Xingnong Group's cash flows from operations was reduced by income taxes paid of RMB0.18 million. As a result, net cash generated from operating activities in FY2018 amounted to RMB32.03 million.

Net cash used in investing activities of RMB13.72 million was mainly due to (i) payments for bearer plants of RMB7.54 million as the Xingnong Group scaled up its kiwifruit cultivation operations; (ii) purchases of property, plant and equipment of RMB5.06 million; and (iii) deposits paid for property, plant and equipment of RMB1.19 million.

Net cash used in financing activities of RMB19.78 million was mainly due to (i) repayment of loans from Wang Peng, the controlling shareholder of the Xingnong Group of RMB35.00 million; (ii) repayment of bank and other borrowings of RMB53.02 million; and (iii) interest paid on bank borrowings of RMB1.97 million, partially offset by (i) proceeds from a new loan of RMB40.00 million from Wang Peng for working capital purposes; and (ii) proceeds from additional bank and other borrowings of RMB31.00 million to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital purposes.

As a result of the above, there was a net decrease in cash and cash equivalents of RMB1.47 million and as at 31 December 2018, the Xingnong Group's cash and cash equivalents amounted to RMB7.15 million.

### **FY2019**

Cash generated from operations amounted to RMB54.07 million, as a result of operating loss before working capital changes of RMB16.27 million and the net cash generated from working capital of RMB71.90 million. This was mainly due to (i) a decrease in inventories and consumables of RMB79.93 million, mainly arising from an increase in sales of kiwifruits and an effect of the biological asset valuation which resulted in a higher fair value per kg of kiwifruits; (ii) an increase in trade payables of RMB5.74 million, partially offset by (i) a decrease in accruals and other payables of RMB7.72 million due to the settlement of such payables; (ii) an increase in trade receivables of RMB4.39 million; and (iii) an increase in prepayments and other receivables of RMB1.66 million. The Xingnong Group's cash flows from operations was reduced by income taxes paid of RMB1.56 million. As a result, net cash generated from operating activities in FY2019 amounted to RMB54.07 million.

Net cash used in investing activities of RMB17.68 million was mainly due to (i) payments for bearer plants of RMB6.82 million as the Xingnong Group scaled up its kiwifruit cultivation operations; (ii) purchases of property, plant and equipment of RMB5.22 million; (iii) deposits paid for property, plant and equipment of RMB5.36 million; and (iv) acquisition of patents and trademarks of the various varieties of kiwifruits of RMB0.33 million.

Net cash generated from financing activities of RMB10.33 million was mainly due to (i) proceeds from additional bank and other borrowings of RMB13.00 million to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital purposes; (ii) capital injection from the Previous Xingnong Shareholders of RMB9.20 million for working capital purposes, (iii) proceeds from loans from Wang Peng of RMB12.00 million, partially offset by (i) repayment of loans from Wang Peng of RMB17.00 million; (ii) repayment of bank and other borrowings of RMB3.70 million; (iii) interest paid on bank borrowings of RMB2.39 million; and (iii) repayment of principal and interest on lease liabilities of RMB0.79 million.

As a result of the above, there was a net increase in cash and cash equivalents of approximately RMB46.71 million and as at 31 December 2019, the Xingnong Group's cash and cash equivalents amounted to approximately RMB53.86 million.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### 9M2020

Cash used in operating activities amounted to RMB19.87 million, as a result of operating loss before working capital of RMB17.33 million and the net cash used in working capital changes of RMB2.54 million. This was mainly due to (i) an increase in trade receivables of RMB76.44 million as most of the kiwifruit sales occurred after the harvest season in and around September 2020; and (ii) a decrease in accruals and other payables of RMB0.88 million, partially offset by (i) decrease in inventories and consumables of RMB71.49 million due to sales of the harvested kiwifruits and apples and oranges; and (ii) increase in trade payables of RMB 2.76 million. The Xingnong Group's cash flows from operations was reduced by income taxes paid of RMB0.17 million. As a result, net cash used in operating activities in 9M2020 amounted to RMB20.04 million.

Net cash used in investing activities of RMB2.99 million was mainly due to (i) payments for bearer plants of RMB1.77 million as the Xingnong Group scaled up its kiwifruit cultivation operations; (ii) purchases of property, plant and equipment of RMB0.96 million; and (iii) deposit paid for property, plant and equipment of RMB0.33 million.

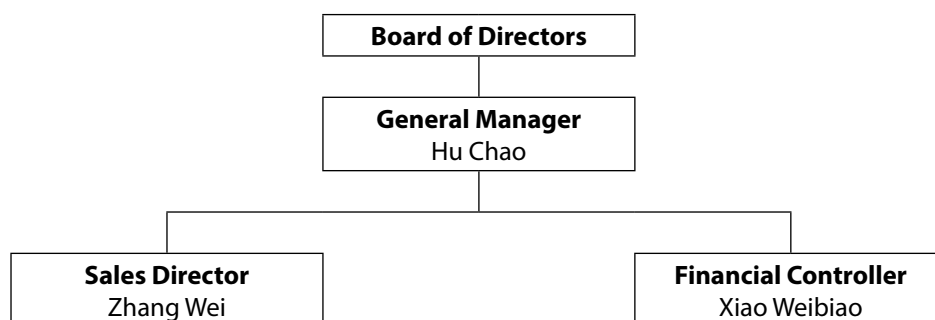
Net cash used in financing activities of RMB6.99 million was due to (i) repayment of bank and other borrowings of RMB4.40 million; (ii) interest paid on bank and other borrowings of RMB1.80 million; and (iii) repayment of principal and interest on lease liabilities of RMB0.79 million.

As a result of the above, there was a net decrease in cash and cash equivalents of RMB30.01 million and as at 30 September 2020, the Xingnong Group's cash and cash equivalents amounted to RMB23.85 million.

### A10. XINGNONG GROUP DIRECTORS AND EXECUTIVE OFFICERS

#### A10.1. Management Reporting Structure

As at the Latest Practicable Date, the management reporting structure of the Xingnong Group is as follows:



#### A10.2. GR Directors

The GR Directors are entrusted with the responsibility for the Xingnong Group's overall management and direction.

The following table sets forth information regarding the GR Directors as at the Latest Practicable Date. There would be no change to the composition of the directors of Great Resolute after completion of the Proposed Transactions.

Name	Age	Address	Designation
Wang Peng	46	15, 4 Building, 33 Jingqi Road, Jinshui District, Zhengzhou City, Henan Province, the People's Republic of China	GR Director
David Zhao	51	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the People's Republic of China	GR Director



## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

It is envisaged that David Zhao will also be a Proposed New Director to be appointed to the Board of Directors of the Company upon Completion. Please refer to **Section 9.6** entitled “Proposed Directors” of this Circular for information on his business and working experience, educational and professional qualifications, if any, and areas of responsibilities.

Information on Wang Peng’s business and working experience, educational and professional qualifications, if any, and areas of responsibilities is set out below:

**WANG PENG** is a director of Great Resolute and Go National and was appointed to the board of directors of both entities on 20 March 2018 and 5 January 2018 respectively. As a Director of GR, Wang Peng is responsible for the investment management aspect of the company.

Wang Peng is a director of Synear and the Controlling Shareholder, a director, general manager and legal representative of Zhengzhou Synear. Synear was listed on the Main Board of SGX-ST in August 2006, and subsequently delisted in 2013. Established in 1997, Synear and its subsidiaries were one of the largest quick freeze food producers in the PRC, producing a variety of traditional Chinese staple food products including savory dumplings, sweet dumplings and other specialty desserts and snacks. Such products are distributed to supermarkets, retail outlets and stores across more than 20 provinces in the PRC. Synear is based in Zhengzhou City, Henan Province, the PRC and its brand “思念” was ranked as “中国500最具价值品牌” “China’s 500 Most Valuable Brands” by World Brand Laboratory for nine (9) consecutive years from 2004 to 2012. Wang Peng obtained a Bachelor of Engineering from Zhengzhou University of Technology in 1996, and an Executive Master of Business Administration in 2012 from China Europe International Business School.

### A10.3. Xingnong Agriculture Directors

As at the Latest Practicable Date, the directors of Xingnong Agriculture are (i) Hu Chao, the proposed CEO and Proposed New Director of the Company post-Completion; (ii) Shi Dongkai, the current General Manager (Finance) of the Current Group; (iii) Jia Guobiao, the current Non-Executive and Non-Independent Director of the Company; (iv) Xu Bin and (v) Xiao Weibiao, the proposed Accounting Director of the Company post-Completion.

As Shi Dongkai, Jia Guobiao and Xu Bin are not involved in the management and daily operations of Xingnong Agriculture, they will cease to be directors of Xingnong Agriculture upon Completion and will not be employed in any capacity in the Restructured Group.

Post-Completion, the proposed board of directors of Xingnong Agriculture shall comprise Hu Chao, Xiao Weibiao and David Zhao.

The composition of the board of directors of Xingnong Agriculture before and after completion of the Proposed Transactions are as follows:

	Before the Proposed Transactions	After the Proposed Transactions
Directors of Xingnong Agriculture	1. Hu Chao 2. Shi Dong Kai 3. Jia Guo Biao 4. Xu Bin 5. Xiao Weibiao	1. Hu Chao 2. Xiao Weibiao 3. David Zhao

Please refer to **Section 9.6** and **Section 8.7** entitled “Proposed Directors” and “Proposed Executive Officers” of this Circular for information on the business and working experience, educational, professional qualifications, if any, and areas of responsibilities, of the abovementioned proposed directors of Xingnong Agriculture.

Information on the business and working experience, educational and professional qualifications, if any, and areas of responsibilities of Shi Dongkai, Jia Guobiao and Xu Bin as at the Latest Practicable Date are set out below:

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### Shi Dongkai

Shi Dongkai is currently the General Manager (Finance) of the Current Group and a director of Xingnong Agriculture. He is responsible for overseeing the daily finance and accounting operations of the Current Group. Shi Dongkai is currently also the securities investment manager of Zhengzhou Synear. He was the department manager for Henan Synear Food Products Holdings Company from July 2001 to June 2005. Prior to that, he was an executive in Zhengzhou Kangfuda Rental Company in March 1993. Shi Dongkai graduated from Henan Business College) in June 1990. In 2014, Shi Dongkai became a member of the Chinese Institute of Certified Public Accountants and graduated from Xi'an Jiaotong University with a Masters in Business Administration.

### Jia Guobiao

Jia Guobiao was appointed as a non-executive and non-independent Director of the Company on 14 February 2014 and was last re-elected on 27 October 2017. He is currently a director of Xingnong Agriculture and chief operating officer of Synear, a role he held since June 2010. Since April 2017, Jia Guobiao was also the assistant to the chairman of Zhengzhou Huanghe Great View Royal Garden Co. Ltd. Jia Guobiao joined Synear Frozen Food Co. Ltd. as a marketing manager in 1999 and was subsequently appointed as the assistant to the chairman of Henan Synear Food Joint Stock Co., Ltd. in December 2001. In 2006, he was appointed as Vice President (Operations) of Synear. Jia Guobiao graduated from Wuhan University with a degree in law in 1990 and obtained a PhD in Literature from Renmin University of China in 2004.

### Xu Bin

Xu Bin is the founder and chairman of Henan Jingcheng Industrial Co., Ltd., and a director of Xingnong Agriculture. Xu Bin is engaged in the wholesale of pulp and related paper products since 1995 and founded Henan Jingcheng Industrial Co., Ltd. in 2003. Xu Bin graduated from Xi'an Jiaotong University with a Masters in Business Administration in 2001 and Wuhan University with a Masters in Business Administration in 2012.

#### A10.4. Xingnong Key Management

Information on the existing Executive Officers of the Xingnong Group (collectively, "**Xingnong Key Management**") as at the Latest Practicable Date is set out below.

Name	Age	Address	Designation
Hu Chao	49	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the People's Republic of China	Director, General Manager and Legal Representative
Xiao Weibiao	43	c/o 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the People's Republic of China	Director and Financial Controller

#### **Experience of the Xingnong Key Management**

It is envisaged that upon Completion:

- (a) Hu Chao will also be a Proposed New Director to be appointed to the New Board of the Company (as Executive Director and CEO of the Company). Please refer to **Section 9.6** entitled "Proposed Directors" of this Circular for information on his business and working experience, educational and professional qualifications, if any, and areas of responsibilities; and
- (b) Xiao Weibiao will be appointed the Accounting Director of the Restructured Group. Please refer to **Section 9.7** entitled "Proposed Executive Officers" of this Circular for information on his business and working experience, educational and professional qualifications, if any, and areas of responsibilities.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

### A10.5. Past and Present Directorships

Please refer to **Section 9.9** entitled “Past and Present Directorships of Directors and Executive Officers of the Restructured Group” of this Circular for the past and present directorships of Hu Chao, David Zhao and Xiao Weibiao.

The present and past directorships of Wang Peng held in the five (5) years preceding the Latest Practicable Date are set out below.

Name	Present Directorships	Past Directorships
Wang Peng	<u>Companies within the Xingnong Group</u>	<u>Companies within the Xingnong Group</u>
	Great Resolute Go National	Nil
	<u>Companies outside the Xingnong Group</u>	<u>Companies outside the Xingnong Group</u>
	Treasure Winner Holdings Limited Palm Ambition Limited Keen Wind Limited Synear Food Holdings Ltd Zhengzhou Chuangxin Synear Food Co., Ltd Zhengzhou Synear Food Co., Ltd.	Henan Synear Industry Co. Ltd. (wound up in August 2019) Gongqingcheng Chengzhiji Corporate Management Consulting Co. Ltd (previously known as Zhengzhou Jizhicheng Corporate Management Consulting Co. Ltd)

### A10.6. Material background information on the GR Directors, the Xingnong Key Management and Controlling Shareholder of Great Resolute

None of the GR Directors, the Xingnong Agriculture Directors, the Xingnong Key Management and Controlling Shareholder of Great Resolute has:

- (a) at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years after the date he ceased to be a partner;
- (b) at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years after the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding-up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (c) any unsatisfied judgment against him;
- (d) ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- (e) ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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- (f) at any time during the last 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (i) ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- (j) ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
  - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
- (k) ever been the subject of any current or past investigation or disciplinary proceedings, or been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

### A10.7. Remuneration

David Zhao, who is currently a Director of Great Resolute, will upon Completion, be appointed as an Executive Director of the Company. Hu Chao, who is currently the legal representative, general manager and director of Xingnong Agriculture, will upon Completion, be appointed as Executive Director and CEO of the Company. Xiao Weibiao, who is currently a director and the financial controller of Xingnong Agriculture, will upon Completion, be appointed as Accounting Director of the Company. For more information on the amount of compensation paid or payable to each of David Zhao, Hu Chao and Xiao Weibiao by the Restructured Group for FY2018 and FY2019 and the estimated amount of compensation to be paid for FY2020, please refer to Section 9.10 entitled “Remuneration” of the Circular.

### A10.8. Legal Representative

As at the date of this Circular, the sole PRC subsidiary of the Restructured Group is Xingnong Agriculture. The legal representative of Xingnong Agriculture is Hu Chao, who is the proposed Executive Director and CEO of the Company.

In accordance with applicable PRC laws, the legal representative has the powers to act as representative of Xingnong Agriculture and to execute contracts on behalf of Xingnong Agriculture, with or without the company seal.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Under the PRC Company Law, the legal representative shall be appointed and removed in accordance with the articles of association of Xingnong Agriculture, and generally the legal representative of a PRC company shall be either the chairman of the board of directors (or the executive director in case the PRC company has no board of directors), or the general manager of the PRC company. Under the articles of association of Xingnong Agriculture currently in force, the legal representative of Xingnong Agriculture shall be the chairman of its board.

The change of legal representative shall be registered with the competent authorities by providing (i) the removal document of the existing legal representative of Xingnong Agriculture; (ii) the appointment document of the new legal representative of Xingnong Agriculture; (iii) an application to register the change of legal representative, signed by the existing legal representative or the new legal representative; and (iv) the certificate of identification of the new legal representative.

Please also refer to **Section A3.15** entitled “Licences, Permits and Government Regulations” of Appendix A to this Circular for further details on certain matters which the Legal Representative of Xingnong Agriculture, Hu Chao, has undertaken to the Company to oversee and supervise any necessary rectification steps thereon.

Based on the above and the articles of association of Xingnong Agriculture, Jingtian has confirmed that Xingnong Agriculture’s shareholder(s) shall be able to, either directly or indirectly, control the appointment and dismissal of the legal representative(s) of Xingnong Agriculture. Pursuant to the articles of association of Xingnong Agriculture, the legal representative shall be the chairman of the board, and the legal representative and the chairman of the board shall be appointed by the shareholder(s) of Xingnong Agriculture. As Go National is the sole shareholder of Xingnong Agriculture, it has the power to appoint the legal representative according to relevant PRC laws and the articles of association of Xingnong Agriculture. No approvals are required, under PRC laws, to be made and/or obtained by Xingnong Agriculture or its directors for the appointment and cessation of the legal representative(s) of Xingnong Agriculture.

Subject to shareholder(s)’ approval of the appointment of the new legal representative, the new legal representative can sign the application documents and submit the same to the State Administration of Market Regulation in the PRC, to effect the removal of the existing legal representative and his/her appointment as the new legal representative.

### **Measures implemented by the Xingnong Group**

Considering the impact in the event a legal representative represents Xingnong Agriculture without having obtained prior authorisation, the following measures have been implemented in order to manage such risks and a change to the legal representative of Xingnong Agriculture:

- (a) implementation of internal control systems to ensure delegation of authority, and that payments and disbursements require proper approvals;
- (b) the articles of association of Xingnong Agriculture has been amended to allow its shareholder(s) to be able to directly control the appointment and dismissal of its legal representative(s);
- (c) the documents which are required to be registered with the relevant authorities to effect a change of legal representative, have been executed and affixed with Xingnong’s company seal (where necessary) and left undated and will be kept in escrow with the Company’s secretary in Hong Kong prior to Completion;
- (d) Go National having executed an irrevocable deed of undertaking in favour of the Company stating that, *inter alia*, Go National shall promptly do and execute or procure the doing or execution of all such acts, deeds, things and documents, as the Company may require for the purpose of giving full effect to the Company’s direction as to the appointment and the removal of the legal representative of Xingnong Agriculture;
- (e) Xingnong Agriculture having executed an irrevocable deed of undertaking in favour of the Company stating that, *inter alia*, Xingnong Agriculture shall promptly cooperate with, do and execute or procure the doing or execution of all such acts, deeds, things and documents, as Go National and/or the Company (as the case may be) may require for the purpose of giving full effect to Go National’s and/or the Company’s direction in relation to the appointment and the removal of the legal representative of Xingnong Agriculture;

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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- (f) implementation of safeguarding controls over the corporate seal (公章), finance seal (财务章), legal representative seal (法人章), business licences, and cheque books of Xingnong Agriculture, including such seals, business licences and cheque books being kept by a different designated personnel (who is not the legal representative or related to the legal representative of Xingnong Agriculture) under secured storage and the legal representative and other authorised personnel are required to sign in and out of the registries which maintain records for these company seals, business licences and cheque books when accessing them;
- (g) ensuring the segregation of cash management duties, including receipts and disbursements;
- (h) the maintenance of a register in relation to the legal representative(s) of Xingnong Agriculture reflecting all other appointments and/or business interests (e.g. directorships, sole proprietorships, partnerships, or shareholdings above 5.0%) of the legal representative(s) outside of the Xingnong Group;
- (i) the legal representative having undertaken to seek the approval of the Nominating Committee prior to assuming any executive role outside the Restructured Group from time to time; and
- (j) the Audit Committee overseeing any change of legal representative of Xingnong Agriculture (including without limitation, the application/registration process for such change) and annual reviews by the Audit Committee of the processes and procedures in relation to the appointment and removal of the legal representative(s) of Xingnong Agriculture to ensure their effectiveness and robustness.

On the basis that the above measures are adhered to in accordance with the articles of association of Xingnong Agriculture and the then prevailing PRC laws and regulations, the confirmation received from the competent authority overseeing such changes in legal representatives, Chibi Administration for Market Regulation, and on the assumption that there is no material change to the legal requirements for the change of legal representative under PRC laws and regulations after the Latest Practicable Date, Jingtian is of the view that the above measures adopted by the Restructured Group are sufficient to enable the Company to effect a change of the legal representative of Xingnong Agriculture under PRC laws and regulations.

In view of the above and on the basis that the above measures are adhered to, the Proposed Directors are of the view that the measures are adequate to mitigate risks in relation to the appointment of the legal representative of Xingnong Agriculture and safeguard the interests of the Xingnong Group. The Audit Committee of the Company will monitor and periodically review the processes and procedures in relation to the appointment and removal of and the avoidance of concentration of authority of the legal representative(s) of Xingnong Agriculture to ensure their effectiveness and robustness.

### A11. INTERESTED PERSON TRANSACTIONS

This section sets out the material interested person transactions entered into by the Xingnong Group for the Period Under Review and for the period from 1 October 2020 up to the Latest Practicable Date (“**Relevant Period**”).

In line with Chapter 9 of the Listing Manual, a transaction which value is less than S\$100,000 is not considered material in the context of the Proposed Transactions and is not taken into account for the purposes of aggregation in this section.

Shareholders should note that upon Completion, any material transaction entered into between the Entities at Risk and any Interested Persons, the details of which are set out in this Section, would be an interested person transaction.

Save as disclosed in this Section, **Section A2.4** entitled “Restructuring Exercise in respect of Xingnong Agriculture” of Appendix A to this Circular (including without limitation, the XN Loans and the Deeds of Release and Discharge) and the Xingnong Acquisition, there are no interested person transactions for the Relevant Period involving the Xingnong Group which are material.

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

Save in relation to Wang Peng's interests in the Xingnong Group and the Dukang Group, the Proposed Directors have confirmed that to the best of their knowledge and belief and save for the aforementioned transactions, none of the Proposed Directors, the proposed CEO or the Controlling Shareholders of the Company post-Completion and/or their respective associates was or is interested, whether directly or indirectly in any material transaction undertaken by the Xingnong Group for the Relevant Period.

### A11.1. Interested Persons

The following is a list of certain of the interested persons in respect of the Xingnong Group's past interested person transactions and its present and ongoing interested person transactions during the Relevant Period:

Interested Person	Relationship
Wang Peng	Controlling Shareholder of the Xingnong Group and the Company
Keen Wind	An investment holding company incorporated in the BVI. As at the date of this Circular, Wang Peng has a shareholding interest of approximately 66.76% of Keen Wind
Zhengzhou Synear Food Co., Ltd. (郑州思念食品有限公司) ("Zhengzhou Synear")	A company incorporated in the PRC principally involved in the production and sale of quick freeze food products. Wang Peng is the Controlling Shareholder, director, CEO, general manager and legal representative of Zhengzhou Synear

### A11.2. Past Interested Person Transactions

Details of the past transactions between the Xingnong Group and interested persons which are material in the context of the Xingnong Acquisition, during the Relevant Period are as follows:

#### Loans extended by Wang Peng to Xingnong Agriculture

During the Relevant Period, Xingnong Agriculture entered into loan agreements with Wang Peng pursuant to which Wang Peng granted loans of an aggregate of RMB52.0 million to finance Xingnong Agriculture's working capital requirements (collectively, the "WP Loans"). The WP Loans were unsecured, granted over a tenure of three (3) to nine (9) months and were interest-free over their initial tenure. Upon expiry of such initial tenure, an interest rate equivalent to the prevailing one-year nominal lending rate of the PBOC will be applied over the outstanding amount.

The Xingnong Group did not incur any interest charges over the WP Loans during the Relevant Period as certain of such loans were subsequently refinanced on an interest-free basis, and the remaining WP Loans were repaid prior to their respective maturity dates. As at the Latest Practicable Date, all the amounts owing pursuant to the WP Loans have been repaid by Xingnong Agriculture.

Further details of the WP Loans are set out below:

	Outstanding as at 31 December 2017 (RMB'000)	Outstanding as at 31 December 2018 (RMB'000)	Outstanding as at 31 December 2019 (RMB'000)	Outstanding as at 30 September 2020 (RMB'000)	Outstanding as at the Latest Practicable Date (RMB'000)	Largest Outstanding Amount for the Relevant Period (RMB'000)
WP Loans	-	5,000	-	-	-	30,000

The Proposed New Directors are of the view that as the WP Loans were unsecured and interest-free over their respective tenures, the WP Loans were not provided on an arm's length basis and were not on normal commercial terms, but were not prejudicial to the interest of the Xingnong Group and the minority shareholders of the Company.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Upon Completion, any future loans obtained from Wang Peng and/or any of the Interested Persons will be entered into in accordance with such guidelines as described in the **Section 9.14(c)** entitled “Future Interested Person Transactions” of this Circular and Chapter 9 of the Listing Rules.

### **Provision of corporate guarantee by Zhengzhou Synear**

On 26 July 2016, Zhengzhou Synear provided a corporate guarantee to Hou Aihua (“**Hou**”), a previous controlling shareholder of Xingnong Agriculture, to guarantee the performance of Xingnong Agriculture’s obligations (the “**Zhengzhou Synear Guarantee**”) under a settlement agreement dated 6 June 2014 entered with Hou (the “**Settlement Agreement**”), in respect of outstanding loans of RMB 19,747,945 to be paid by Xingnong Agriculture to Hou (“**Hou Loan**”).

Wang Peng was also the Controlling Shareholder, director and CEO of Zhengzhou Synear, at the material time.

Hou was a director and shareholder of Xingnong Agriculture, and was also a controlling shareholder of Beijing Chibi Shenshan Agriculture Co., Ltd. Beijing Chibi Shenshan Agriculture Co., Ltd. was a shareholder of Xingnong Agriculture and has no other relationship (whether familial, business, financial, employment, or otherwise) with the Xingnong Group.

As at the date of the Zhengzhou Synear Guarantee, the total outstanding amount of the Hou Loan was RMB19,747,945. The largest outstanding amount secured under the Zhengzhou Synear Guarantee during the Relevant Period was RMB19,747,945. As at 30 June 2017, Xingnong Agriculture has fully repaid the Hou Loan and there are no longer any outstanding obligations or liabilities owed by Xingnong Agriculture under the Settlement Agreement, and subsequently, the Zhengzhou Synear Guarantee and the Settlement Agreement were discharged.

The Proposed New Directors are of the view that as no fees, commissions, benefits-in-kind or other interests were paid to Zhengzhou Synear for the Zhengzhou Synear Guarantee, such guarantee was not provided on an arm’s length basis and not on normal commercial terms but was not prejudicial to the interests of the Xingnong Group and the minority shareholders of the Company.

The Xingnong Group does not intend to procure similar corporate guarantees from Zhengzhou Synear and/or the Interested Persons going forward.

### **A11.3. Present and Ongoing Interested Person Transactions**

#### **Vendor Undertaking provided by Wang Peng and Keen Wind**

On 9 December 2020, Wang Peng and Keen Wind executed the Vendor Undertaking in favour of the Company, to indemnify the Company for, *inter alia*, any losses, liabilities or penalties that the Company and/or the Restructured Group may at any time and from time to time sustain, incur or suffer, directly or indirectly by reason of Xingnong Agriculture’s breach or non-compliance with any PRC laws prior to Completion; and/or for the failure or delay by Wang Peng or Keen Wind in procuring and ensuring that Xingnong Agriculture shall have prior to Completion (a) (whether as employer or on behalf of its employees) made from time to time the requisite housing provident fund registration and full payment of social insurance contributions and housing provident fund contributions, pension fund and such other employee-related funds for all its employees, in the manner and to the extent required under PRC laws; (b) ensured that the continued use of the Luzhuang Land by Xingnong Agriculture is in compliance with PRC laws; (c) complied with record-filing procedures in respect of the land use right agreements in relation to the Storage Barracks with the competent authorities in accordance with PRC laws; (d) undertaken all necessary steps and procedures to obtain and maintain the construction land planning permits, construction project planning permits and construction licences for the construction and subsequent use of the Chibi Buildings and the Additional Buildings, conducted acceptance inspections in respect of the Chibi Buildings and the Additional Buildings, and obtained the necessary certificates thereafter; (e) complied with its obligations under the Xingnong Undertaking prior to Completion any in any case within such period that the Xingnong Undertaking remains valid and effective (or such other date as may be agreed in writing by the Company; and (f) carried on its business in compliance in all respects with all PRC laws to which it is subject and, between the date of the Vendor Undertaking and Completion, carried on its business as a going concern in the ordinary and usual course as carried on prior to the date of the Vendor Undertaking and in a manner consistent with past practices.



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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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Wang Peng has further undertaken to provide the Company with all necessary financial resources to enable the Company to comply with its obligations in relation to the TDRs Acquisition, and keep the Company fully indemnified from and against any loss (including all costs and expenses incurred in doing so). Such financial support by Wang shall include, without limitation, putting the Restructured Group in freely transferrable funds or provision of interest-free loans with no fixed tenures, guarantees and any other undertakings. The repayment of such loans shall be at the sole option of the Company and shall be subjected to the approval of the Audit Committee of the Company, who will consider, *inter alia*, the working capital position of the Restructured Group, its available cash balances, loan repayment obligations and its capital and operating expenditures.

Please refer to **Section A3.15** entitled “Licences, Permits and Government Regulations” of Appendix A to this Circular for further information.

As no fees, commissions, benefits-in-kind or other interests were paid to each of Wang Peng and Keen Wind for the Vendor Undertaking, such Vendor Undertaking was not provided on an arm’s length basis and not on normal commercial terms but was not prejudicial to the interests of the Xingnong Group and the minority shareholders of the Company.

### **Deed of Undertaking provided by Zhengzhou Synear Food Co., Ltd**

On 9 December 2020, Zhengzhou Synear executed the Synear Undertaking in favour of the Company, to undertake to the Company that, *inter alia*, Zhengzhou Synear shall undertake to perform all such actions required by Wang Peng under the Vendor Undertaking and, on demand, indemnify and save harmless the Company from and against any and all losses which the Xingnong Group or, following Completion, the Restructured Group may at any time or from time to time sustain, incur or suffer in connection with or arising out of Wang Peng’s failure to comply with his obligations under the Vendor Undertaking.

Zhengzhou Synear has further undertaken to provide the Company with all necessary financial resources to enable the Company to comply with its obligations in relation to the TDRs Acquisition in the event Wang Peng fails to comply with his obligations under the Vendor Undertaking for purposes of the TDRs Acquisition, and keep the Company fully indemnified from and against any loss (including all costs and expenses incurred in doing so).

Please refer to **Section A3.15** entitled “Licences, Permits and Government Regulations” of Appendix A to this Circular for further information.

As no fees, commissions, benefits-in-kind or other interests were paid to Zhengzhou Synear for the Synear Undertaking, the Synear Undertaking was not provided on an arm’s length basis and not on normal commercial terms but was not prejudicial to the interests of the Xingnong Group and the minority shareholders of the Company.

## **A12. CONFLICT OF INTERESTS**

### **A12.1. Potential Conflicts of Interests**

Please refer to **Section 9.15** entitled “Potential Conflicts of Interest” of this Circular for further details on the potential conflicts of interests which may arise from the interests of the Proposed Directors, Proposed Executive Officers, the Controlling Shareholders of the Restructured Group and/or their respective associates.

### **A12.2. Interests of Experts and the Independent Xingnong Appointed Valuer**

No expert (i) is employed on a contingent basis by the Xingnong Group; (ii) has a material interest, whether direct or indirect, in the shares or equity interests of any of the entities of the Xingnong Group; or (iii) has a material economic interest, whether direct or indirect, in the Xingnong Group, including an interest in the success of the Xingnong Acquisition.

In the reasonable opinion of the Xingnong Group Directors, the Independent Xingnong Appointed Valuer appointed by Xingnong Agriculture does not have a material relationship with the Xingnong Group.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A13. GENERAL INFORMATION

#### A13.1. Material Contracts of the Xingnong Group

The Xingnong Group has not entered into any contracts, other than contracts entered into in the ordinary course of business, for the period of two (2) years before the date of this Circular, save for the following:

- (a) the Changsha Yannong Licence Agreement (as amended);
- (b) the Zhengzhou Fruit Research Institute Licence Agreement;
- (c) the technology strategic cooperation agreement dated 26 April 2019 entered between Xingnong Agriculture and Wuhan Botanical Garden of Chinese Academy of Sciences in relation to the provision of technological support and resources to develop the kiwifruit project and joint promotion of the long-term sustainable development of the kiwifruit industry with Xingnong Agriculture;
- (d) the technology cooperation agreement dated 1 November 2017 entered between Xingnong Agriculture and Huazhong Agriculture University (华中农业大学) in relation to the technical cooperation between parties to research on the improvement of pre-harvest kiwifruit quality and the precise control of the post-harvest kiwifruit ripening period. This agreement had expired on 31 October 2020;
- (e) the technology cooperation agreement entered between Xingnong Agriculture and Huazhong Agriculture University (华中农业大学) in relation to the technical cooperation between parties to research on the ecological and efficient cultivation and post-harvest treatment of kiwifruits;
- (f) the Vendor Undertaking;
- (g) the Synear Undertaking;
- (h) the Xingnong Equity Transfer Agreements;
- (i) supplemental agreements dated 20 October 2020 and 29 March 2021 entered between Go National and each of the Previous Xingnong Shareholders in relation to the extension of payment date under the Xingnong Equity Transfer Agreements;
- (j) a shareholder's loan agreement entered into between Great Resolute as borrower and Keen Wind as lender on 2 December 2020 (as amended by the deed of amendment dated 29 March 2021) for a principal loan amount of RMB115,990,000;
- (k) a shareholder's loan agreement entered into between Go National as borrower and Great Resolute as lender on 2 December 2020 (as amended by the deed of amendment dated 29 March 2021) for a principal loan amount of RMB115,990,000; and
- (l) Deeds of Release and Discharge (as amended by the respective deeds of amendment dated 29 March 2021).

#### A13.2. Material Litigation

The Xingnong Group may be subjected to claims, lawsuits and legal proceedings in the ordinary course of business, including those arising from labour disputes. Where such claims, lawsuits and legal proceedings are not, or are not sufficiently, covered by insurance policies maintained by the Xingnong Group, the resolution of any such claims, lawsuits or legal proceedings could materially and adversely affect the results of operations and financial position of the Xingnong Group.

To the best of the Proposed Directors' knowledge and belief, having made all reasonable enquiries, the Xingnong Group is not engaged in any legal or arbitration proceedings including those which are pending or known to be contemplated, which may have, or have had in the 12 months immediately preceding the date of this Circular, a material effect on the Xingnong Group's financial position or profitability.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED DIRECTORS

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### A13.3. Dividend Policy

No dividend has been paid or proposed by the Xingnong Group for FY2017, FY2018, FY2019, 9M2020 and for the period commencing from 1 October 2020 until the Latest Practicable Date.

The Xingnong Group does not have a formal dividend policy. Please refer to **Section 9.4** entitled “Dividend Policy” of this Circular for further information on the dividend policy of the Restructured Group.

Pursuant to the 2018 Fixed Assets Loan and the 2019 Fixed Assets Loan entered between Xingnong Agriculture and Chibi Rural Commercial Bank for the sum of RMB 22,000,000 and RMB 13,000,000, respectively, it is highlighted that there are restrictive covenants, which are common and standard covenants for credit facilities in the PRC, that provide that no dividends may be distributed without the consent of Chibi Rural Commercial Bank before such loans are paid off.

In the circumstances, there is no assurance that dividends will be paid by the Xingnong Group to the Company in the future or as to the amount or timing of any dividends that will be paid. Please refer to **Section 9.3(e)** entitled “Risks relating to the Shares - The Restructured Group may not be able to pay dividends to Shareholders upon Completion” of this Circular for further details on such implications.

For information relating to taxes payable on dividends, please refer to the Section entitled “Taxation” in **Appendix I** to this Circular.

### A14. RESPONSIBILITY STATEMENTS

The Proposed Directors collectively and individually accept full responsibility for the accuracy of the information given in **Appendix A** and any information in this Circular in respect of Keen Wind, the Xingnong Acquisition, the Xingnong Group and the Restructured Group (insofar as they relate to the Xingnong Group) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular in respect of Keen Wind, the Xingnong Acquisition, the Xingnong Group and the Restructured Group (insofar as they relate to the Xingnong Group) constitutes full and true disclosure of all material facts about Keen Wind, the Xingnong Acquisition, the Xingnong Group and the Restructured Group (insofar as they relate to the Xingnong Group), and the Proposed Directors of the Company are not aware of any facts the omission of which would make any statement in this Circular in respect of Keen Wind, the Xingnong Acquisition, the Xingnong Group and the Restructured Group (insofar as they relate to the Xingnong Group) misleading.

Where information given in **Appendix A** and any information in this Circular in respect of Keen Wind, the Xingnong Acquisition, the Xingnong Group and the Restructured Group (insofar as they relate to the Xingnong Group) has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Proposed Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

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## APPENDIX B – IFA LETTER

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31 March 2021

Independent Directors

Dukang Distillers Holdings Limited  
Clarendon House  
2 Church Street  
Hamilton, HM 11, Bermuda

Dear Sirs

**PROPOSED ACQUISITION OF ALL THE ISSUED AND FULLY-PAID SHARES IN GREAT RESOLUTE LIMITED 宏堅有限公司 AS A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION; AND**

**PROPOSED DISPOSAL OF ALL THE ISSUED AND FULLY-PAID SHARES IN SEA WILL INTERNATIONAL LIMITED AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION**

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the Circular.*

### 1. INTRODUCTION

On 17 November 2018, the Company announced that it had entered into the Agreement with Keen Wind in respect of the Xingnong Acquisition and the Dukang Disposal, pursuant to which, subject to the terms and conditions of the Agreement:

- (a) the Company agreed to acquire, and Keen Wind agreed to sell, all the issued and fully-paid shares in Great Resolute held by Keen Wind, representing 100% of the issued and paid-up shares in Great Resolute; and
- (b) the Company agreed to dispose, and Keen Wind agreed to purchase, all the issued and fully-paid shares in Sea Will held by the Company, representing 100% of the issued and paid-up shares in Sea Will.

As announced by the Company on 15 November 2019 and 30 June 2020, the long-stop date of the Agreement was extended to 30 June 2020 and 31 March 2021 respectively. On 9 December 2020, the Company announced that it had entered into a supplemental agreement to, *inter alia*, further extend the long stop date of the Agreement to 30 June 2021 (or such later date as may be agreed by the Parties in writing).

On 30 March 2021, the Company announced that it had entered into a supplemental agreement to, *inter alia*, further extend the long stop date of the Agreement to 30 September 2021 (or such later date as may be agreed by the Parties in writing).

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

The Xingnong Acquisition constitutes:

- (a) a "Very Substantial Acquisition" as defined under Chapter 10 of the Main Board Rules; and
- (b) an interested person transaction as defined under Chapter 9 of the Main Board Rules,

which is subject to, *inter alia*, and as the case may be, the approval of the SGX-ST and the Shareholders at the SGM to be convened.

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

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## APPENDIX B – IFA LETTER

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Crowe Horwath Capital Pte Ltd (“**Crowe Horwath Capital**”) has been appointed as the independent financial adviser pursuant to Chapter 9 of the Main Board Rules as well as to advise the directors of the Company who are regarded as independent of the Proposed Transactions (namely, Calvin Tan, Ho Teck Cheong and Jack Chia) (“**Independent Directors**”) as to whether each of the Xingnong Acquisition and the Dukang Disposal is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders in accordance with Rule 921(4)(a) of the Main Board Rules.

This letter sets out, *inter alia*, our evaluation and advice on the Proposed Transactions, as well as our recommendations thereon and forms part of the Circular which provides, *inter alia*, details of the Proposed Transactions and the recommendations of the Independent Directors.

### 2. TERMS OF REFERENCE

Crowe Horwath Capital has been appointed as the IFA to provide an independent opinion, in accordance with Rule 921(4)(a) of the Main Board Rules, on whether each of the Xingnong Acquisition and the Dukang Disposal is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

We are not and were not involved or responsible, in any aspect, of the negotiations in relation to the Proposed Transactions nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Transactions. We do not, by this letter warrant the merits of the Proposed Transactions, other than to express an opinion on whether each of the Xingnong Acquisition and the Dukang Disposal as an interested person transaction is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Transactions 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 evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and/or the management of the Company (“**Management**”) although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made by the Directors, the Management and the Company’s advisers. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, 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. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurance of the Directors (including those who may have delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge and belief, all facts stated and opinions expressed in the Circular which relate to the Proposed Transactions and the Company are fair and accurate and that there are no material facts or omissions of which would make any statement in the Circular misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purposes of assessing the terms of the Proposed Transactions and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company, the Dukang Group and the Xingnong Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company, the Dukang Group and the Xingnong Group in connection with our opinion in this letter.

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## APPENDIX B – IFA LETTER

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We have not made any independent evaluation or appraisal of the assets and liabilities of the Xingnong Group, the Company and/or the Dukang Group, (including without limitation, property, plant and equipment). In connection with the Xingnong Acquisition, however, we have been furnished with independent valuation reports on the market value of the 100% equity interest in Xingnong Group prepared by (i) Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), being the independent valuer engaged by the Company in preparation of the Xingnong Acquisition; and (ii) Roma Appraisals Limited (“**Roma**”), being the independent valuer engaged by Xingnong Agriculture to determine the market value of Xingnong Group, on which we have placed sole reliance on for such valuation. JLL and Roma have respectively carried out an independent valuation of Xingnong Group as at 30 September 2020. The JLL Xingnong Group Valuation Report and Roma Xingnong Group Valuation Report are set out in Appendix E and Appendix F to the Circular respectively. In connection with the Dukang Disposal, we have been furnished with an independent valuation report of the market value of the entire equity interest in Sea Will, prepared by LCH (Asia-Pacific) Surveyors Limited (“**LCH**”), being the independent valuer engaged by the Company in preparation of the Dukang Disposal, on which we have placed sole reliance on for such valuation. LCH has carried out an independent valuation of Sea Will as at 30 September 2020. A copy of this valuation report is set out in Appendix G to the Circular.

We are not experts in the evaluation or appraisal of the assets concerned and have placed sole reliance on the independent valuations by JLL, Roma and LCH respectively for such 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 respective valuation reports or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements. We have exercised our judgement where necessary and have found no reason to doubt the reasonableness, accuracy or reliability of the JLL Xingnong Group Valuation Report, Roma Xingnong Group Valuation Report and Independent Dukang Group Valuation Report.

Our view as set out in this letter is based upon the market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information provided and representations provided to us as at the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to the Proposed Transactions which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendations, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any minority Shareholder or any specific group of the minority Shareholders. As each minority Shareholder may have different investment objectives and profiles, we recommend that any individual minority Shareholder or group of minority Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Circular (other than this letter).

Whilst a copy of this letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this letter (or any part thereof) for any purposes, other than at the forthcoming SGM and for the purpose of the Proposed Transactions as interested person transactions, at any time and in any manner without the prior written consent of Crowe Horwath Capital in each specific case.

We have prepared this letter in accordance with Rule 921(4)(a) of the Main Board Rules and for inclusion in the Circular. The recommendation to the minority Shareholders in relation to the Proposed Transactions shall remain the responsibility of the Independent Directors.

**Our opinion in relation to the Proposed Transactions as interested person transactions should be considered in the context of the entirety of this letter and the Circular.**

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## APPENDIX B – IFA LETTER

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### 3. SALIENT TERMS OF THE XINGNONG ACQUISITION

The details of the Xingnong Acquisition can be found in Sections 2 & 3 of the Circular. A summary of the key terms of the Xingnong Acquisition is set out below for your reference.

#### Consideration

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

- (i) the market value of the Kiwifruit Business of RMB1,234,000,000 as at 30 June 2018, based on the valuations performed by the Independent Company Appointed Valuer and the Independent Xingnong Appointed Valuer;
- (ii) future revenue and growth prospects of the Xingnong Group; and
- (iii) 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 ("**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) or through the issuance or transfer of Shares.

#### Cash Top-up:

In the event where the Xingnong Group Value 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: "**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.

For the purpose of the Agreement: "**Xingnong Group Value**" refers to the average of the market value of Xingnong Group as ascribed respectively by the Independent Company Appointed Valuer and the Independent Xingnong Appointed Valuer, which are determined on the same valuation bases as at the Valuation Date.

#### Material Default:

In the event that the Shortfall Amount represents more than 10% of the Acquisition Consideration, and/or the Xingnong Group 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 the Independent Dukang Group Valuer), this will be considered a material default on the part of Keen Wind and the Company will be entitled to terminate the Agreement.

The Xingnong Group Value is RMB1,573,000,000 (equivalent to approximately S\$315,000,000) (being the average of the market values of RMB1,536,000,000 and RMB1,610,000,000 ascribed respectively by the Independent Company Appointed Valuer and the Independent Xingnong Appointed Valuer) as at the Valuation Date of 30 September 2020. As it exceeds the Acquisition Consideration of RMB1,111,000,000, there will be no Cash Top-Up on Completion. The details of the JLL Xingnong Group Valuation Report and Roma Xingnong Group Valuation Report are set out in Appendix E and Appendix F of this Circular respectively.

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## APPENDIX B – IFA LETTER

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### 4. EVALUATION OF THE XINGNONG ACQUISITION

In our evaluation of the Xingnong Acquisition, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

- (a) the historical financial performance and position of Xingnong Group;
- (b) the rationale for the Xingnong Acquisition;
- (c) Acquisition Consideration compared to the valuer assessment in the JLL Xingnong Group Valuation Report;
- (d) the comparison of valuation ratios of selected listed companies which are broadly comparable to Xingnong Group;
- (e) the financial effects of the Proposed Transactions; and
- (f) other relevant considerations.

These factors are discussed in greater detail in the ensuing paragraphs. Certain of the figures and computations as set out in this letter have been subject to rounding where necessary.

#### 4.1. Historical financial performance and position of Xingnong Group

Since its establishment in April 2009, Xingnong Agriculture has been principally engaged in the business of planting, cultivating and sale of kiwifruits (also known as Chinese gooseberries) ("**Kiwifruit Business**"). As at the Latest Practicable Date, Xingnong Agriculture holds, *inter alia*, (i) the land use rights for one (1) plot of industrial land in Jianshe Road, Chimagang Office, Chibi City, Hubei Province in the PRC, spanning approximately 64,999.1 m<sup>2</sup>, on which its Office Building, Switch Board Room, Guard Room and Packing Facilities are located; (ii) the forest use rights for eight (8) plots of forest land in Chibi City, Hubei Province in the PRC, spanning in aggregate 9,805 mu (equivalent to approximately 6,536,666 m<sup>2</sup>) on which eight (8) out of the nine (9) Xingnong Orchards are located; and (iii) a lease of two (2) warehouse units at Chibi City, Chima Port Office, Chibi Avenue, Hubei Province in the PRC. As at the Latest Practicable Date, Xingnong Agriculture has completed the harvest of its kiwifruits for 2020.

From December 2019, Xingnong Agriculture has also engaged in the ad-hoc trading of apples and oranges, during the off-seasons of its Kiwifruit Business. The aforesaid trading activities are staffed by its existing employees and allow consistent utilisation of its resources (including employees) throughout the year. Such fruits are purchased from agricultural farmers and fruit wholesalers and sold to, *inter alia*, small businesses in the PRC. Revenue earned from such trading business was RMB54,000 and RMB5,038,000 in FY2019 and 9M2020 respectively, constituting only approximately 0.05% and 5.60% of the Xingnong Group's revenue for the respective financial period.

##### Financial information on the Xingnong Group

Great Resolute and Go National were incorporated in 2017 and 2018, respectively. 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.

##### Historical financial performance and position of Xingnong Group

We set out below the financial performance and position of the Xingnong Group for FY2017, FY2018, FY2019, 9M2019 and 9M2020 as set out in Appendix C of the Circular.



## APPENDIX B – IFA LETTER

RMB'000	Audited FY2017	Audited FY2018	Audited FY2019	Unaudited 9M2019	Audited 9M2020
<b>Revenue</b>	49,500	61,708	99,490	79,435	89,951
Cost of sales	(44,640)	(55,418)	(88,468)	(70,133)	(80,485)
<b>Gross profit</b>	4,860	6,290	11,022	9,302	9,466
Gain arising from changes in fair value less costs to sell of biological assets	39,712	53,615	80,697	80,697	89,517
Other income and gains	1,012	1,099	6,862	6,059	3,376
Selling expenses	(2,747)	(3,653)	(7,354)	(3,312)	(9,071)
Administrative expenses	(11,845)	(17,967)	(19,040)	(13,318)	(16,670)
Other operating expenses	(11,294)	(13,836)	(17,083)	(9,224)	(13,480)
Finance costs	(28)	(51)	(70)	(50)	(76)
<b>Profit before income tax</b>	<b>19,670</b>	<b>25,497</b>	<b>55,034</b>	<b>70,154</b>	<b>63,062</b>
Income tax expense	(213)	(151)	(1,589)	(1,422)	(293)
<b>Profit for the year/period</b>	<b>19,457</b>	<b>25,346</b>	<b>53,445</b>	<b>68,732</b>	<b>62,769</b>
Other comprehensive income Items that may be reclassified subsequently to profit or loss:	-	(124)	(67)	(122)	58
Exchange differences arising on translation to presentation currency					
<b>Total comprehensive income for the year/period</b>	<b>19,457</b>	<b>25,222</b>	<b>53,378</b>	<b>68,610</b>	<b>62,827</b>

### Review of the operating results

We note the following:

- The Xingnong Group recorded an increase in revenue from FY2017 to FY2019, where revenue increased from RMB49.5 million in FY2017 to RMB61.7 million in FY2018, and to RMB99.5 million for FY2019. The 9 months revenue also increased by RMB10.6 million, from RMB79.4 million in 9M2019 to RMB90.0 million in 9M2020. The increase in revenue from FY2017 to FY2019 was mainly attributable to (i) the increase in sales of kiwifruit, (ii) the expansion of its distribution networks and the enhancement of its brand profile amount its customers; and (iii) the increase in average selling price of the harvested kiwifruit. The increase in revenue from 9M2019 to 9M2020, other than points (i) and (ii) above, was also attributable to the increase in volume of apples and oranges sold pursuant to the Xingnong Group's ad-hoc trading business which commenced in December 2019.
- Gross profit increased from RMB4.9 million in FY2017 to RMB6.3 million in FY2018, and to RMB11.0 million in FY2019. And the gross profit margin increased from 9.8% in FY2017 to 10.2% in FY2018, and to 11.1% in FY2019. This was mainly due to the increase in volume and average selling price of the harvested kiwifruit. Gross profit margin decreased from 11.7% in 9M2019 to 10.5% in 9M2020 mainly due to the gross loss of RMB0.3 million from the sale of apples and oranges.
- Gain arising from changes in fair value less costs to sell of biological assets increased from FY2017 to 9M2020. This was mainly due to the increase in volume of harvested kiwifruit largely due to the increased domestic demand for kiwifruit in the PRC.

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## APPENDIX B – IFA LETTER

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- Selling expenses also increased from FY2017 to FY2019, which was in line with the increase in sales of kiwifruit. The significant increase from FY2018 to FY2019 was mainly due to increases in (i) advertising and promotion expenses; (ii) commission paid to the e-commerce platform providers for the online sales of kiwifruits, apples and oranges; (iii) transportation costs related to sales and marketing; and (iv) employee benefit costs for the Xingnong Group's sales and marketing personnel, which was in line with the increased sales of kiwifruit and scale of production, as well as the commencement of ad-hoc trading of apples and oranges in December 2019. The selling expenses increased by RMB5.8 million from RMB3.3 million in 9M2019 to RMB9.1 million in 9M2020. This was mainly due to increases in the above-mentioned points (i), (ii), (iii) and (iv) utilities charges in relation to sales and marketing.
- Administrative expenses increased from RMB11.8 million in FY2017 to RMB18.0 million in FY2018, and to RMB19.0 million in FY2019. The increase was mainly attributable to increases in (i) professional fees incurred for the Proposed Transactions in FY2018; and (ii) employee benefit costs and other administrative expenses to support the expansion of the Xingnong Group's management, product development and administrative personnel in FY2018 and FY2019; and (iii) entertainment, travelling and accommodation and motor vehicle expenses to support the expansion of the Xingnong Group's business operations in FY2019. It increased from RMB13.3 million in 9M2019 to RMB16.7 million in 9M2020. This increase was mainly attributable to an increase in staff costs and office expenses to support the expansion of the Xingnong Group's business operations and the ad-hoc trading of apples and oranges by the Xingnong Group in 9M2020, which was partially offset by a decrease in other administrative expenses.
- Other operating expenses increased from FY2017 to FY2019, and also increased from 9M2019 to 9M2020, due mainly to increase in plantation cost on mature bearer kiwifruits.
- Overall, Xingnong Group profit before income tax for the year increased from FY2017 to FY2019, from RMB19.7 million in FY2017 to RMB25.5 million in FY2018 and to RMB55.0 million in FY2019. The increase was mainly due to the increase in gross profit and gain arising from changes in fair value less costs to sell of biological assets. Such increase was partially offset by the increase in administrative expenses, selling expenses and other operating expenses. However, the profit before income tax for the financial period decreased from RMB70.2 million in 9M2019 to RMB63.1 million in 9M2020. The decrease was mainly due to increases in selling expenses, administrative expenses and other operating expenses, and decrease in other income and gains, which was partially offset by the increase in gross profit and gain arising from changes in fair value less costs to sell of biological assets.

## APPENDIX B – IFA LETTER

### Financial position of Xingnong Group

<b>RMB'000</b>	<b>Audited as at 30 September 2020</b>
<u>Non-current assets</u>	
Property, plant and equipment	244,119
Intangible assets	7,040
Deposit paid for property, plant and equipment	326
<b>Total non-current assets</b>	<b>251,485</b>
<u>Current assets</u>	
Inventories and consumables	21,731
Trade receivables	84,052
Prepayments and other receivables	2,299
Cash and cash equivalents	23,846
<b>Total current assets</b>	<b>131,928</b>
<b>Total assets</b>	<b>383,413</b>
<u>Current liabilities</u>	
Trade payables	12,160
Accruals and other payables	9,124
Amounts due to shareholders	115,990
Bank and other borrowings	4,400
Lease liabilities	31
Deferred government grants	478
Income tax payable	292
<b>Total current liabilities</b>	<b>142,475</b>
<u>Non-current liabilities</u>	
Other payables	300
Bank and other borrowings	21,000
Lease liabilities	9,090
Deferred government grants	13,122
<b>Total non-current liabilities</b>	<b>43,512</b>
<b>Total liabilities</b>	<b>185,987</b>
<u>Equity</u>	
Share capital	_*
Reserves	197,426
<b>Total equity</b>	<b>197,426</b>

\* This represents amount less than RMB1,000 and is not presented.

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## APPENDIX B – IFA LETTER

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### Review of financial position

The assets of Xingnong Group as at 30 September 2020 comprised mainly: (i) property, plant and equipment of RMB244.1 million; (ii) intangible assets of RMB7.0 million; (iii) cash and cash equivalents of RMB23.8 million; (iv) inventories and consumables of RMB21.7 million; (v) trade receivables of RMB84.1 million representing 63.7%, 1.8%, 6.2%, 5.7% and 21.9% of the total assets respectively.

Property, plant and equipment comprised mainly of bearer plants, farmland infrastructure and equipment, plant and machinery, and buildings.

Intangible assets consists of the Xingnong Group's patents and trademarks in respect of the various varieties of its kiwifruits.

Inventories and consumables comprised harvested kiwifruits of RMB19.4 million and consumables of RMB2.3 million.

Trade receivables comprised receivables pursuant to the sales of the harvested kiwifruit, apples and oranges.

The liabilities of Xingnong Group as at 30 September 2020 comprised mainly: (i) trade payables of RMB12.2 million; (ii) accruals and other payables of RMB9.1 million; (iii) amount due to shareholders of RMB116.0 million; (iv) bank and other borrowings of RMB25.4 million; and (v) deferred government grants RMB13.6 million, representing 6.5%, 5.0%, 62.3%, 13.7% and 7.3% of the total liabilities respectively.

Accruals and other payables comprised mainly (i) payables in respect of property, plant and equipment such as refrigeration and irrigation systems; and (ii) accrued expenses for daily operations, as well as professional fees for the proposed transactions; and (iii) accrued staff costs.

Amounts due to Previous Xingnong Shareholders arose from Unpaid Consideration in respect of Xingnong Equity Transfer Agreements. As at the date of the Circular, the XN Loan has yet been disbursed to Go National.

The current and non-current bank and other borrowings relates to the secured bank borrowings obtained by the Xingnong Group in each of FY2018 and FY2019 to finance the purchase of property, plant and equipment for the Xingnong Orchards, as well as for working capital requirements. Such secured bank borrowings bore effective interest at 8.28% per annum (or 0.69% per month) over the loan tenure of 4 years and 2 months to 5 years and are secured against the Xingnong Group's buildings, prepaid land lease payment, certain forestry rights certificates and forest use rights over the Xingnong Orchards.

The audited NTA of Xingnong Group is approximately RMB190.4 million as at 30 September 2020. The Acquisition Consideration represents a premium of approximately 483.5% to the audited NTA of the Xingnong Group as at 30 September 2020.

#### **4.2. Rationale for the Xingnong Acquisition**

It is not within our terms of reference to comment or express an opinion on the merits of the Xingnong Acquisition or the future prospects of the Current Group after the Xingnong Acquisition. Nonetheless, we have reviewed the rationale for the Xingnong Acquisition. The full text of the rationale for the Proposed Transactions is set out in Section 2.7 of the Circular, and is reproduced in italics below for your reference:

*"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 difficulties in meeting sales demands from distributors due to the disruptions in the production of baijiu (白酒). In particular, the implementation of emission reduction control measures has caused a high customer attrition rates in the purchase of baijiu (白酒) products. Further, the Company has experienced declining profitability and reduced demand for its baijiu (白酒) products in recent years due to the profound and lingering impact of the austerity measures and restrictions in the PRC. The economic impact of the COVID-19 pandemic is expected to exacerbate the difficulties faced by the Current Business, since baijiu (白酒) is not a food staple and the demand for it is dependent on the discretionary budget of consumers.*

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## APPENDIX B – IFA LETTER

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*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. In 2016, the Board commissioned a third-party consulting and research firm to undertake a strategic review of the competitive industry landscape of the Current Business. The ensuing report highlighted that the baijiu (白酒) market had not only shrunk but was expected to decline further. The Board also commissioned a separate third-party review of future strategic options for the Company's consideration, which included the acquisition of a new business and a possible exit from the Current Business. 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 planting industry with steady revenue stream*

*The Xingnong Acquisition will present the Company with an investment opportunity to enter the kiwifruit market in the PRC and to 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*

*Based on the results of the Xingnong Group for FY2019 and the positive business outlook for the Xingnong Group, the Xingnong Acquisition will allow the Company to not only turn around its loss-making position, but also provide a potential for growth of the Company, which would result in an increase in investor interest and an improvement in the trading liquidity in the Shares.*

*(d) Preserve listing status of the Shares*

*The Company was placed on the SGX-ST watch-list pursuant to then Rule 1311(1) of the Main Board Rules with effect from 4 December 2019. The Company must take active steps to meet the requirements of Rules 1314 of the Main Board Rules within 36 months from 4 December 2019, failing which the SGX-ST would either delist the Company or suspend trading of the Company's shares with a view to delisting the Company.*

*In view of this, the Xingnong Acquisition would provide the Company with a new business, the Kiwifruit Business, which would enable the Company to exit the SGX-ST watch-list as well as preserve and capitalise on its listing status.*

*Please refer to Section 14.2 entitled "Rationale for the Proposed Listing Transfer" of this Circular for further details.*

*As set out in Section 2.1(a) above, satisfaction of the Acquisition Consideration and the Disposal Consideration will be made 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."*

### **4.3. Acquisition Consideration compared to the valuer assessment in the JLL Xingnong Group Valuation Report**

Pursuant to the terms of the Agreement, the Company has appointed JLL to prepare an independent valuation report on Xingnong Group as at 30 September 2020.

Details of the independent valuation of Xingnong Group are set out in the JLL Xingnong Group Valuation Report which can be found in Appendix E to the Circular and is a document available for inspection.

#### Valuation of the Xingnong Group by JLL

We note that JLL has carried out the valuation of 100% equity interest in Xingnong Group on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". We note that JLL has considered the three generally accepted valuation approaches, namely the market approach, cost approach and income approach.

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## APPENDIX B – IFA LETTER

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### Market Approach

A market approach determination of value is achieved by comparing the subject with similar assets or liabilities for which prices are available. Often adjustments are made to reflect the date of the transaction, condition and utility of the comparable relative to the subject. Subjects for which there is an established, liquid, secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few inputs and assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in the inputs as there are inherent assumptions on the value of those comparable subjects. Market approaches also suffer in that it can be hard to find transactions for comparables that are justifiably comparable.

### Cost Approach

A cost approach determination of value of a subject works on the principle that a buyer will not pay any more for an asset/liability than the cost to obtain an equivalent one by purchase or by construction. Therefore, the cost approach considers the cost to reproduce or replace the subject in accordance with current market prices for similar subjects, with an allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes.

The cost approach generally furnishes the most reliable indication of value for subjects without a known secondary market. It is also advantageous when the subject is not directly income generating and/or is unique thus ruling out the applicability of the other two valuation approaches. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject.

### Income Approach

An income approach determination of value is achieved by the conversion of expected future cash flow or cost savings generated by the subject into a present value. It is based on the principle that an informed buyer would pay no more for the subject than an amount equal to the present worth of anticipated future benefits (income or cost savings) from the same or a substantially similar asset or liability with a similar risk profile.

Advantages of this approach lie in its ability to work when information on relevant market comparables is inadequate and when reasonable projections for the quantity and timing of expected future cash flows associated to the subject can be made. However, this approach relies on numerous assumptions over a long time horizon which by their nature are not able to be independently verified. The result of such an approach may be very sensitive to certain inputs chosen and inevitably, some assumptions may not materialize meaning actual future values may vary greatly from what was forecasted.

Of the three approaches, we note that JLL has adopted the income approach in determining their opinion of value. In their opinion, the cost approach is inappropriate for valuing Xingnong Group, as it does not directly incorporate information about the future economic benefits contributed by Xingnong Group. The guideline public transaction method under market approach is inappropriate as it requires market transactions comparable to Xingnong Group as an indication of value. However, they have not identified any current market transactions which are comparable to Xingnong Group. JLL has therefore relied on the income approach in determining their opinion of value.

In their valuation, the market value of Xingnong Group was developed through the application of an income approach technique known as discounted cash flow method to devolve the future value of the business into a present value. Their opinion of value is calculated using cash flow projection based on the financial forecast of Xingnong Group, prepared by the management of Xingnong Group, which covers a 39-year period, as the majority lease term of the kiwifruit plantations will expire in 2058. Based on JLL Xingnong Group Valuation Report, they are of the opinion that the market value of Xingnong Group as at 30 September 2020 is RMB1,536,000,000.

We note that the Acquisition Consideration of RMB1,111,000,000 represents a discount of approximately 27.7% to the valuation of the Xingnong Group as at 30 September 2020 based on the JLL Xingnong Group Valuation Report.

The Independent Directors are advised to read the JLL Xingnong Group Valuation Report, especially the approach, valuation methodology and assumptions carefully.

## APPENDIX B – IFA LETTER

### 4.4. Comparison of valuation ratios of selected listed companies which are broadly comparable to Xingnong Group

The Xingnong Group is principally engaged in the business of planting, cultivating, processing and sale of kiwifruits. For the purpose of assessing the Xingnong Acquisition, we have considered listed companies whose businesses are broadly comparable with Xingnong Group (“**Xingnong Comparable Companies**”). We had held discussions with the Management about the suitability and reasonableness of the selected Xingnong Comparable Companies.

Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Xingnong Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the Xingnong Comparable Companies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Xingnong Group.

We wish to highlight that the Xingnong Comparable Companies may not be exhaustive and it should be noted that there may not be any listed company that is directly comparable with the Xingnong Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for these Xingnong Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Xingnong Comparable Companies, as extracted from Bloomberg L.P., is set out below:

Name	Listing Location	Business Description	Market Capitalisation as at the Latest Practicable Date (S\$ million) <sup>(1)(2)</sup>
Asian Citrus Holdings Limited 亞洲果業控股有限公司	Hong Kong	Asian Citrus Holdings Limited owns and operates orange plantations in China. The company currently cultivates and sells a variety of oranges namely winter oranges (hamlin, pineapple and hong jiang oranges) and summer oranges (Valencia oranges) in the PRC.	44.8
Chaoda Modern Agriculture (Holdings) Limited 超大現代農業(控股)有限公司	Hong Kong	Chaoda Modern Agriculture (Holdings) Limited, through its subsidiaries, grows fruits and vegetables in China. The company controls the entire production chain from seeks to processing and marketing. The company offers both fresh produce and frozen produce.	47.6
China Green (Holdings) Limited 中国绿色食品(控股)有限公司	Hong Kong	China Green (Holdings) Limited, through its subsidiaries, produces and supplies a wide range of agricultural products including fresh produce and processed food to both domestic and international markets. The company also offers branded food and beverage products to domestic markets in China.	12.8
Gansu Dunhuang Seed Group Co., Ltd. 甘肃省敦煌种业集团股份有限公司	China	Gansu Dunhuang Seed Group Co., Ltd. wholesales and distributes farm supplies. The company sells seeds, vegetables, flowers, and other products. Gansu Dunhuang Seed also operates import and export businesses.	446.0
Great-Sun Foods Co., Ltd. 辉宏蔬果股份有限公司	China	Great-Sun Foods Co., Ltd. retails food products. The company offers fruits, vegetables, seafood, and other food products. The company serves customers in China.	661.1

## APPENDIX B – IFA LETTER

Name	Listing Location	Business Description	Market Capitalisation as at the Latest Practicable Date (S\$ million) <sup>(1)(2)</sup>
Heilongjiang Agriculture Co., Ltd. 黑龙江北大荒农业股份有限公司	China	Heilongjiang Agriculture Co., Ltd. plants, processes, and sells rice, soybean, wheat, corn, and other grain products. The company also produces fertilizers and sells paper products.	5,924.3
Jiangsu Provincial Agriculture Reclamation and Development Corporation 江苏省农垦农业发展股份有限公司	China	Jiangsu Provincial Agricultural Reclamation and Development Corporation operates as an agricultural company. The company runs grains farming, fruits growing, crops growing, and other businesses. Jiangsu Provincial Agricultural Reclamation and Development also operates agricultural machines sales, industrial investments, and other businesses.	3,096.7
Lontrue Co., Ltd. 朗源股份有限公司	China	Lontrue Co., Ltd. plants, processes, stores and sells fresh fruit and dried fruit. The company's main products are fresh apples and raisins.	478.8
Xinjiang Korla Pear Co., Ltd. 新疆库尔勒香梨股份有限公司	China	Xinjiang Korla Pear Co., Ltd. produces and markets pears, seedlings, and other fruits and crops. The company sells its products throughout China.	261.3
Yuan Long Ping High-Tech Agriculture Co., Ltd. 袁隆平农业高科技股份有限公司	China	Yuan Long Ping High-Tech Agriculture Co., Ltd. produces and markets seeds of grains, vegetables, and fruits. The company also develops and manufactures agricultural chemicals, operates hotels, develops and invests in real estate.	4,792.7

Notes:

- (1) Market capitalisation of Xingnong Comparable Companies is based on their respective total number of issued shares and closing prices as at the Latest Practicable Date.
- (2) Based on respective closing exchange rate of RMB1: S\$0.2071 and HKD1: S\$0.1726 as at the Latest Practicable Date, as the case may be.

For the purpose of our evaluation and for illustration, we have considered four main valuation measures namely, the price to historical earnings ("**P/E**") ratio, the enterprise value ("**EV**") to historical earnings before net interest, tax, depreciation and amortisation ("**EBITDA**") ("**EV/EBITDA**") ratio, the price to net asset value ("**P/NAV**") ratio and the price to sales ("**P/Sales**") ratio implied by the Acquisition Consideration compared with the Xingnong Comparable Companies.

The ratios of the Xingnong Comparable Companies based on their respective closing prices as at the Latest Practicable Date are set out below. Shareholders should note that comparisons between the Xingnong Group and the Xingnong Comparable Companies below are affected by differences in their financial periods, accounting policies and valuation composition of the businesses and our analysis has not been adjusted for such differences.



## APPENDIX B – IFA LETTER

Comparable Companies	P/E <sup>(1)</sup> (times)	EV/ EBITDA <sup>(1)</sup> (times)	P/NAV ratio <sup>(1)</sup> (times)	P/Sales ratio <sup>(1)</sup> (times)
Asian Citrus Holdings Limited 亞洲果業控股有限公司	10.5 <sup>(2)</sup>	5.3 <sup>(2)</sup>	2.0 <sup>(2)</sup>	0.6 <sup>(2)</sup>
Chaoda Modern Agriculture (Holdings) Limited 超大現代農業（控股）有限公司	n.m. <sup>(2)(3)</sup>	194.5 <sup>(2)</sup>	1.1 <sup>(2)</sup>	3.8 <sup>(2)</sup>
China Green (Holdings) Limited 中國綠色食品（控股）有限公司	n.m. <sup>(2)(3)</sup>	n.m. <sup>(2)(4)</sup>	0.2 <sup>(2)</sup>	0.2 <sup>(2)</sup>
Gansu Dunhuang Seed Group Co., Ltd. 甘肅省敦煌種業集團股份有限公司	n.m. <sup>(3)</sup>	n.m. <sup>(4)</sup>	3.9	1.8
Great-Sun Foods Co., Ltd. 輝宏蔬果股份有限公司	40.4	33.6	3.6	3.7
Heilongjiang Agriculture Co., Ltd. 黑龍江北大荒農業股份有限公司	33.7	26.9	4.4	9.2
Jiangsu Provincial Agriculture Reclamation and Development Corporation 江蘇省农垦農業發展股份有限公司	25.3	15.6	2.4	1.9
Lontrue Co., Ltd. 朗源股份有限公司	67.1	33.9	2.3	4.0
Xinjiang Korla Pear Co., Ltd. 新疆庫爾勒香梨股份有限公司	n.m. <sup>(3)</sup>	n.m. <sup>(4)</sup>	4.6	57.3
Yuan Long Ping High-Tech Agriculture Co., Ltd. 袁隆平農業高科技股份有限公司	n.m. <sup>(3)</sup>	78.0	3.3	7.4
<b>High</b>	<b>67.1</b>	<b>194.5</b>	<b>4.6</b>	<b>57.3</b>
<b>Low</b>	<b>10.5</b>	<b>5.3</b>	<b>0.2</b>	<b>0.2</b>
<b>Median</b>	<b>33.7</b>	<b>33.6</b>	<b>2.9</b>	<b>3.8</b>
<b>Mean</b>	<b>35.4</b>	<b>55.4</b>	<b>2.8</b>	<b>9.0</b>
<b>Xingnong Group (implied by the Acquisition Consideration)</b>	<b>20.8<sup>(5)</sup></b>	<b>16.1<sup>(5)</sup></b>	<b>5.6<sup>(6)</sup></b>	<b>11.2<sup>(5)</sup></b>

Source: Bloomberg L.P., annual report and financial information of the respective Xingnong Comparable Companies

### Notes:

- (1) Based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) information compiled from their respective audited financial results for the most recently completed financial year.
- (2) Market capitalisation of these Xingnong Comparable Companies are converted to their respective reporting currency based on closing exchange rate of HKD1: RMB0.8375 as at the Latest Practicable Date.
- (3) n.m = not meaningful because of net losses.
- (4) n.m = not meaningful because of negative EBITDA.
- (5) Based on the audited financial results for the most recently completed financial year.
- (6) Based on the audited NAV as at 30 September 2020.

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## APPENDIX B – IFA LETTER

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Based on the above analysis, we note the following:

- (i) the P/E ratio of approximately 20.8 times as implied by the Acquisition Consideration is within the range and below the median and mean of the P/E ratios of the Xingnong Comparable Companies;
- (ii) the EV/EBITDA ratio of approximately 16.1 times as implied by the Acquisition Consideration is within the range and below the median and mean of the EV/EBITDA ratios of the Xingnong Comparable Companies;
- (iii) the P/NAV ratio of approximately 5.6 times as implied by the Acquisition Consideration is above the range of P/NAV ratios of the Xingnong Comparable Companies; and
- (iv) the P/Sales ratio of approximately 11.2 times as implied by the Acquisition Consideration is within the range and above the median and mean of P/Sales ratios of the Xingnong Comparable Companies.

### 4.5. Financial effects of the Proposed Transactions

Based on the Agreement, the Xingnong Acquisition and the Dukang Disposal are inter-conditional, and will be completed concurrently. Therefore, for illustration purposes only, the analysis and illustration of the financial effects of the Proposed Transactions on the Current Group are taken as a whole. These financial effects are set out in Section 8 of the Circular and based on (i) the latest audited consolidated financial statements of the Current Group for FY2020 and (ii) the unaudited pro forma consolidated financial statements of the Restructured Group for financial year ended 30 June 2020, and the key assumptions are set out in Section 8.1 of the Circular.

#### Share Capital

As there will be no issue of new 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.

	Before the Proposed Transactions	After the Proposed Transactions
Number of Shares ('000)	79,829	79,829
Share Capital (RMB'000)	279,499	279,499

#### (Loss) / Earnings per Share

	Before the Proposed Transactions	After the Proposed Transactions
(Loss) / Earnings after tax attributable to Shareholders (RMB'000)	(73,934)	35,087
Weighted average number of shares in the Company	79,828,927	79,828,927
(LPS) / EPS (RMB)	(0.93)	0.44

Before the Proposed Transactions, the Current Group recorded a loss per Share of RMB0.93. We note that the results will improve to an earnings per Share of RMB0.44 for the Restructured Group after the Proposed Transactions. This is mainly due to the disposal of the loss-making baijiu business and the acquisition of a profitable Xingnong Group.

## APPENDIX B – IFA LETTER

### NTA<sup>(1)</sup>

	Before the Proposed Transactions	After the Proposed Transactions
NTA attributable to the owners of the Company (RMB'000)	945,737	289,245
Number of issued shares in the Company	79,828,927	79,828,927
NTA per Share (RMB)	11.85	3.62

**Note:**

- (1) Based on the carrying values of the respective assets or liabilities being considered. NTA is based on the consolidated total equity after deduction of intangible assets, as the case may be.

We note that the NTA per Share will decrease from RMB11.85 for the Current Group before the Proposed Transactions to RMB3.62 for the Restructured Group after the Proposed Transactions. This is because the NTA of the Xingnong Group being acquired is significantly smaller than the NTA of the Dukang Group which is being disposed.

### Gearing<sup>(1)(2)</sup>

	Before the Proposed Transactions	After the Proposed Transactions
Net debt (RMB'000)	2,010	1,546 <sup>(4)</sup>
Shareholders' equity ('000)	945,737	296,285
Gearing (times)	Not meaningful <sup>(3)</sup>	0.01

**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 (with the exclusion of the Unpaid Consideration as further elaborated in footnote (4) below), less cash and cash equivalents.
- (3) Gearing was less than 0.01 times.
- (4) Excludes the Unpaid Consideration which amounted to RMB115.99 million. The Unpaid Consideration, which was a necessary restructuring step to facilitate the completion of the Xingnong Acquisition, will be repaid by Go National prior to Completion, from the proceeds of the XN Loan. The XN Loan will be subsequently waived pursuant to the Deeds of Release and Discharge. Please refer to Section A2.4(e) entitled "Restructuring Exercise in respect of Xingnong Agriculture - Xingnong Group Restructuring Exercise" of Appendix A to the Circular for further details.

We note that the net debt of the Current Group will decrease from RMB2.0 million before the Proposed Transactions to RMB1.5 million for the Restructured Group after the Proposed Transactions.

#### **4.6. Other relevant considerations**

##### Acquisition Consideration to be satisfied by way of net-off against the Disposal Consideration

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

##### Inter-conditionality of the Xingnong Acquisition and the Dukang Disposal

The Xingnong Acquisition and the Dukang Disposal are inter-conditional and will be completed concurrently. The resolutions for the Xingnong Acquisition and the Dukang Disposal are inter-conditional upon each other. Hence, if any of these resolutions is not approved, the other resolution will not be passed.

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## APPENDIX B – IFA LETTER

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### Risk Factors

While we have, in the course of our evaluation, assessed the financial terms of the Xingnong Acquisition and considered the transaction from the perspective of whether such terms are prejudicial to the interests of the Company and the minority Shareholders, we have not examined the underlying business and financial risks associated with the Xingnong Acquisition as well as the business prospects of the Xingnong Group, which shall be the responsibility of the Directors.

The risks factors relating to the Restructured Group are set out in Section 9.3 of the Circular.

### **5. SALIENT TERMS OF THE DUKANG DISPOSAL**

The details of the Dukang Disposal can be found in Sections 2 & 4 of the Circular. A summary of the key terms of the Dukang Disposal is set out below for your reference.

#### Consideration

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

- (i) the market value of Dukang Group of RMB1,111,000,000 as at 30 June 2018 based on an earlier desktop valuation performed by the Independent Dukang Group Valuer;
- (ii) the Dukang Group's reported net losses for the financial year ended 30 June 2018; and
- (iii) the ongoing uncertainties of the Current Business in respect of, *inter alia*, its financial performance.

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.

### **6. EVALUATION OF THE DUKANG DISPOSAL**

In our evaluation of the Dukang Disposal, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

- (a) the historical financial performance and position of Current Group;
- (b) the rationale for the Dukang Disposal;
- (c) Disposal Consideration compared to the valuer assessment in the Independent Dukang Group Valuation Report;
- (d) the comparison of valuation ratios of selected listed companies which are broadly comparable to Dukang Group;
- (e) the financial effects of the Proposed Transactions; and
- (f) other relevant considerations.

These factors are discussed in greater detail in the ensuing paragraphs. Certain of the figures and computations as set out of this letter have been subject to rounding where necessary.

## APPENDIX B – IFA LETTER

### 6.1. Historical financial performance and position of Current Group

The summary of the audited financial statements of the Current Group for FY2018, FY2019 and FY2020, 1H2020 and 1H2021 is set out below.

#### Financial performance of Current Group

RMB'000	Audited FY2018	Audited FY2019	Audited FY2020	Unaudited 1H2020	Unaudited 1H2021
Revenue	148,524	139,648	113,331	40,455	36,149
Cost of sales	(106,831)	(91,232)	(69,443)	(24,680)	(20,066)
Gross profit	41,693	48,416	43,888	15,775	16,083
Other income	734	5,932	1,936	1,212	4,936
Selling and distribution expenses	(31,080)	(44,346)	(40,538)	(21,502)	(22,573)
Administrative expenses	(65,221)	(70,879)	(68,936)	(27,933)	(28,587)
Other expenses	(35,201)	(858)	(858)	-	-
Impairment loss on interest in an associate	(67,340)	(819)	(3,172)	-	-
Impairment loss on property, plant and equipment	(54,757)	-	-	-	-
Impairment loss on intangible assets	(1,000)	(280)	-	-	-
Operating loss	(212,172)	(62,834)	(67,680)	(32,448)	(30,141)
Finance costs	(7,042)	(7,108)	(7,629)	(3,815)	(3,815)
Share of profit of an associate	786	770	624	171	153
<b>Loss before income tax</b>	<b>(218,428)</b>	<b>(69,172)</b>	<b>(74,685)</b>	<b>(36,092)</b>	<b>(33,803)</b>
Income tax (expense)/credit	(3,606)	(181)	751	264	356
<b>Loss for the year, attributable to owners of the Company</b>	<b>(222,034)</b>	<b>(69,353)</b>	<b>(73,934)</b>	<b>(35,828)</b>	<b>(33,447)</b>
Other comprehensive income items that may be reclassified subsequently to profit and loss:					
Exchange differences on translation of foreign operations	574	(1,407)	1,381	(5,072)	(2,205)
<b>Total comprehensive income for the year</b>	<b>(221,460)</b>	<b>(70,760)</b>	<b>(72,553)</b>	<b>(40,900)</b>	<b>(35,652)</b>

Source: Company's annual reports for FY2018, FY2019 and FY2020 and financial results announcement for 1H2021

#### Review of the operating results

We note the following:

- The Current Group recorded a decrease in revenue from FY2018 to FY2020 and 1H2020 to 1H2021, from RMB148.5 million in FY2018 to RMB139.6 million in FY2019, representing a 6.0% decrease, and from RMB139.6 million in FY2019 to RMB113.3 million in FY2020, representing a 18.8% decrease and from RMB40.4 million in 1H2020 to RMB36.1 million in 1H2021, representing a 10.6% decrease. The decrease in FY2019 was mainly due to customer attrition as a result of the intensified baijiu market competition in Henan Province during the year while the decrease in FY2020 and 1H2021 was mainly due to the disruption in baijiu sales since February 2020 from a drastic change in consumers' consumption habit and spending pattern on discretionary consumer goods as a result of the outbreak of the COVID-19 pandemic.
- Gross profit margin increased from 28.1% in FY2018 to 34.7% in FY2019 and subsequently to 38.7% in FY2020. The increase in gross profit margin was mainly due to the change in product mix and increase in average selling price of the products. It further increased from 39.0% in 1H2020 to 44.5% in 1H2021 mainly due to the change in product mix between the two periods.
- Selling and distribution expenses increased from RMB31.0 million in FY2018 to RMB44.3 million in FY2019, and decreased from RMB44.3 million in FY2019 to RMB40.5 million in FY2020, and increased from RMB21.5 million in 1H2020 to RMB22.6 million in 1H2021. The fluctuation was mainly due to the change in advertising and promotional activities.

## APPENDIX B – IFA LETTER

- In FY2018, following the weak demand of the Current Group's products and the deteriorating operating results during the financial year, the management performed a review on the recoverable amount of the non-current assets, including property, plant and equipment, intangible assets and interest in an associate. As the recoverable amount of the assets assessed by an independent and professionally qualified valuer was lower than its carrying value, impairment losses of approximately RMB123.1 million on property, plant and equipment, intangibles and interest in the associate were recognised. In FY2019 and FY2020, the Current Group further recorded impairment losses of RMB1.0 million and RMB3.2 million respectively arising from the weak demand of its products and the poor operating results.
- The Current Group recorded a loss before income tax of RMB218.4 million for FY2018, RMB69.2 million for FY2019, and RMB74.7 million for FY2020 and RMB33.8 million for 1H2021.
- Based on the audited consolidated financial statements of the Current Group for FY2020 and the unaudited consolidated financial statements for the Current Group for 1H2021, the consolidated net loss of the Dukang Group for FY2020 and 1H2021 was approximately RMB66.3 million and approximately RMB29.5 million, respectively.

### Financial position of Current Group

<b>RMB'000</b>	<b>Audited as at 30 June 2020</b>	<b>unaudited as at 31 December 2020</b>
<u>Non-current assets</u>		
Interest in an associate	11,123	11,276
Property, plant and equipment	373,842	358,922
Prepayments	731	731
Total non-current assets	385,696	370,929
<u>Current assets</u>		
Inventories	751,136	757,838
Prepayments, deposits and other receivables	16,682	9,585
Income tax recoverable	466	696
Cash and cash equivalents	121,877	74,259
Total current assets	890,161	842,378
<b>Total assets</b>	<b>1,275,857</b>	<b>1,213,307</b>
<u>Current liabilities</u>		
Trade payables	85,072	56,552
Amount due to an associate	8,887	9,175
Accrued liabilities and other payables	110,140	111,828
Bank loans, secured	115,000	115,000
Total current liabilities	319,099	292,555
<u>Non-current liabilities</u>		
Deferred tax liabilities	11,021	10,667
<b>Total liabilities</b>	<b>330,120</b>	<b>303,222</b>
<u>Equity attributable to owners of the Company</u>		
Share capital	279,499	279,499
Reserves	666,238	630,586
<b>Total equity</b>	<b>945,737</b>	<b>910,085</b>

Source: Company's annual report for FY2020 and financial results announcement for 1H2021

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## APPENDIX B – IFA LETTER

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### Review of financial position

The assets of Current Group as at 30 June 2020 comprised mainly: (i) property, plant and equipment of RMB373.8 million; (ii) inventories of RMB751.1 million; and (iii) cash and cash equivalents of RMB121.9 million, representing 29.3%, 58.9% and 9.6% of the total assets respectively.

The assets of Current Group as at 31 December 2020 comprised mainly: (i) property, plant and equipment of RMB358.9 million; (ii) inventories of RMB757.8 million; and (iii) cash and cash equivalents of RMB74.3 million, representing 29.6%, 62.5% and 6.1% of the total assets respectively.

Property, plant and equipment comprised mainly of leasehold buildings, plant and equipment and construction in progress. The inventories comprised of raw material, work in progress and finished goods, which are stated at lower of cost and net realisable value.

The liabilities of Current Group as at 30 June 2020 comprised mainly: (i) accrued liabilities and other payables of RMB110.1 million; (ii) bank loans, secured of RMB115.0 million, and (iii) trade payables of RMB85.1 million, representing 33.4%, 34.8% and 25.8% of total liabilities respectively.

The liabilities of Current Group as at 31 December 2020 comprised mainly: (i) accrued liabilities and other payables of RMB111.8 million; (ii) bank loans, secured of RMB115.0 million, and (iii) trade payables of RMB56.6 million, representing 36.9%, 37.9% and 18.7% of total liabilities respectively.

Based on the audited consolidated financial statements of the Current Group for FY2020 and the unaudited consolidated financial statements for the Current Group for 1H2021, the consolidated book value/NTA of the Dukang Group was approximately RMB952.2 million as at 30 June 2020 and approximately RMB914.0 million as at 31 December 2020. The Disposal Consideration represents a premium of approximately 16.7% to the audited NTA of the Dukang Group as at 30 June 2020 and a premium of approximately 21.6% to the unaudited NTA of the Dukang Group as at 31 December 2020.

### **6.2. Rationale for the Dukang Disposal**

It is not within our terms of reference to comment or express an opinion on the merits of the Dukang Disposal or the future prospects of the Current Group after the Dukang Disposal. Nonetheless, we have reviewed the rationale for the Dukang Disposal. The full text of the rationale for the Proposed Transactions is set out in Section 2.7 of the Circular.

### **6.3. Disposal Consideration compared to the valuer assessment in the Independent Dukang Group Valuation Report**

In connection with the Dukang Disposal, the Company has commissioned LCH to undertake an independent valuation of the market value of the entire equity interest in Sea Will as at 30 September 2020.

Details of the Dukang Group Value can be found in the Independent Dukang Group Valuation Report which is set out in Appendix G to the Circular and is a document available for inspection.

### Dukang Group Value

We note that the Dukang Group Value as determined by LCH is valued on the basis of "Market Value" in continued use or as a going concern business. Market Value is defined by the International Valuation Standards and published by the International Valuation Standards Council as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". LCH has further assumed that, subject to the above definition, both the buyer and the seller contemplate the retention of Sea Will at its existing status for the continuation of the current operations as a going concern business, and both seeking their maximum economic self-interest in arriving at an arm's-length transaction.

We note that LCH has considered the three generally accepted business enterprise appraisal approaches to value, namely, the income approach, the market approach and the asset-based approach.

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## APPENDIX B – IFA LETTER

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### Income Approach

The income approach focuses on the economic benefits generated by the income-producing capability of a business enterprise. The underlying theory of this approach is that the value of a business enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business enterprise. Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate suitable for the risks associated with realising those benefits. Alternatively, this can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is subject to the assumption that the business enterprise has been maintaining stable economic benefits and growth rate. The core idea under this approach is that a rational buyer normally will purchase an asset only if the present value of the expected economic benefits is at least equal to the purchase price. Likewise, a rational seller normally will not sell if the present value of the expected economic benefits is more than the selling price. Thus, a sale generally will occur at an amount equals to the economic benefits of the asset being valued.

### Market Approach

The market approach is basically a comparison method to value a business enterprise by comparison to the prices at which other similar business nature companies or interests changed hands in arm's-length transactions. The underlying theory of this approach is one would not pay more than one would have to pay for an equally desirable alternative. Therefore, the valuer will seek valuation guidance for valuation indication from the prices of other similar companies or equity interests in companies that were sold recently. The right transactions used in analysing for valuation indication need to be sales on an arm's-length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell. Then, based on those transactions, multiples (i.e. financial ratios) are derived to apply to the fundamental financial variables of the subject business enterprise and to arrive at an indicated value of the subject business enterprise. The most commonly known multiples are price-to-earnings ("P/E"), price-to-sales (or revenue) ("P/S"), price-to-book ("P/B") and enterprise value-to-EBITDA (earnings before interest, taxes, depreciation and amortisation) ("EV/EBITDA") multiple.

### Asset-based Approach

The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business enterprise and equals to the value of its invested capital (equity and long-term debt). In other words, the value of the business enterprise is represented by the money that has been collected to purchase the business assets needed. This money comes from investors who buy stocks of the business enterprise (equity) and investors who lend money to the business enterprise (debt). After collecting the total amount of money from equity and debt, and converted into various types of assets of the business enterprise for its operation, their sum equals to the value of the business enterprise.

Of the three approaches, we note that LCH has adopted the asset-based approach in arriving at the Dukang Group Value. For the income approach, since reliable financial projections may not be available and subject to comparatively high uncertainty, subjective judgement and assumptions, as such, the derived valuation result would be subject to significant uncertainty as the amount and timing of further income are highly uncertain, and thus the income approach was considered inappropriate. For the market approach, due to (i) the equity interest of the Company exhibiting a volatile and rapidly descending trend, (ii) liquidity concern of Sea Will; and (iii) listing premium of the Company, the market capitalisation of the Company as at the Valuation Date may not be a reliable and suitable indicator of the value of Sea Will and therefore, the market approach has not been relied on. In LCH's opinion, the asset-based approach would be more appropriate than the other two approaches as it provides a clearer picture of the underlying assets of Sea Will to support its business.

Based on the Independent Dukang Group Valuation Report, LCH is of the opinion that the Dukang Group Value was in the region of RMB991,000,000 as at 30 September 2020.

We note that the Disposal Consideration of RMB1,111,000,000 represents a premium of approximately 12.1% to the Dukang Group Value.

The Independent Directors are advised to read the Independent Dukang Group Valuation Report, especially the approach, valuation methodology and assumptions carefully.



## APPENDIX B – IFA LETTER

### 6.4. Comparison of valuation ratios of selected listed companies which are broadly comparable to Dukang Group

Dukang Group manufactures, markets, and sells baijiu products, a spirit distilled from wheat and sorghum, principally in Henan Province, the PRC. For the purpose of assessing the Dukang Disposal, we have identified listed companies whose businesses are broadly comparable with Dukang Group (“**Dukang Comparable Companies**”). We had held discussions with the Management about the suitability and reasonableness of the Dukang Comparable Companies.

Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Dukang Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the Dukang Comparable Companies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Dukang Group.

We wish to highlight that the Dukang Comparable Companies may not be exhaustive and it should be noted that there may not be any listed company that is directly comparable with the Dukang Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for these Dukang Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Dukang Comparable Companies, as extracted from Bloomberg L.P., is set out below:

Name	Listing Location	Business Description	Market Capitalisation as at the Latest Practicable Date <sup>(1)(2)</sup> (\$ million)
Jinhui Liquor Co., Ltd. 金徽酒股份有限公司	China	Jinhui Liquor Co., Ltd. is an alcoholic beverage producer. The company sells a variety of liquor and wine.	2,837.0
Jiugui Liquor Co., Ltd. 酒鬼酒股份有限公司	China	Jiugui Liquor Co., Ltd. manufactures and markets Xiangquan and Jiugui series of white spirits. Through its subsidiaries, the company also manufactures pharmaceutical products.	9,131.7
Kuaijishan Shaoxing Wine Co., Ltd. 会稽山绍兴酒股份有限公司	China	Kuaijishan Shaoxing Wine Co., Ltd. is headquartered in China. The company's line of business includes the manufacturing of wines, brandy, and brandy spirits.	957.1
Qinghai Huzhu Barley Wine Co., Ltd. (“Qinghai Huzhu”) 青海互助青稞酒股份有限公司	China	Qinghai Huzhu Barley Wine Co., Ltd. develops, produces and sells highland barley wine. The company's main products include Huzhu, Tianyoude, Bada Zuofang, Yongqinghe, and other series of highland barley wine.	1,276.9
Shanghai Jinfeng Wine Co., Ltd. 上海金枫酒业股份有限公司	China	Shanghai Jinfeng Wine Co., Ltd. owns and operates food retail stores. The company also produces wines and sugar, as well as operates restaurants.	988.0
Xinjiang Yilite Industry Co., Ltd. 新疆伊力特实业股份有限公司	China	Xinjiang Yilite Industry Co., Ltd. manufactures and markets white spirits. The company also manufactures paper boxes, provides transportation services, and distributes water, electric power, and heat.	1,792.1

## APPENDIX B – IFA LETTER

Name	Listing Location	Business Description	Market Capitalisation as at the Latest Practicable Date <sup>(1)(2)</sup> (\$ million)
Zhejiang Guyuelongshan Shaoxing Wine Co., Ltd. 浙江古越龙山绍兴酒股份有限公司	China	Zhejiang Guyuelongshan Shaoxing Wine Co., Ltd. manufactures and markets yellow wines, white spirits, beverages, food, and food materials. Through its subsidiaries, the company also manufactures spandex and provides food services.	1,875.5

**Notes:**

- (1) Market capitalisation of Dukang Comparable Companies is based on their respective total number of issued shares and closing prices as at the Latest Practicable Date.
- (2) Based on closing exchange rate of RMB1:US\$0.2071 as at the Latest Practicable Date.

For the purpose of our evaluation and for illustration, we have considered four main valuation measures namely, the price to historical earnings (“P/E”) ratio, the enterprise value (“EV”) to historical earnings before net interest, tax, depreciation and amortisation (“EBITDA”) (“EV/EBITDA”) ratio, the price to net asset value (“P/NAV”) ratio and the price to sales (“P/Sales”) ratio, implied by the Disposal Consideration compared with the Dukang Comparable Companies.

The ratios of the Dukang Comparable Companies based on their respective closing prices as at the Latest Practicable Date are set out below. Shareholders should note that comparisons between Dukang Group and the Dukang Comparable Companies below are affected by differences in their financial periods, accounting policies and valuation composition of the businesses and our analysis has not been adjusted for such differences.

Comparable Companies	P/E <sup>(1)</sup> (times)	EV/ EBITDA <sup>(1)</sup> (times)	P/NAV <sup>(1)</sup> (times)	P/Sales <sup>(1)</sup> (times)
Jinhui Liquor Co., Ltd. 金徽酒股份有限公司	50.6	31.0	5.4	8.4
Jiugui Liquor Co., Ltd. 酒鬼酒股份有限公司	147.2	99.6	18.1	29.2
Kuaijishan Shaoxing Wine Co., Ltd. 会稽山绍兴酒股份有限公司	27.8	12.3	1.5	3.9
Qinghai Huzhu Barley Wine Co., Ltd. 青海互助青稞酒股份有限公司	170.7	43.9	2.6	4.9
Shanghai Jinfeng Wine Co., Ltd. 上海金枫酒业股份有限公司	162.0	49.7	2.5	5.1
Xinjiang Yilite Industry Co., Ltd. 新疆伊力特实业股份有限公司	19.4	10.9	2.9	3.8
Zhejiang Guyuelongshan Shaoxing Wine Co., Ltd. 浙江古越龙山绍兴酒股份有限公司	43.2	23.5	2.1	5.1
<b>High</b>	<b>170.7</b>	<b>99.6</b>	<b>18.1</b>	<b>29.2</b>
<b>Low</b>	<b>19.4</b>	<b>10.9</b>	<b>1.5</b>	<b>3.8</b>
<b>Median</b>	<b>50.6</b>	<b>31.0</b>	<b>2.6</b>	<b>5.1</b>
<b>Mean</b>	<b>88.7</b>	<b>38.7</b>	<b>5.0</b>	<b>8.6</b>
<b>Dukang Group (implied by the Disposal Consideration)</b>	<b>n.m<sup>(2)(4)</sup></b>	<b>n.m<sup>(3)(4)</sup></b>	<b>1.2<sup>(5)</sup></b>	<b>9.8<sup>(4)</sup></b>

Source: Bloomberg L.P., annual report and financial information of the Dukang Comparable Companies

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## APPENDIX B – IFA LETTER

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### Notes:

- (1) Based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) information compiled from their respective audited financial results for the most recently completed financial year.
- (2) n.m = not meaningful because of net loss.
- (3) n.m = not meaningful because of negative EBITDA.
- (4) Computed based on the audited financial results of Dukang Group for the financial year ended 30 June 2020.
- (5) Computed based on the audited NAV of Dukang Group as at 30 June 2020.

Based on the above, we note that:

- (i) it would not be meaningful to assess the P/E and EV/EBITDA ratios of Dukang Group based on financial year ended 30 June 2020 as implied by the Disposal Consolidation as it was loss-making and had negative EBITDA;
- (ii) the P/NAV ratio of Dukang Group as implied by the Disposal Consideration of 1.2 times is below the range of the P/NAV ratios of the Dukang Comparable Companies; and
- (iii) the P/Sales ratio of Dukang Group as implied by the Disposal Consideration of 9.8 times is within the range and above the median and mean of the P/Sales ratios of the Dukang Comparable Companies.

The above Dukang Comparable Companies are profitable and hence they may not be directly comparable with the loss-making Dukang Group. The above comparison therefore serves only as an illustrative guide.

### 6.5. Financial effects of the Proposed Transactions

Based on the Agreement, the Xingnong Acquisition and the Dukang Disposal are inter-conditional, and will be completed concurrently. Therefore, for illustration purposes only, the analysis and illustration of the financial effects of the Xingnong Acquisition is presented together with Dukang Disposal, ie. the Proposed Transactions are taken as a whole on the Current Group. Please refer to paragraph 4.5 of this letter for the financial effects.

### 6.6 Other relevant considerations

#### Disposal Consideration to be satisfied in full by way of the net-off against the Acquisition Consideration

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. The Proposed Transactions is essentially an assets-swap and will not result in any cash inflow to the Group. The Proposed Transactions (taken as a whole) allows the Company to dispose of a loss-making baijiu business and acquire Xingnong Agriculture which is in the Kiwifruit Business and is currently profit-generating.

#### Inter-conditionality of the Xingnong Acquisition and the Dukang Disposal

The Xingnong Acquisition and the Dukang Disposal are inter-conditional and will be completed concurrently. The resolutions for the Xingnong Resolution and the Dukang Disposal are inter-conditional upon each other. Hence, if any of these resolutions is not approved, the other resolution will not be passed.

#### Outlook of Current Group

In the Current Group's announcement on 9 February 2021 in relation to its half year financial results for the period ended 31 December 2020, the following commentary was made:

*"China's economy started the new year on a weaker footing as new COVID-19 outbreaks and pandemic-containment measures are likely to restrain economic activity. According to data from Beijing's National Bureau of Statistics, industrial and services activities eased more than expected in January 2021, with demand taking a particular hit as authorities discouraged travel ahead of February's Lunar New Year festival.*

*As a result, demand for the Group's baijiu products may continue to be weak due to fresh outbreaks of the COVID-19 in China."*

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## APPENDIX B – IFA LETTER

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### No alternative to the Proposed Transactions

We understand from the Directors that, save as previously disclosed by the Company, there are currently no other acceptable alternative proposal or investment opportunity which is comparable in nature, size and scope to the Proposed Transactions as at the Latest Practicable Date.

## 7. OUR OPINION

### 7.1 Our opinion on the Xingnong Acquisition

We set out below a summary of the key factors we have taken into our consideration:

- (a) the financial performance of Xingnong Group where Xingnong Agriculture, the main operating subsidiary of Xingnong Group is revenue-generating and profit after tax for the year has been increasing from FY2017 to FY2019;
- (b) the Acquisition Consideration represents a premium of approximately 483.5% to the audited NTA of the Xingnong Group as at 30 September 2020;
- (c) rationale for the Xingnong Acquisition;
- (d) the Acquisition Consideration represents a discount of approximately 27.7% to the valuation of Xingnong Group as at 30 September 2020 based on the JLL Xingnong Group Valuation Report;
- (e) the P/E ratio of approximately 20.8 times as implied by the Acquisition Consideration is within the range and below the median and mean of the P/E ratios of the Xingnong Comparable Companies;
- (f) the EV/EBITDA ratio of approximately 16.1 times as implied by the Acquisition Consideration is within the range and below the median and mean of EV/EBITDA ratios of the Xingnong Comparable Companies;
- (g) the P/NAV ratio of approximately 5.6 times as implied by the Acquisition Consideration is above the range of P/NAV ratios of the Xingnong Comparable Companies;
- (h) the P/Sales ratio of approximately 11.2 times as implied by the Acquisition Consideration is within the range and above the median and mean of P/Sales ratios of the Xingnong Comparable Companies;
- (i) the financial effects of the Proposed Transactions; and
- (j) other relevant considerations as set out in paragraph 4.6 of this letter.

**Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, on balance, the Xingnong Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.**

### 7.2 Our opinion on the Dukang Disposal

We set out below a summary of the key factors we have taken into our consideration:

- (a) the financial performance of the Current Group where it has been experiencing a decline in revenue for the past three financial years and 1H2021 and recorded a net loss for each of the financial year and 1H2021;
- (b) the Disposal Consideration represents a premium of approximately 16.7% to the audited NTA of the Dukang Group as at 30 June 2020 and a premium of approximately 21.6% to the unaudited NTA of the Dukang Group as at 31 December 2020;
- (c) rationale for the Dukang Disposal;
- (d) the Disposal Consideration represents a premium of approximately 12.1% to the Dukang Group Value;

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## APPENDIX B – IFA LETTER

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- (e) the Dukang Group was loss-making for the most recently completed financial year while the Dukang Comparable Companies were profitable;
- (f) the P/NAV ratio of Dukang Group as implied by the Disposal Consideration of 1.2 times is below the range of the P/NAV ratios of the Dukang Comparable Companies;
- (g) the P/Sales ratio of Dukang Group as implied by the Disposal Consideration of 9.8 times is within the range and above the median and mean of the P/Sales ratios of the Dukang Comparable Companies;
- (h) the financial effects of the Proposed Transactions; and
- (i) other relevant considerations as set out in paragraph 6.6 of this letter.

**Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, on balance, the Dukang Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.**

**Taking into account the factors set out in paragraph 7 of this letter, we are of the opinion that, overall, the Proposed Transactions, taken as a whole, are on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders as the Company will be swapping a loss-making business with a lower market value for a profitable business with a higher market value.**

We have prepared this letter for the use of the Independent Directors in connection with and for the purposes of their consideration of the Proposed Transactions. The recommendation made by them to the minority Shareholders in relation to the Proposed Transactions shall remain the sole responsibility of the Independent Directors. Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose other than for the purpose of the SGM and for the purpose of the Proposed Transactions as interested person transactions, at any time and in any manner without the prior written consent of Crowe Horwath Capital in each specific case.

This letter is governed by, and 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 faithfully  
For and on behalf of  
**Crowe Horwath Capital Pte Ltd**

Chan Tzun  
Chief Executive Officer

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## **APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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31 March 2021

The Board of Directors,  
Dukang Distillers Holdings Limited  
Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

### **Opinion**

We have audited the consolidated financial statements of Great Resolute Limited (the “Company”) and its subsidiaries (collectively the “Group”), which comprise the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 September 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the financial years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2020 (the “Relevant Periods”), and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages C-4 to C-52.

In our opinion, the accompanying consolidated financial statements of the Group are properly drawn up in accordance with the International Financial Reporting Standards (“IFRSs”) so as to give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019, and 30 September 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the Relevant Periods.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (“ISA”). Our responsibilities under those standards are further described in the Joint Reporting Accountants’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the “ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and the Hong Kong Institute of Certified Public Accountants Code of Ethics for Professional Accountants (“HKICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code and HKICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Review of Stub Period Comparative Financial Information**

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended 30 September 2019 and other explanatory information (the “Stub Period Comparative Historical Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in note 3 to the historical financial information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditors of the Entity” issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the audited consolidated financial statements, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 3 to the historical financial information.

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## **APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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### **Responsibilities of Management and Directors for the Consolidated Financial Statements**

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair consolidated financial statements and to maintain accountability of assets.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### **Joint Reporting Accountants' Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountants' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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**Restriction on Distribution and Use**

This report is made solely to you as a body and for the inclusion in the circular to be issued in relation to the proposed acquisition of all the issued and fully-paid shares in Great Resolute Limited dated 31 March 2021. As a result, the consolidated financial statements may not be suitable for another purpose.

**BDO Limited**

Certified Public Accountants  
Hong Kong

**BDO LLP**

Public Accountants and Chartered Accountants  
Singapore



**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**Consolidated Statements of Comprehensive Income**

For the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020

	Notes	Year ended 31 December			Nine months ended 30 September	
		2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
					(unaudited)	
Revenue	8	49,500	61,708	99,490	79,435	89,951
Cost of sales		(44,640)	(55,418)	(88,468)	(70,133)	(80,485)
Gross profit		4,860	6,290	11,022	9,302	9,466
Gain arising from changes in fair value less costs to sell of biological assets		39,712	53,615	80,697	80,697	89,517
Other income and gains	9	1,012	1,099	6,862	6,059	3,376
Selling expenses		(2,747)	(3,653)	(7,354)	(3,312)	(9,071)
Administrative expenses		(11,845)	(17,967)	(19,040)	(13,318)	(16,670)
Other operating expenses		(11,294)	(13,836)	(17,083)	(9,224)	(13,480)
Finance costs	10	(28)	(51)	(70)	(50)	(76)
Profit before income tax	11	19,670	25,497	55,034	70,154	63,062
Income tax expense	12	(213)	(151)	(1,589)	(1,422)	(293)
Profit for the year/period		19,457	25,346	53,445	68,732	62,769
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation to presentation currency		-	(124)	(67)	(122)	58
Total comprehensive income for the year/period		19,457	25,222	53,378	68,610	62,827

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**Consolidated Statements of Financial Position**

As at 31 December 2017, 2018 and 2019, and 30 September 2020

ASSETS AND LIABILITIES	Notes	As at 31 December			As at 30 September
		2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	14	226,011	233,806	241,333	244,119
Intangible assets	15	7,328	6,896	7,362	7,040
Deposit paid for property, plant and equipment		1,733	1,766	6,166	326
		<u>235,072</u>	<u>242,468</u>	<u>254,861</u>	<u>251,485</u>
<b>Current assets</b>					
Inventories and consumables	17	611	3,628	4,399	21,731
Trade receivables	18	4,767	3,230	7,617	84,052
Prepayments and other receivables	19	797	1,155	2,814	2,299
Cash and cash equivalents	20	8,619	7,153	53,860	23,846
		<u>14,794</u>	<u>15,166</u>	<u>68,690</u>	<u>131,928</u>
<b>Current liabilities</b>					
Trade payables	21	2,482	3,663	9,401	12,160
Accruals and other payables	22	17,601	16,517	9,996	9,124
Loan from a shareholder	23	-	5,000	-	-
Amounts due to shareholders	23	-	-	115,990	115,990
Bank and other borrowings	24	30,000	3,000	4,400	4,400
Lease liabilities	25	25	27	29	31
Deferred government grants	26	478	478	478	478
Income tax payable		167	140	167	292
		<u>50,753</u>	<u>28,825</u>	<u>140,461</u>	<u>142,475</u>
<b>Net current liabilities</b>		<u>(35,959)</u>	<u>(13,659)</u>	<u>(71,771)</u>	<u>(10,547)</u>
<b>Total assets less current liabilities</b>		<u>199,113</u>	<u>228,809</u>	<u>183,090</u>	<u>240,938</u>
<b>Non-current liabilities</b>					
Other payables	22	-	-	300	300
Bank and other borrowings	24	12,521	17,500	25,400	21,000
Lease liabilities	25	9,367	9,340	9,311	9,090
Deferred government grants	26	14,436	13,958	13,480	13,122
		<u>36,324</u>	<u>40,798</u>	<u>48,491</u>	<u>43,512</u>
<b>Net assets</b>		<u>162,789</u>	<u>188,011</u>	<u>134,599</u>	<u>197,426</u>
<b>EQUITY</b>					
Share capital	27	-*	-*	-*	-*
Reserves	28	162,789	188,011	134,599	197,426
<b>Total equity</b>		<u>162,789</u>	<u>188,011</u>	<u>134,599</u>	<u>197,426</u>

\* This represents amount less than RMB1,000 and is not presented.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**Consolidated Statements of Changes in Equity**

For the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020

	Share capital RMB'000 (note 27)	Other reserve RMB'000 (note 28)	Statutory reserve RMB'000 (note 28)	Exchange reserve RMB'000 (note 28)	(Accumulated losses)/ Retained earnings RMB'000	Total equity RMB'000
At 1 January 2017	-*	144,564	-	-	(1,232)	143,332
Profit and total comprehensive income for the year	-	-	-	-	19,457	19,457
Transfer to statutory reserve	-	-	1,946	-	(1,946)	-
At 31 December 2017 and 1 January 2018	-*	144,564	1,946	-	16,279	162,789
Profit and total comprehensive income for the year	-	-	-	(124)	25,346	25,222
Transfer to statutory reserve	-	-	2,826	-	(2,826)	-
At 31 December 2018 and 1 January 2019	-*	144,564	4,772	(124)	38,799	188,011
Profit and total comprehensive income for the year	-	-	-	(67)	53,445	53,378
Contribution by a shareholder	-	9,200	-	-	-	9,200
Arising on restructuring	-	(115,990)	-	-	-	(115,990)
Transfer to statutory reserve	-	-	5,368	-	(5,368)	-
At 31 December 2019 and 1 January 2020	-*	37,774	10,140	(191)	86,876	134,599
Profit and total comprehensive income for the period	-	-	-	58	62,769	62,827
At 30 September 2020	-*	37,774	10,140	(133)	149,645	197,426
At 1 January 2019	-*	144,564	4,772	(124)	38,799	188,011
Profit and total comprehensive income for the period	-	-	-	(122)	68,732	68,610
Contribution by a shareholder	-	9,200	-	-	-	9,200
Arising on restructuring	-	(115,990)	-	-	-	(115,990)
At 30 September 2019 (unaudited)	-*	37,774	4,772	(246)	107,531	149,831

\* This represents amount less than RMB1,000 and is not presented.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**Consolidated Statements of Cash Flows**

For the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020

Notes	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(unaudited)	
<b>Cash flows from operating activities</b>					
Profit before income tax	19,670	25,497	55,034	70,154	63,062
Adjustments for:					
Bank interest income	9	(22)	(39)	(12)	(116)
Depreciation of property, plant and equipment	11	7,916	8,412	6,680	8,047
Amortisation of intangible assets	11	432	490	366	378
Amortisation of deferred government grants	11	(473)	(478)	(358)	(358)
Written off of bearer plants	11	3,072	220	37	88
Written off of property, plant and equipment	11	-	38	38	-
Written off of inventories	11	36	-	-	691
Written down of inventory to net realisable value	11	-	1,250	-	-
Written off of prepayment	11	-	300	-	-
Written off of deposit paid for acquisition of property, plant and equipment	11	-	-	-	319
Finance costs	10	28	51	50	76
Gain on disposal of property, plant and equipment	9	-	(43)	-	-
Gain arising from changes in fair value less costs to sell of biological assets	16	(39,712)	(53,615)	(80,697)	(89,517)
<b>Operating loss before working capital changes</b>		(9,053)	(17,989)	(3,742)	(17,330)
Decrease in inventories and consumables		41,480	49,348	65,063	71,494
(Increase)/decrease in trade receivables		(4,767)	1,537	(4,387)	(76,435)
Decrease/(increase) in prepayments and other receivables		91	(658)	(1,581)	515
Increase in trade payables		2,022	1,181	3,378	2,759
Decrease in accruals and other payables		(1,998)	(1,208)	(4,194)	(875)
<b>Cash generated from/(used in) operations</b>		27,775	32,211	(13,894)	(19,872)
Income tax paid		(883)	(178)	(140)	(168)
<b>Net cash generated from/(used in) operating activities</b>		26,892	32,033	(14,034)	(20,040)

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**Consolidated Statements of Cash Flows**

For the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020

Notes	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(unaudited)	
<b>Cash flows from investing activities</b>					
Interest received	22	15	39	12	116
Deposit paid for property, plant and equipment	(1,529)	(1,190)	(5,359)	(4,814)	(327)
Purchases of property, plant and equipment	(2,900)	(5,061)	(5,224)	(3,727)	(955)
Proceed from disposal of property, plant and equipment	-	51	-	-	-
Proceeds of government grants for acquisition of property, plant and equipment	150	-	-	-	-
Payments for bearer plants	(3,013)	(7,539)	(6,815)	(4,303)	(1,766)
Purchases of intangible assets	-	-	(325)	(325)	(56)
<b>Net cash used in investing activities</b>	<b>(7,270)</b>	<b>(13,724)</b>	<b>(17,684)</b>	<b>(13,157)</b>	<b>(2,988)</b>
<b>Cash flows from financing activities</b>					
Capital injection from shareholder	-	-	9,200	9,200	-
Interest paid	(2,935)	(1,965)	(2,386)	(1,762)	(1,797)
Proceeds from bank and other borrowings	18,000	31,000	13,000	13,000	-
Repayment of bank and other borrowings	(34,848)	(53,021)	(3,700)	(3,700)	(4,400)
Proceeds from loans from a shareholder	-	40,000	12,000	12,000	-
Repayment of loans from a shareholder	-	(35,000)	(17,000)	(1,300)	-
Repayment of principal on lease liabilities	25 (22)	(25)	(27)	(217)	(219)
Repayment of interest on lease liabilities	25 (767)	(764)	(762)	(572)	(570)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(20,572)</b>	<b>(19,775)</b>	<b>10,325</b>	<b>26,649</b>	<b>(6,986)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(950)</b>	<b>(1,466)</b>	<b>46,707</b>	<b>(542)</b>	<b>(30,014)</b>
<b>Cash and cash equivalents at beginning of year/period</b>	<b>9,569</b>	<b>8,619</b>	<b>7,153</b>	<b>7,153</b>	<b>53,860</b>
<b>Cash and cash equivalents at end of year/period</b>	<b>8,619</b>	<b>7,153</b>	<b>53,860</b>	<b>6,611</b>	<b>23,846</b>

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

Great Resolute Limited (the “Company”) was incorporated in British Virgin Islands (“BVI”) with limited liability on 21 November 2017. The Company’s registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI.

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in the business of planting, cultivating kiwifruits and sale of kiwifruits (also known as Chinese gooseberries) and sale of apples and oranges in the People’s Republic of China (the “PRC”). The Company and its subsidiaries are collectively referred to as the “Group” hereafter.

The Consolidated Financial Statements of the Group have been prepared for inclusion in the circular of Dukang Distillers Holdings Limited issued for the proposed acquisition of the entire issued and paid-up share capital of Great Resolute Limited and the proposal disposal of the entire issued and paid-up share capital of Sea Will International Limited (collectively referred to the “Proposed Transactions”).

#### 2. GROUP RESTRUCTURING AND BASIS OF PRESENTATION

##### Group restructuring (“Restructuring”)

Prior to the Restructuring, Mr. Wang Peng, Ms. Zhang Yuya, Mr. Cao Pingfeng, Mr. Zhang Feng, Mr. Xu Shiduo and Kaihui Group Incorporated (“Kaihui Group”) (the “Previous Xingnong Shareholders”) each owned equity interests of Chibi Shenshan Xingnong Agriculture Technology Co., Limited (“Xingnong Agriculture”), of 66.76%, 12.52%, 7.76%, 6.26%, 1.70% and 5.00%, respectively.

For the purpose of the Proposed Transactions, the following steps have been carried out:

- (a) The Company was incorporated in the BVI on 21 November 2017. The Company has an authorised share capital of United States Dollar (“USD”) 50,000 divided into 50,000 ordinary shares of USD1.00 each. One hundred shares of USD1.00 each was issued and allotted fully paid-up to Keen Wind Limited (“Keen Wind”).
- (b) On 5 January 2018, Go National Limited (“Go National”) was incorporated in Hong Kong as a limited liability company with an issued and allotted fully paid-up share capital of Hong Kong Dollar (“HKD”) 1 comprising 1 ordinary share to the first subscriber, Newform Limited. On 28 March 2018, 99 shares of Go National were allotted and issued fully paid-up to the Company. On the same day, one share was transferred from Newform Limited to the Company. Go National became the wholly owned subsidiary of the Company since then.
- (c) On 15 July 2019, Go National and the Previous Xingnong shareholders entered into equity transfer agreements (the “Xingnong Equity Transfer Agreements”), whereby Go National acquired from the Previous Xingnong Shareholders the entire issued share capital of Xingnong Agriculture, in consideration of RMB115,990,000 by cash (the “Consideration”). Up to the date of this report, the Consideration is yet to be fully settled by Go National.
- (d) On 11 January 2019, Keen Wind, the shareholder of the Company, has issued 12.52%, 7.76%, 6.26%, 1.70% and 5.00% shareholding to Ms. Zhang Yuya, Mr. Cao Pingfeng, Mr. Zhang Feng, Mr. Xu Shiduo and Kaihui Group, respectively, while the shareholding of Mr. Wang Peng, has be diluted from 100% to 66.76%, such that on the completion of execution of Equity Transfer Agreements, the percentage shareholding of each of the Previous Xingnong Shareholders in Xingnong Agriculture (before the Restructuring) and in the Company (after the Restructuring) is the same.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**2. GROUP RESTRUCTURING AND BASIS OF PRESENTATION - CONTINUED**

Upon completion of the above steps, the Company became the holding company of Go National and Xingnong Agriculture. The Previous Xingnong Shareholders, Mr. Wang Peng, Ms. Zhang Yuya, Mr. Cao Pingfeng, Mr. Zhang Feng, Mr. Xu Shiduo and Kaihui Group each owned 66.76%, 12.52%, 7.76%, 6.26%, 1.70% and 5.00% of equity interests in the Company, respectively, through Keen Wind as an investment holding vehicle, which mirrors their respective percentage of equity interest in Xingnong Agriculture before the Restructuring. Accordingly, the Group resulting from the Restructuring is regarded as a continuation of Xingnong Agriculture.

Upon the completion of the Proposed Transactions, the Company will become the wholly owned subsidiary of Dukang Distillers Holdings Limited, the ultimate holding company of the Group.

Basis of presentation

The Financial Information and Comparative Financial Information of the Group have been prepared as if the Company had always been the holding company of the Group. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2017, 2018, 2019 and 30 September 2020 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates.

The particulars of subsidiaries in which the Company has direct or indirect interests are set out as follows:

Company Name	Place and date of incorporation	Particulars of issued and fully paid up share capital	Principal activities	Notes
<i>Directly held</i>				
Go National	Hong Kong 5 January 2018	HK\$100	Investment holding	(ii)
<i>Indirectly held</i>				
Xingnong Agriculture	The PRC 27 April 2009	RMB115,990,000	Planting, cultivating and sale of kiwifruits ("Fresh Fruits") and sale of apples and oranges ("Other Fruits"), the PRC	(iii)

Notes:

- (i) No statutory audited financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.
- (ii) No statutory financial statements have been issued for Go National.
- (iii) The financial statements of Xingnong Agriculture for the years ended 31 December 2017, 2018 and 2019 were audited by 湖北長江會計師事務所有限公司, a firm of certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises registered in the PRC.

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretation Committee (“IFRIC”) of the IASB.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 6.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for biological assets excluding bearer plants, which are measured at fair values as explained in the accounting policies set out below.

As at 30 September 2020, the Group had recorded net current liabilities of approximately RMB10,547,000. In preparing the consolidated financial statements, the directors of the Company have given consideration on the future liquidity of the Group in light of the fact that their current liabilities exceeded their current assets as at 30 September 2020. Notwithstanding these, the going concern basis has been adopted, which is dependent upon taking into consideration that (i) an undertaking is offered from the Company’s shareholder, Mr. Wang Peng to provide continuing financial support to the Group so as to enable the Group to meet their obligation and liabilities as and when they fall due and to continue their day-to-day business operations as a going concern and (ii) the Group has obtained banking facility (the “Facility”) of approximately RMB25,000,000 on 13 June 2019. The Facility is valid up to 13 June 2021. The Group’s forest use right certificates for woodlands are pledged as security for the Facility, of which the aggregate net carrying amount of approximately RMB55,825,000 as at 30 September 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

The functional currency of the Company is HK\$. The consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the principal subsidiary of the Group whose operation is principally conducted in the PRC.



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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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4. (a) Adoption of new or revised IFRSs

The Group has consistently applied the accounting policies which conform with IFRSs (including IFRS 15 “Revenue from Contracts with Customers”, IFRS 9 “Financial Instruments” and IFRS 16 “Leases”), which are effective for the financial year beginning on 1 January 2018 and 1 January 2019 throughout the Relevant Periods.

(b) New/revised IFRSs that have been issued but not yet effective

At the date of this report, the following new/revised IFRSs have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IFRS 3	Definition of a Business <sup>1</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>1</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7 IFRS 17	Interest Rate Benchmark Reform <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Insurance Contract <sup>2</sup>
Amendments to IFRS 16	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
	COVID-19 Related Rent Concessions <sup>4</sup>

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or 1 June 2020

The directors do not anticipate that the application of other new and revised IFRSs will have a material impact on the Group’s consolidated financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company’s voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

(b) Property, plant and equipment

Property, plant and equipment, other than bearer plants and construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

(b) Property, plant and equipment - Continued

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Plant and machinery	10 years
Computer equipment	5 years
Transportation equipment	10 years
Farmland infrastructure and equipment	20 to 40 years
Buildings	20 years
Bearer plants	40 years
Right-of-use assets	Over the lease term

A bearer plant is a living plant that:

- (i) is used in the production or supply of agricultural produce;
- (ii) is expected to bear produce for more than one period; and
- (iii) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants comprise fruit trees of kiwifruits ("Fruit Trees") in the woodlands, of which the forest use rights certificates have been issued to the Group for the purpose of the plantation of kiwifruits in the agricultural activities of the biological transformation of bearer plants for production of agricultural produce for sale or further processing.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(c) Intangible assets

Intangible acquired separately are initially recognised at cost. Subsequently, intangible assets with a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss.

Licensing rights	10 to 20 years
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If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Prepaid land lease payment

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land. The determination if an arrangement is or contains a lease and the lease is an operating lease is set out in note 5(f).

(e) Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. The biological asset of the Group relate to the following:

*Agricultural produce — Harvested Kiwifruit*

Agricultural produce harvested from bearer plants is measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

(f) Leases

*The Group as lessee*

The Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group has adopted IFRS 16 using modified retrospective approach and elected to apply the practical expedients to grandfather the assessment of which transactions are leases. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or existed at or after the date of initial application (the "DIA") of IFRS 16, 1 January 2017.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the DIA and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated starting at the DIA over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the DIA, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate specific to the country, term and currency of the contract.

Lease payments included fixed payments, less any lease incentives, variable lease payments that depend on an index or a rate known at the DIA, and purchase options or extension option payments if the Group is reasonably certain to exercise the options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset and are recognised as an expense in the consolidated statement of comprehensive income in the year in which the event or condition that triggers those payments occurs.

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(f) Leases - Continued

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of exercise of a purchase option. The corresponding adjustment is made to the related right-of-use-asset.

Right-of-use assets are presented in the "Property, plant and equipment" line in the consolidated statement of financial position and lease liabilities are presented separately in the consolidated statement of financial position.

(g) Financial assets

(1) Classification

The Group classifies its financial assets in the following categories:

- (i) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and;
- (ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(2) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(g) Financial assets - Continued

(2) Measurement - Continued

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- (i) Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- (ii) Fair value through other comprehensive income: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.
- (iii) Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statements of comprehensive income within 'other gains/(losses)-net' in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statements of comprehensive income within 'other gains/(losses) — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised within 'other income' when the Group's right to receive payments is established.

(3) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables (excluding Value-added tax ("VAT") payables), loan from a shareholder, amounts due to shareholders, bank and other borrowings and lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss or capitalised to cost of property, plant and equipment, when appropriate.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

*Borrowings*

Borrowings include bank and other loans and are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method in accordance with the Group's accounting policy for borrowing costs (note 5(k)).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

*Other financial liabilities*

These include trade payables, accruals and other payables, loan from a shareholder, amounts due to shareholders and lease liabilities and are recognised initially at their fair values net of transaction costs and subsequently measured at amortised costs, using the effective interest method.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(j) Impairment of financial assets

The Group's financial assets measured at amortised cost are subject to IFRS 9's expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

(j) Impairment of financial assets - Continued

*Measurement of expected credit losses*

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

*Credit-impaired financial assets*

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

(j) Impairment of financial assets - Continued

*Presentation of allowance for expected credit loss in the statements of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(k) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred by using the effective interest method.

(l) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Consumables for own consumption are stated at cost. Cost is determined using the weighted average method.

(m) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand.



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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount for the sale of goods in the ordinary course of the Group's activity.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customers and the payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Revenue is recognised when specific criteria have been met for the Group's activities as described below:

(1) Sales of goods

Sales of goods transferred at a point in time are recognised when control of the goods has transferred, being when the Group has delivered the products to the customers and the customers have accepted the products. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

(2) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non- assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

(p) Employee benefits

*Retirement benefits*

Retirement benefits to employees are provided through defined contribution plans.

The employees are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute certain percentage of its payroll costs to the central pension schemes in the PRC.

Contributions are recognised as an expense in profit or loss as employees render services during the year.

*Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(q) Impairment of assets (other than financial assets)

At the end of reporting periods, the Group reviews the carrying amount of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(r) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants relating to agriculture activities and land use rights are included in non-current liabilities as deferred government grants and are recognised in profit or loss on straight line method over the expected lives of the related assets.

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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

(s) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to sell the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group manages its business mainly in a single segment, namely sales of kiwifruit, apple and orange. Accordingly, no operating segment information is presented.

The Group operates its business and maintains its assets in the PRC, therefore all of the Group's revenue and other income are from the PRC and all of the Group's non-current assets are located in the PRC. Accordingly, no geographic segment information is presented.

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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

(v) Foreign currencies translation

Transactions entered into by the consolidated entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidated financial statements, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

(w) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Impairment loss for non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of reporting periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows.

(b) Fair value measurement

Certain assets included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures biological assets except for bearer plants at fair value less cost of sell.

For more detailed information in relation to the fair value measurement of the item above, please refer to the note 16.

(c) Useful life of property, plant and equipment (other than bearer plants)

The Group determines the estimated useful lives and related depreciation method for the Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Bearer plants and depreciation

The Group determines the estimated point of maturity, useful lives and related depreciation method for the Group's bearer plants. This estimate is based on the historical experience of the point of maturity and actual useful lives of bearer plants of particular species. The Group will revise the depreciation charge where point of maturity and useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - CONTINUED**

(e) Going concern consideration

The assessment of the going concern assumption involves making judgement by the directors of the Company, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the going concern assumption is set out in note 3(b).

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(g) Impairment of receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the periods in which such estimates have been changed.

(h) Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

**7. SEGMENT INFORMATION**

The Group determines its operating segments based on the reports reviewed by the Group's directors that are used to make strategic decisions. During the Relevant Periods, the Group principally operates in one operating segment which is planting, cultivating, and sales of kiwifruit (also known as Chinese gooseberries) and sale of apples and oranges in the PRC.

No customers with whom transactions exceeded 10% of the Group's revenue during the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020.

In the following table, revenue is disaggregated by timing over revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
Timing of revenue recognition	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At a point in time	49,500	61,708	99,490	79,435	89,951

(unaudited)

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**8. REVENUE**

The Group is principally engaged in the business of planting, cultivating and sale of kiwifruits (also known as Chinese gooseberries) and sale of apples and oranges in the PRC. During the Relevant Periods, the Group's revenues are from contracts with customers and are recognised at a point in time. Please refer to note 5(n) for details of accounting policies on revenue recognition.

Revenue from the Group's principal activities during the Relevant Periods is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(unaudited)	
Sales of Fresh Fruits and Other fruits	49,500	61,708	99,490	79,435	89,951

**9. OTHER INCOME AND GAINS**

	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(unaudited)	
Bank interest income	22	15	39	12	116
Government grants					
- relating to property, plant and equipment, and prepaid land lease for own use	473	478	478	358	358
- other grants (note)	509	500	6,339	5,684	2,718
Gain on disposal of property, plant and equipment	-	43	-	-	-
Others	8	63	6	5	184
	<u>1,012</u>	<u>1,099</u>	<u>6,862</u>	<u>6,059</u>	<u>3,376</u>

Note: The amounts mainly represented unconditional cash subsidies from government for subsidising enterprises involving in specific industry in the local region.

**10. FINANCE COSTS**

	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(unaudited)	
Interest on lease liabilities	767	764	762	572	570
Interest on other borrowings	500	-	-	-	-
Interest on bank borrowings	2,435	1,965	2,386	1,762	1,797
	3,702	2,729	3,148	2,334	2,367
Less : Amounts capitalised on property, plant and equipment	(3,674)	(2,678)	(3,078)	(2,284)	(2,291)
	<u>28</u>	<u>51</u>	<u>70</u>	<u>50</u>	<u>76</u>



**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**11. PROFIT BEFORE INCOME TAX**

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(unaudited)	
Auditors' remuneration	10	14	10	-	-
Cost of inventories recognised as expense	44,357	55,068	88,118	69,821	80,059
Depreciation of property, plant and equipment (note (i) and (ii))	7,916	8,412	9,276	6,680	8,047
Amortisation of intangible assets	432	432	490	366	378
Amortisation of deferred government grants	(473)	(478)	(478)	(358)	(358)
Plantation cost of mature bearer plants (note (i))	5,255	9,203	13,379	6,554	9,021
Written off of bearer plants, included in other operating expenses	3,072	220	37	37	88
Written off of property, plant and equipment	-	-	38	38	-
Written off of inventories, included in other operating expenses	36	-	-	-	691
Written down of inventories to net realisable value, included in other operating expenses	-	1,250	-	-	-
Written off of prepayment, included in administrative expenses	-	300	-	-	-
Written off of deposit paid for acquisition of property, plant and equipment	-	-	-	-	319
Employee costs (including directors' remunerations):					
Salaries, wages and other benefits	5,623	9,047	10,586	7,435	11,512
Defined contribution	539	783	1,304	878	530

Notes:

- (i) Depreciation and plantation cost of mature bearer plants are included in other operating expenses.
- (ii) Depreciation of right-of-use assets are included in depreciation of property, plant and equipment of approximately RMB358,000, RMB365,000 and RMB379,000 for the year ended 31 December 2017, 2018 and 2019 respectively and RMB274,000 and RMB298,000 for the nine months ended 30 September 2019 and 2020 respectively.

Depreciation of property, plant and equipment are included in administrative expenses of approximately RMB3,797,000, RMB4,052,000 and RMB4,214,000 for the year ended 31 December 2017, 2018 and 2019 respectively and RMB3,145,000 and RMB3,419,000 for the nine months ended 30 September 2019 and 2020 respectively.

Depreciation of property, plant and equipment are included in selling expenses of approximately RMB830,000, RMB831,000 and RMB838,000 for the year ended 31 December 2017, 2018 and 2019 respectively and RMB628,000 and RMB648,000 for the nine months ended 30 September 2019 and 2020 respectively.

Depreciation of property, plant and equipment are included in other operating expenses of approximately RMB2,931,000, RMB3,164,000 and RMB3,845,000 for the year ended 31 December 2017, 2018 and 2019 respectively and RMB2,633,000 and RMB3,682,000 for the nine months ended 30 September 2019 and 2020 respectively.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**12. INCOME TAX EXPENSE**

	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(unaudited)	
Current tax					
- tax for the year/period	167	151	1,589	1,422	293
- under provision in respect of prior years	46	-	-	-	-
	<u>213</u>	<u>151</u>	<u>1,589</u>	<u>1,422</u>	<u>293</u>

The provision for PRC enterprise income tax is based on the respective applicable rates on the estimated assessable income of the Group in the PRC as determined in accordance with the relevant income tax laws, rules and regulations of the PRC. According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption on profits derived from agricultural business. The Group located in the PRC engaged in qualifying agricultural business is entitled to full exemption of enterprise income tax on profits derived from agricultural business.

During the year ended 31 December 2019 and the nine months ended 30 September 2020, the Group engaged in trading business with selling Other Fruits in PRC. Under PRC income tax laws, rules and regulations, the tax rate of the trading business is 25%.

The one-off unconditional government grants received during the Relevant Period are subject to the PRC income tax with tax rate of 25%.

No provision for Hong Kong Profits Tax has been made for the subsidiary incorporated in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
				(unaudited)	
Profit before income tax	19,670	25,497	55,034	70,154	63,062
Tax calculated at the domestic tax rate of 25%	4,918	6,374	13,759	17,539	15,766
Tax effect of expenses not deductible for tax purposes	-	729	59	59	-
Effect of tax exemption granted	(4,751)	(6,952)	(12,229)	(16,176)	(15,473)
Under-provision in respect of prior years	46	-	-	-	-
Income tax expense	<u>213</u>	<u>151</u>	<u>1,589</u>	<u>1,422</u>	<u>293</u>

**13. DIVIDENDS**

No dividend has been paid or declared by the Group during the Relevant Periods.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**14. PROPERTY, PLANT AND EQUIPMENT**

	Plant and machinery RMB'000	Computer equipment RMB'000	Transportation equipment RMB'000	Farmland infrastructure and equipment		Construction in progress RMB'000	Buildings RMB'000	Bearer plants RMB'000	Right-of-use assets RMB'000	Total RMB'000
				RMB'000	RMB'000					
At 1 January 2017										
Cost	39,367	644	864	54,255	162	34,945	98,339	20,296	248,872	
Accumulated depreciation	(10,692)	(391)	(591)	(5,061)	-	(3,286)	(1,454)	-	(21,475)	
Net book amount	28,675	253	273	49,194	162	31,659	96,885	20,296	227,397	
Year ended 31 December 2017										
Opening net book amount	28,675	253	273	49,194	162	31,659	96,885	20,296	227,397	
Additions	1,096	230	654	935	-	-	8,592	-	11,507	
Transfer	-	-	-	162	(162)	-	-	-	-	
Depreciation	(3,772)	(117)	(106)	(2,596)	-	(1,695)	(1,069)	(466)	(9,821)	
Written-off (note)	-	-	-	-	-	-	(3,072)	-	(3,072)	
Closing net book amount	25,999	366	821	47,695	-	29,964	101,336	19,830	226,011	
At 31 December 2017 and 1 January 2018										
Cost	40,463	874	1,518	55,352	-	34,945	103,807	20,296	257,255	
Accumulated depreciation	(14,464)	(508)	(697)	(7,657)	-	(4,981)	(2,471)	(466)	(31,244)	
Net book amount	25,999	366	821	47,695	-	29,964	101,336	19,830	226,011	
Year ended 31 December 2018										
Opening net book amount	25,999	366	821	47,695	-	29,964	101,336	19,830	226,011	
Additions	2,377	181	361	1,711	1,588	-	12,131	-	18,349	
Disposal	-	-	(8)	-	-	-	-	-	(8)	
Depreciation	(3,961)	(153)	(224)	(2,660)	-	(1,695)	(1,167)	(466)	(10,326)	
Written-off (note)	-	-	-	-	-	-	(220)	-	(220)	
Closing net book amount	24,415	394	950	46,746	1,588	28,269	112,080	19,364	233,806	

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE KINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**14. PROPERTY, PLANT AND EQUIPMENT - CONTINUED**

	Plant and machinery RMB'000	Computer equipment RMB'000	Transportation equipment RMB'000	Farmland infrastructure and equipment RMB'000	Construction in progress RMB'000	Buildings RMB'000	Bearer plants RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2018									
1 January 2019	42,840	1,055	1,601	57,063	1,588	34,945	115,713	20,296	275,101
Cost	(18,425)	(661)	(651)	(10,317)	-	(6,676)	(3,633)	(932)	(41,295)
Accumulated depreciation	24,415	394	950	46,746	1,588	28,269	112,080	19,364	233,806
Net book amount									
Year ended 31 December 2019									
Opening net book amount	24,415	394	950	46,746	1,588	28,269	112,080	19,364	233,806
Additions	2,125	169	30	860	3,801	-	11,752	-	18,737
Transfer	866	2,750	-	-	(3,616)	-	-	-	-
Depreciation	(4,257)	(442)	(251)	(2,727)	-	(1,695)	(1,297)	(466)	(11,135)
Written-off (note)	-	-	(1)	(37)	-	-	(37)	-	(75)
Closing net book amount	23,149	2,871	728	44,842	1,773	26,574	122,498	18,898	241,333
At 31 December 2019									
1 January 2020	45,831	3,974	1,591	57,878	1,773	34,945	127,427	20,296	293,715
Cost	(22,682)	(1,103)	(863)	(13,036)	-	(8,371)	(4,929)	(1,398)	(52,382)
Accumulated depreciation	23,149	2,871	728	44,842	1,773	26,574	122,498	18,898	241,333
Net book amount									
Nine months ended 30 September 2020									
Opening net book amount	23,149	2,871	728	44,842	1,773	26,574	122,498	18,898	241,333
Additions	6,206	332	89	104	133	-	4,935	-	11,799
Transfer	33	-	-	-	(33)	-	-	-	-
Depreciation	(3,102)	(507)	(200)	(2,059)	-	(1,271)	(1,436)	(350)	(8,925)
Written-off (note)	-	-	-	-	-	-	(88)	-	(88)
Closing net book amount	26,286	2,696	617	42,887	1,873	25,303	125,909	18,548	244,119
At 30 September 2020									
Cost	52,070	4,306	1,680	57,982	1,873	34,945	132,273	20,296	305,425
Accumulated depreciation	(25,784)	(1,610)	(1,063)	(15,095)	-	(9,642)	(6,364)	(1,748)	(61,306)
Net book amount	26,286	2,696	617	42,887	1,873	25,303	125,909	18,548	244,119

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 14. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Note: During the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020, the Group had written off bearer plants of approximately RMB3,072,000, RMB220,000, RMB37,000, RMB38,000 and RMB88,000, respectively due to the normal loss.

Right-of-use assets represent the prepaid land lease payments and woodlands in which plantations are situated. The leases for the plantation bases are expired in 2058 to 2061. The prepaid land lease payments represent up-front payments to acquire interest in the usage of land situated in the PRC, which are held under medium-term leases and are amortised over 50 years on a straight-line basis. The depreciation of right-of-use assets in respect to woodland was capitalised into the cost of bearer plants. For the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020, the capitalised depreciation of right-of-use assets were approximately RMB108,000, RMB101,000, RMB87,000, RMB76,000 and RMB52,000 respectively.

Bearer plants represent Fruit Trees on the woodlands located in Chibi City, the PRC, the forest use rights certificates are issued to the Group for the purpose of plantation of Kiwifruit. The Group entered into forest use rights transfer agreements and obtained forest use rights in respect of 179 parcels of woodlands, which entitled the Group to use the woodlands until 31 December 2058 to 2061. However, the forest use rights under the relevant forest use rights certificates have not been obtained for certain area of Luzhuang Woodland (as defined in note 35). As such, the Group followed the advice of the relevant government bureaus, has applied for the certification of land management rights, in order to obtain an official confirmation on the nature and usage of the land and the accompanying forest use rights (the "Land Management Certification"). In the opinion of the directors of the Group, based on the legal advice issued by the PRC legal advisor, the risk of being penalised by the government bureaus in respect of the failure to obtain the forest use right certificates is remote, and it is further confirmed by the government bureaus that the occupation and usage rights of the land by Xingnong Agriculture is in compliance with PRC Laws and Xingnong Agriculture has the right to possess, use and benefit from the land and its agriculture products and other fixtures.

Certain forest use rights certificates of the Group are pledged to the Facility. Details have been disclosed in note 24.

The depreciation of plant and machinery, computer equipment, transportation equipment and farmland infrastructure and equipment was capitalised into the cost of bearer plants. For the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2019 and 2020, the capitalised depreciation were approximately RMB1,797,000, RMB1,813,000, RMB1,772,000, RMB1,518,000 and RMB826,000 respectively.

Certain buildings of the Group are pledged to bank borrowings. Details have been disclosed in note 24.

As set out in note 35, Luzhuang Woodland were under civil proceedings on the Forest Use Agreements (as defined in note 35) during the Relevant Periods. Included in property, plant and equipment of approximately RMB8,462,000 and RMB8,713,000, represented the assets of the Group located on such woodland as at 31 December 2017 and 2018, respectively. The civil proceedings had been withdrawn by the plaintiff on 18 December 2018 in pursuant to the mediation agreement entered into by the Group and the village committee.

The Group is exposed to a number of risks related to fruits trees plantation. Details are as set out in note 16.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**15. INTANGIBLE ASSETS**

	<b>Licensing rights RMB'000</b>
At 1 January 2017	
Cost	8,328
Accumulated amortisation and impairment	(568)
Net book amount	<u>7,760</u>
Year ended 31 December 2017	
Opening net book amount	7,760
Amortisation charge	(432)
Closing net book amount	<u>7,328</u>
At 31 December 2017 and 1 January 2018	
Cost	8,328
Accumulated amortisation and impairment	(1,000)
Net book amount	<u>7,328</u>
Year ended 31 December 2018	
Opening net book amount	7,328
Amortisation charge	(432)
Closing net book amount	<u>6,896</u>
At 31 December 2018 and 1 January 2019	
Cost	8,328
Accumulated amortisation and impairment	(1,432)
Net book amount	<u>6,896</u>
Year ended 31 December 2019	
Opening net book amount	6,896
Additions	956
Amortisation charge	(490)
Closing net book amount	<u>7,362</u>
At 31 December 2019 and 1 January 2020	
Cost	9,284
Accumulated amortisation and impairment	(1,922)
Net book amount	<u>7,362</u>
Period ended 30 September 2020	
Opening net book amount	7,362
Additions	56
Amortisation charge	(378)
Closing net book amount	<u>7,040</u>
At 30 September 2020	
Cost	9,340
Accumulated amortisation and impairment	(2,300)
Net book amount	<u>7,040</u>

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**16. BIOLOGICAL ASSETS**

	<b>Fresh Fruits RMB'000</b>
At 1 January 2017	-
Gain arising from changes in fair value less costs to sell*	39,712
Transfer of harvested fresh fruit to inventories	(39,712)
At 31 December 2017 and 1 January 2018	-
Gain arising from changes in fair value less costs to sell*	53,615
Transfer of harvested fresh fruit to inventories	(53,615)
At 31 December 2018 and 1 January 2019	-
Gain arising from changes in fair value less costs to sell*	80,697
Transfer of harvested fresh fruit to inventories	(80,697)
At 31 December 2019 and 1 January 2020	-
Gain arising from changes in fair value less costs to sell*	89,517
Transfer of harvested fresh fruit to inventories	(89,517)
At 30 September 2020	-

<b>As at 31 December</b>			<b>As at 30 September</b>
<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>

\* Included gain arising from change in fair value less costs to sell for assets held at the end of the reporting period (included in inventory (note 17))

-	1,866	-	19,454
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The values of agricultural produce harvested measured at fair value less costs to sell during the Relevant Periods were as follows:

	<b>Year ended 31 December</b>			<b>Nine months ended 30 September</b>	
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2019</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Estimated fair value less costs to sell					
Fresh fruits	39,712	53,615	80,697	80,697	89,517
Estimated quantity (kg)					
Fresh fruits	1,562,805	2,215,804	3,186,212	3,186,212	3,393,561

(unaudited)

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**16. BIOLOGICAL ASSETS – CONTINUED**

Roma Appraisals Limited, an independent valuer, was engaged to determine the fair value less cost to sell of biological assets at the point of harvest. The valuation methodology used to determine the fair value less cost to sell of biological assets is in compliance with IAS 41, Agriculture, and take reference to “The International Valuation Standards (2020)” published by the International Valuation Standards Council with aims to determine the fair value of a biological asset in its present location and condition.

The fair value measurement of the biological assets for the Group is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement.

During the Relevant Periods, there was no transfer occurred between levels in the hierarchy.

The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Opening balance (level 3 recurring fair value)	-	-	-	-
Gain arising from changes in fair value less costs to sell	39,712	53,615	80,697	89,517
Transfer to inventories	(39,712)	(53,615)	(80,697)	(89,517)
Closing balance (level 3 recurring fair value)	-	-	-	-

The following unobservable inputs were used to measure the Group's biological assets:

Description	Valuation technique	Unobservables input	Range				Inter-relationship between key unobservable inputs and fair value Measurement
			As at 31 December			As at 30 September	
			2017	2018	2019	2020	
Biological assets (i.e. Fresh Fruits)	Market approach	Prices of similar transactions	RMB22– RMB37 per kg	RMB23– RMB38 per kg	RMB23– RMB38 per kg	RMB21– RMB31 per kg	The higher of unobservable inputs, the higher of the fair value less costs to sell determined



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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 16. BIOLOGICAL ASSETS – CONTINUED

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

The higher of market price, the higher the fair value measurement of the biological assets.

The valuation of Fresh Fruits was determined by market approach by reference to prices of similar transactions.

The major assumptions of the valuations of biological assets were made as follows:

- (i) The biological assets were in good and saleable condition as at the end of reporting periods;
- (ii) The growth condition and specification (i.e. size and weight) of biological assets are uniform regardless of the nutritional treatment, soil conditions or sunlight coverage; and
- (iii) No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the biological assets may be impaired.

The Group is exposed to a number of risks related to its plantations:

- (i) Environmental factors and natural disasters

The productivity of the biological assets was highly subject to the effect of environment factors such as weather and infectious diseases. Typical risks, including the occurrence of forestry fire, frost, heavy snow, typhoons, pests and infectious diseases, would have a material impact on the productivity, and hence the fair value of the biological assets.

- (ii) Fluctuation of prices

The pricing data of the biological assets obtained from the market or the historical selling price provided by the management of the Group was heavily dependent on market competition and consumers' purchasing preference on the biological assets. So the range of price of the biological assets for a particular species could be wide. The timing of supply and demand further heightened the uncertainty of the price estimates for which the product would be sold in a particular year. Competition from online suppliers' platform (e.g. Alibaba and Taobao) may indirectly weaken the Group's bargaining power in recovering the plantation costs plus margin from its customers. As such, the prices may be volatile and subject to various assumptions on inputs.

- (iii) Legal rights concerning the use of woodlands

The legal administrative framework for sub-urban and rural woodlands in the PRC was not as developed as those for urban lands. Thus, there were risks associated with the ownership, leasing and land use rights concerning the validity and legality of the negotiated arrangements between the land owners (i.e. often the villagers) and the Group, hence heightening the uncertainty on the recoverability of the economic value of the biological assets if potential conflicts arise.

- (iv) Single product

In the future plan of the Group, the farmlands are designed for full production of kiwifruits only. The equipment and the fertilizers are also bought for this cultivation only. The sole product of the Group would become the major weakness of the Group if there is fade of trend for the kiwifruits or deteriorating quality of kiwifruits would drive out the customers. The inability of diversifying its revenue stream would make the Group suffer if there is no contingent business plan.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**17. INVENTORIES AND CONSUMABLES**

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Fresh Fruits	-	1,866	-	19,454
Other Fruits	-	-	2,540	-
Consumables	611	1,762	1,859	2,277
	<u>611</u>	<u>3,628</u>	<u>4,399</u>	<u>21,731</u>

**18. TRADE RECEIVABLES**

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Trade receivables	4,767	3,230	7,617	84,052
Less: allowance for impairment of trade receivables	-	-	-	-
	<u>4,767</u>	<u>3,230</u>	<u>7,617</u>	<u>84,052</u>

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 45 days or based on the terms agreed in the relevant sales agreements.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the carrying amounts of trade receivables approximate their fair values.

The aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
0–30 days	4,767	2,032	4,508	84,030
31–60 days	-	1,198	3,109	7
61–90 days	-	-	-	13
91–365 days	-	-	-	2
	<u>4,767</u>	<u>3,230</u>	<u>7,617</u>	<u>84,052</u>

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**18. TRADE RECEIVABLES - CONTINUED**

The aging analysis of trade receivables, based on due date, is as follows:

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Current	4,767	2,032	4,508	84,030
1 to 3 months	-	1,198	3,109	20
Over 3 months	-	-	-	2
	4,767	3,230	7,617	84,052

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

As at the end of reporting dates, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the historical default rates, existing market conditions and forward-looking information. Based on the assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

**19. PREPAYMENTS AND OTHER RECEIVABLES**

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Prepayments	537	910	1,447	1,420
Other receivables	260	245	1,194	679
VAT receivable	-	-	173	200
	797	1,155	2,814	2,299

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the other receivables were considered to have low credit risks. Based on management assessment, no impairment provision has been made during the Relevant Periods.

The Group did not hold any collateral as security or other enhancements over other receivables.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**20. CASH AND CASH EQUIVALENTS**

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Cash at banks and in hand	8,619	7,153	53,860	23,846

All cash at banks and in hand were denominated in RMB. Cash at banks earned interest at floating rates based on daily bank deposit rates.

The remittance of cash out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

**21. TRADE PAYABLES**

Based on the invoice dates, the ageing analysis of trade payables at the end of reporting periods is as follows:

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
0–30 days	2,442	564	7,506	5,765
31–60 days	10	2,633	999	856
61–90 days	-	407	424	225
Over 90 days	30	59	472	5,314
	2,482	3,663	9,401	12,160

The fair values of trade payables approximates its carrying amount.

Payment terms granted by suppliers are generally within 12 months from the relevant purchases are made. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

**22. ACCRUALS AND OTHER PAYABLES**

The carrying amounts of accruals and other payables approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**23. BALANCES WITH RELATED PARTIES**

The details of amounts due to related parties at the end of reporting periods are as follows:

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Current liabilities:				
Loan from a shareholder (note (i))	-	5,000	-	-
Amounts due to shareholders (note (ii))	-	-	115,990	115,990
	-	5,000	115,990	115,990

Notes:

- (i) The loan was entered between Xingnong Agriculture and a shareholder of the Group. It was unsecured and interest free, the maturity date of the loan is December 2019.
- (ii) The amounts are unsecured, interest-free and repayable on or before 31 March 2021.

Based on the schedule repayment date set out in the loan agreement, the loan at the end of reporting period is repayable within one year.

At the end of reporting periods, the relevant loan agreements of outstanding borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

**24. BANK AND OTHER BORROWINGS**

	Notes	As at 31 December			As at 30 September
		2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Secured bank borrowings:					
Amounts repayable within one year	i	29,000	3,000	4,400	4,400
Unsecured other borrowing:					
Amount repayable within one year	ii	1,000	-	-	-
Current liabilities		30,000	3,000	4,400	4,400
Secured bank borrowings:					
Amounts repayable in second to fifth year	i	-	17,500	25,400	21,000
Unsecured other borrowing:					
Amount repayable in second to fifth year	ii	12,521	-	-	-
Non-current liabilities		12,521	17,500	25,400	21,000
Total borrowings		42,521	20,500	29,800	25,400

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**24. BANK AND OTHER BORROWINGS - CONTINUED**

Notes:

- (i) The bank borrowings bore effective interest at 8.28%, 8.28%, 8.28% and 8.28% as at 31 December 2017, 2018, 2019 and 30 September 2020, respectively. The bank borrowings are secured by:
- (1) The Group's buildings and prepaid land lease payment which had aggregate net carrying amounts of approximately RMB24,709,000, RMB36,950,000, RMB35,106,000 and RMB33,724,000 as at 31 December 2017, 2018, 2019 and 30 September 2020, respectively.
- (2) The Group's forest use rights certificates for woodlands which had aggregate net carrying amounts of approximately RMB24,694,000, RMB38,275,000 and RMB39,342,000 as at 31 December 2017, 2019 and 30 September 2020, respectively.
- (ii) The Group's available undrawn Facility amounted to RMB25,000,000 as at 31 December 2019 and 30 September 2020 is secured by the Group's forest use rights certificates for woodlands which had aggregate net carrying amounts of approximately RMB54,312,000 and RMB55,825,000 as at 31 December 2019 and 30 September 2020, respectively.

Based on the schedule repayment dates set out in the relevant bank loan agreements, the bank borrowing balances are repayable as follows:

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Within one year	29,000	3,000	4,400	4,400
In the second year	-	3,000	4,400	4,400
In the third to fifth year	-	14,500	21,000	16,600
	29,000	20,500	29,800	25,400

Other borrowings represented loans provided by an independent individual and a director of subsidiary to the Group. As at 31 December 2017, other borrowings were unsecured and interest free. The balance of loan from director of subsidiary has been fully settled during the year ended 31 December 2018. Apart from the above interest-free other borrowing balance, the remaining other borrowing bore effective interest at 10% and has been fully repaid during 31 December 2017.

Based on the schedule repayment dates set out in the relevant loan agreements, the other borrowings balances are repayable as follows:

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Within one year	1,000	-	-	-
In the second year	-	-	-	-
In the third to fifth year	12,521	-	-	-
	13,521	-	-	-

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**25. LEASE LIABILITIES**

The Group leases woodlands to operate its business. The leases for the plantation bases are expired in 2058 to 2061. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. The lease agreements do not impose any covenants.

The exposure of the Group's lease liabilities are as follows:

As at 31 December			As at 30 September 2020
2017	2018	2019	2020
RMB'000	RMB'000	RMB'000	RMB'000

Analysed for reporting purposes as:

Current liabilities	25	27	29	31
Non-current liabilities	9,367	9,340	9,311	9,090
	<u>9,392</u>	<u>9,367</u>	<u>9,340</u>	<u>9,121</u>

Minimum lease payment				Present value of lease liabilities			
As at 31 December			As at 30 September	As at 31 December			As at 30 September
2017	2018	2019	2020	2017	2018	2019	2020
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

Minimum lease payment due:								
within one year	789	789	789	789	25	27	29	31
more than one year, but not exceeding two years	789	789	789	789	27	29	31	34
more than two years	31,397	30,608	29,819	29,030	9,340	9,311	9,280	9,056
	<u>32,975</u>	<u>32,186</u>	<u>31,397</u>	<u>30,608</u>	<u>9,392</u>	<u>9,367</u>	<u>9,340</u>	<u>9,121</u>
Less: future finance charges	(23,583)	(22,819)	(22,057)	(21,487)				
Present value of lease liabilities	<u>9,392</u>	<u>9,367</u>	<u>9,340</u>	<u>9,121</u>				
Less: Amounts due for settlement within one year (shown as current liabilities)					(25)	(27)	(29)	(31)
Amounts due for settlement after one year					<u>9,367</u>	<u>9,340</u>	<u>9,311</u>	<u>9,090</u>

Lease liabilities of the Group were measured at the present value of the lease payments that are not yet paid using its incremental borrowing rate at 1 January 2017. The rate applied is 8.89%. All leases are entered at fixed prices. The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The total cash outflows for the lease including the repayments of lease liabilities for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 was RMB789,000, RMB789,000, RMB789,000 and RMB789,000 respectively.

The interest of lease liabilities was capitalised into the cost of bearer plants. For the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020, the interest of lease liabilities were approximately RMB767,000, RMB764,000, RMB762,000, RMB572,000 and RMB570,000 respectively. Please refer to note 10 for details of the interest of lease liabilities.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**26. DEFERRED GOVERNMENT GRANTS**

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
At beginning of the year	15,237	14,914	14,436	13,958
Addition during the year	150	-	-	-
Amortisation	(473)	(478)	(478)	(358)
At end of the year	14,914	14,436	13,958	13,600
Less: Portion classified as current liabilities	(478)	(478)	(478)	(478)
Non-current portion	14,436	13,958	13,480	13,122

The Group's deferred government grants mainly related to acquisition of property, plant and equipment and prepaid land lease payment.

The Group does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the end of reporting periods.

**27. SHARE CAPITAL**

The Company was incorporated in BVI with limited liability on 21 November 2017. Upon incorporation, the authorised share capital of US\$50,000 was divided into 50,000 ordinary shares of US\$1.00 each. One hundred fully paid-up shares were allotted and issued on the same date.

**28. RESERVES**

Statutory reserve

In accordance with the Company Law of the PRC, the Group registered in the PRC is required to appropriate 10% of the net profit after tax (after offsetting any prior years' losses) determined in accordance with the accounting principles generally accepted in the PRC to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of registered capital after such usages.

Other reserve

The other reserve represents (i) the merger reserve prior to completion of Restructuring, (ii) capital reserve upon the completion of Restructuring and (iii) the capital contribution from the equity holder of Xingnong Agriculture now comprising the Group before the completion of the Restructuring.

Exchange reserve

Exchange reserve comprises all foreign exchange differences arising on translation operation to presentation currency.



**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**29. RELATED PARTY TRANSACTION**

- (a) Corporate guarantee by Zhengzhou Synear Food Co., Ltd (“Zhengzhou Synear”)

On 26 July 2016, Zhengzhou Synear, a related company, in which Mr. Wang Peng is the controlling shareholder and director, provided a corporate guarantee to the Group in respect of other loan amounted to approximately RMB19,748,000. The Group has fully repaid the loan on 30 June 2017.

- (b) Key management personnel compensation

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and other short-term benefits	368	468	583	410	554

(unaudited)

**30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**

- a. Major non-cash transactions

During the year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020, deposits of approximately RMB15,000, RMB1,157,000, RMB959,000, RMB959,000 and RMB5,848,000 paid for the acquisition of property, plant and equipment, respectively, were capitalised as property, plant and equipment, upon completion of acquisition.

Addition of property, plant and equipment amounting to approximately RMB802,000, RMB1,321,000 and RMB61,000 for the year ended 31 December 2019 and the nine months ended 30 September 2019 and 2020 were not yet settled and included in other payables respectively.

Addition of intangible assets RMB631,000 and RMB611,000 for the year ended 31 December 2019 and the nine months ended 30 September 2019 were not yet settled and included in other payables respectively.

The Consideration arose from the acquisition of Xingnong Agriculture was yet to be settled as at 31 December 2019 and 30 September 2020. The balance was included in amounts due to shareholders.

- b. Reconciliation of liabilities arising from financing activities

	As at 1 January 2017	Net financing cash flow	Non-cash changes		At 31 December 2017
			Interest expenses recognised	Amount capitalised on property, plant and equipment	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2017</b>					
Bank and other borrowings	59,369	(16,848)	-	-	42,521
Interest payable	-	(2,935)	28	2,907	-
Lease liabilities	9,414	(789)	-	767	9,392

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**

b. Reconciliation of liabilities arising from financing activities - Continued

	As at 1 January 2018 RMB'000	Net financing cash flow RMB'000	Non-cash changes		At 31 December 2018 RMB'000
			Interest expenses recognised RMB'000	Amount capitalised on property, plant and equipment RMB'000	
<b>Year ended 31 December 2018</b>					
Loan from a shareholder	-	5,000	-	-	5,000
Bank and other borrowings	42,521	(22,021)	-	-	20,500
Interest payable	-	(1,965)	51	1,914	-
Lease liabilities	9,392	(789)	-	764	9,367

	As at 1 January 2019 RMB'000	Net financing cash flow RMB'000	Non-cash changes			At 31 December 2019 RMB'000
			Interest expenses recognised RMB'000	Amount capitalised on property, plant and equipment RMB'000	Acquisition of equity interests in Xingnong Agriculture during Restructuring (note 2(c)) RMB'000	
<b>Year ended 31 December 2019</b>						
Loan from a shareholder	5,000	(5,000)	-	-	-	-
Amounts due to shareholders	-	-	-	-	115,990	115,990
Bank and other borrowings	20,500	9,300	-	-	-	29,800
Interest payable	-	(2,386)	70	2,316	-	-
Lease liabilities	9,367	(789)	-	762	-	9,340

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**

b. Reconciliation of liabilities arising from financing activities - Continued

As at 1 January 2019 RMB'000	Net financing cash flow RMB'000	Non-cash changes		At 30 September 2019 RMB'000
		Interest expenses recognised RMB'000	Amount capitalised on property, plant and equipment RMB'000	

**Nine months ended 30 September 2019**  
(unaudited)

Loan from a shareholder	5,000	10,700	-	-	15,700
Bank and other borrowings	20,500	9,300	-	-	29,800
Interest payable	-	(1,762)	50	1,712	-
Lease liabilities	9,367	(789)	-	572	9,150

As at 1 January 2020 RMB'000	Net financing cash flow RMB'000	Non-cash changes		At 30 September 2020 RMB'000
		Interest expenses recognised RMB'000	Amount capitalised on property, plant and equipment RMB'000	

**Nine months ended 30 September 2020**

Amounts due to shareholders	115,990	-	-	-	115,990
Bank and other borrowings	29,800	(4,400)	-	-	25,400
Interest payable	-	(1,797)	76	1,721	-
Lease liabilities	9,340	(789)	-	570	9,121

**31. CAPITAL COMMITMENTS**

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000

Acquisition of property, plant and equipment  
- contracted but not provided for

1,127	2,884	1,062	187
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**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**32. PARTICULARS OF SUBSIDIARIES**

The following list contains the particulars of subsidiaries, of which the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability.

Company name	Place and date of incorporation	Particulars of issued and fully paid up	Effective interest held by the Company in the Relevant Periods	Principal activities
<i>Interest held directly</i>				
Go National	Hong Kong 5 January 2018	HK\$100	100%	Investment holding
<i>Interest held indirectly</i>				
Xingnong Agriculture	The PRC 27 April 2009	RMB115,990,000	100%	Planting, cultivating and sale of Fresh Fruits and sale of Other Fruits, the PRC

**33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS**

The Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly interest risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors of the Group. The Group does not have written risk management policies. However, the directors of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks in a timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

a. Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities recognised in the consolidated statements of financial position at the reporting dates may also be categorised as follows:

	As at 31 December			As at 30
	2017 RMB'000	2018 RMB'000	2019 RMB'000	September 2020 RMB'000
Financial assets				
At amortised costs:				
Trade receivables	4,767	3,230	7,617	84,052
Other receivables	260	245	1,194	679
Cash and cash equivalents	8,619	7,153	53,860	23,846
	13,646	10,628	62,671	108,577
Financial liabilities				
At amortised costs:				
Trade payables	2,482	3,663	9,401	12,160
Accruals and other payables	17,373	16,344	10,110	9,372
- Loan from a shareholder	-	5,000	-	-
Amounts due to shareholders	-	-	115,990	115,990
Bank and other borrowings	42,521	20,500	29,800	25,400
Lease liabilities	9,392	9,367	9,340	9,121
	71,768	54,874	174,641	172,043

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## APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020

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### 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - CONTINUED

b. Interest rate risk

The Group's interest rate risk is mainly attributable to its cash at banks which are all short-term in nature. Details of the Group's cash and cash equivalents has been disclosed in notes 20. Other than cash at banks, the Group does not have significant floating interest-bearing assets or liabilities.

The management monitors the movement in market interest rates and reviews such impact on the Group on a continuous basis to ensure that any future variations in interest rate will not have a significant adverse impact on the results of the Group.

c. Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables and other receivables. Majority of bank deposits are placed with reputable banks and financial institutions. The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade receivables and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

The carrying amounts of cash and cash equivalents, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

The Group considers the probability of default upon initial recognition of trade receivables and other receivables which subsequently measured at amortised cost and whether there has been a significant increase in credit risk on an ongoing basis throughout the Relevant Period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on trade receivables and other receivables as at the balance sheet date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of debtors
- Significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors in the Group and changes in the operating results of the debtors

The Group considers the credit risk characteristics and the days past due of the trade receivables to measure the expected credit loss. For the past due trade receivables, the Group has assessed the expected credit loss by considering historical default rates, existing market conditions and forward-looking information. Based on the Group's assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material.

The Group's cash and cash equivalents were deposited with high quality financial institutions. Therefore, the Group does not expect any losses arising from non-performance by these counterparties.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - CONTINUED**

d. Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flows management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group's available undrawn Facility amounted to RMB25,000,000 as at 31 December 2019 and 30 September 2020, of which was yet to be utilised as at 31 December 2019 and 30 September 2020, The Facility of the Group is available up to 12 June 2021 and was secured by forest use rights certificates.

The following table details the Group's remaining contractual maturities of the Group's financial liabilities which are based on undiscounted cash flows and the earliest date the Group can be required to pay are summarised below.

	<b>Carrying amount RMB'000</b>	<b>Total contractual undiscounted cash flow RMB'000</b>	<b>Less than one year RMB'000</b>	<b>More than one year RMB'000</b>
<b>As at 31 December 2017</b>				
Trade payable	2,482	2,482	2,482	-
Accruals and other payables	17,373	17,373	17,373	-
Bank and other borrowings	42,521	43,155	30,634	12,521
Lease liabilities	9,392	32,975	789	32,186
	<b>71,768</b>	<b>95,985</b>	<b>51,278</b>	<b>44,707</b>

	<b>Carrying amount RMB'000</b>	<b>Total contractual undiscounted cash flow RMB'000</b>	<b>Less than one year RMB'000</b>	<b>More than one year RMB'000</b>
<b>As at 31 December 2018</b>				
Trade payable	3,663	3,663	3,663	-
Accruals and other payables	16,344	16,344	16,344	-
Loan from a shareholder	5,000	5,000	5,000	-
Bank and other borrowings	20,500	25,571	4,598	20,973
Lease liabilities	9,367	32,186	789	31,397
	<b>54,874</b>	<b>82,764</b>	<b>30,394</b>	<b>52,370</b>

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS - CONTINUED**

d. Liquidity risk - Continued

	<b>Carrying amount RMB'000</b>	<b>Total contractual undiscounted cash flow RMB'000</b>	<b>Less than one year RMB'000</b>	<b>More than one year RMB'000</b>
<b>As at 31 December 2019</b>				
Trade payables	9,401	9,401	9,401	-
Accruals and other payables	10,110	10,110	9,810	300
Amounts due to shareholders	115,990	115,990	115,990	-
Bank and other borrowings	29,800	36,136	6,729	29,407
Lease liabilities	9,340	31,397	789	30,608
	<b>174,641</b>	<b>203,034</b>	<b>142,719</b>	<b>60,315</b>

	<b>Carrying amount RMB'000</b>	<b>Total contractual undiscounted cash flow RMB'000</b>	<b>Less than one year RMB'000</b>	<b>More than one year RMB'000</b>
<b>As at 30 September 2020</b>				
Trade payables	12,160	12,160	12,160	-
Accruals and other payables	9,372	9,372	9,072	300
Amounts due to shareholders	115,990	115,990	115,990	-
Bank and other borrowings	25,400	29,886	6,436	23,450
Lease liabilities	9,121	30,608	789	29,819
	<b>172,043</b>	<b>198,016</b>	<b>144,447</b>	<b>53,569</b>

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

**34. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The total debt to equity ratio at the end of reporting periods was as follows:

	As at 31 December			As at 30 September
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Loan from a shareholder	-	5,000	-	-
Amounts due to shareholders	-	-	115,990	115,990
Bank and other borrowings	42,521	20,500	29,800	25,400
Lease liabilities	9,392	9,367	9,340	9,121
<b>Total debt</b>	<b>51,913</b>	<b>34,867</b>	<b>155,130</b>	<b>150,511</b>
<b>Total equity</b>	<b>162,789</b>	<b>188,011</b>	<b>134,599</b>	<b>197,426</b>
<b>Total debt to equity ratio</b>	<b>0.3</b>	<b>0.2</b>	<b>1.2</b>	<b>0.8</b>

**35. LITIGATION**

During the Relevant Periods, there was an on-going lawsuit in relation to one of the Group's woodlands, namely Luzhuang Woodland located in the Group's plantation base.

**Background**

The relevant forest use rights of the Luzhuang Woodland were contracted previously by local village committees (the "Committee"), the representatives of the villagers, to Hubei Shenshan Nongye Keji Co. Ltd. ("Hubei Shenshan"), an independent third party, who then transferred rights of the woodlands to the Group. The forest use rights of the Luzhuang Woodland were transferred from Hubei Shenshan to the Group on 15 December 2010 (the "Forest Use Agreements"). The forest use rights in the PRC included the right to use the woodlands, to own and use the forestry trees on the woodlands and to earn income from forestry trees on the woodlands.

**Civil and Administrative actions in respect of the forest use rights of the Luzhuang Woodland**

- (a) The forest use rights of Luzhuang Woodland and the Forest Use Agreements had undergone civil proceedings. During the years from 2015 to 2018, certain villagers (the "Villagers"), as the plaintiff, and the Committee, together with the Group, as the defendants, had civil proceedings over, among other things, the interests and the forest use rights of the Luzhuang Woodland, and had brought civil action (the "Civil Action") to the court of Chibi City (the "Court") in this regard as the villagers claimed that they were not informed of such Forest Use arrangement.



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## **APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE XINGNONG GROUP FOR FY2017, FY2018, FY2019 AND 9M2020**

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### **35. LITIGATION - CONTINUED**

Among years, certain negotiations for the civil action among the Villagers, Hubei Shenshan and the Group were in progress. The Court has released legal judgements (the “Judgements”) for the civil proceedings, and the judgements were favourable for the Group in April 2018 since the Court has rejected all the claims requested by the Villagers, including voiding all land agreements and cancel such arrangement. The Villagers can raise an appeal within 15 days of the Judgements (i.e. on or before 17 April 2018). The Villagers have appealed accordingly.

- (b) To the best of the directors’ knowledge, information and belief having made all reasonable enquiries, the Committee and the Villagers are third parties independent of connected persons (as defined under SGX Listing Rules) with the Group.

The Civil Action had been withdrawn by the Villagers on 18 December 2018, additionally, it is confirmed by the Committee and relevant government bureau(s) subsequently that the Forest Use Agreements entered into with Xingnong Agriculture were approved by the village assembly by way of resolution and the necessary ratification steps had been taken to ensure that the relevant villagers have no objection to the Forest Use Agreements, as such, the directors of the Group, taking consideration the PRC legal advisor are of the view that the risk of the Forest Use Agreements being invalidated is remote. Therefore, no provision nor loss have been recognised in these consolidated financial statements of the Group.

### **36. SIGNIFICANT EVENT DURING THE RELEVANT PERIODS**

The outbreak of Coronavirus Disease 2019 (“COVID-19”)

After COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the Mainland China. The Group will continuously pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

### **37. SUBSEQUENT FINANCIAL INFORMATION**

No audited financial information of the Company, any of the Consolidated Entities or the Group have been prepared in respect of any period subsequent to 30 September 2020.

**31 March 2021**

The Board of Directors  
Dukang Distillers Holdings Limited  
Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

**Report on the compilation of unaudited pro forma consolidated financial information included in the circular to shareholders of Dukang Distillers Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma consolidated financial information of Dukang Distillers Holdings Limited (the “Company”) and its subsidiaries (the “Group”) and Great Resolute Limited and its subsidiaries (the “Target Group”), upon the completion of the Proposed Transactions (as defined below) (collectively, the “Restructured Group”) by management. The unaudited pro forma consolidated financial information consists of the unaudited pro forma consolidated statements of financial position of the Restructured Group as at 30 June 2020, the unaudited pro forma consolidated statements of comprehensive income of the Restructured Group for the financial year ended 30 June 2020, and related notes (the “Unaudited Pro Forma Consolidated Financial Information”) as set out on pages D-4 to D-10 of the circular dated 21 March 2021 (the Circular”) issued by the Company. The applicable criteria on the basis of which management has compiled the Unaudited Pro Forma Consolidated Financial Information are described in note 2 (“Note 2”) on page D-9 to D-10 of Appendix D to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the management to illustrate the impact of the proposed transactions (the “Proposed Transactions”) set out in Note 2 on the Restructured Group’s financial position as at 30 June 2020 as if the Proposed Transactions had taken place on 30 June 2020 and its financial performance for the year ended 30 June 2020 as if the Proposed Transactions had taken place on 1 July 2019. As part of this process, information about the Group’s financial position and financial performance have been extracted by the management from the Group’s audited consolidated financial information for the year ended 30 June 2020, on which an audit report has been published.

***Management’s Responsibility for the Unaudited Pro Forma Consolidated Financial Information***

Management is responsible for compiling the Unaudited Pro Forma Consolidated Financial Information on the basis as described in Note 2.

***Our independence and quality control***

We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities and the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control 1 together and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Joint Reporting Accountants’ responsibilities***

Our responsibility is to express an opinion about whether the Unaudited Pro Forma Consolidated Financial Information has been compiled, in all material respects, by the management on the basis of the as described in Note 2.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditors plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the Unaudited Pro Forma Consolidated Financial Information on the basis of the applicable criteria as described in Note 2.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Consolidated Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Consolidated Financial Information.

The purpose of Unaudited Pro Forma Consolidated Financial Information included in the Circular is solely to illustrate the impact of the significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Consolidated Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the management in the compilation of the Unaudited Pro Forma Consolidated Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Consolidated Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditors’ judgement, having regard to the auditors’ understanding of the nature of the Restructured Group, the event or transaction in respect of which the Unaudited Pro Forma Consolidated Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Consolidated Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) The Unaudited Pro Forma Consolidated Financial Information has been compiled:
  - (i) in a manner consistent with the accounting policies adopted by the Group in its latest audited consolidated financial statements for the financial year ended 30 June 2020, which are in accordance with International Financial Reporting Standards ;
  - (ii) on the basis of the applicable criteria stated in Note 2 of the Unaudited Pro Forma Consolidated Financial Information; and
- (b) each material adjustment made to the information used in the preparation of the Unaudited Pro Forma Consolidated Financial Information is appropriate for the purpose of preparing such unaudited consolidated financial information.

*Restriction on distribution and use*

This report is made solely to you as a body and for inclusion in the Circular to be issued in connection with the Proposed Transactions by the Company of the acquisition of the issued and fully-paid shares in Great Resolute Limited and the disposal of all the issued and fully-paid shares in Sea Will International Limited.

**BDO Limited**  
Certified Public Accounts

Hong Kong

31 March 2021

**BDO LLP**  
Public Accountants and  
Chartered Accountants

Singapore

31 March 2021

**APPENDIX D – INDEPENDENT JOINT REPORTING ACCOUNTANTS’ ASSURANCE REPORT AND UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF DUKANG DISTILLERS HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
AS AT 30 JUNE 2020

	<b>As at 30 June 2020 RMB’000</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property, plant and equipment	244,119
Intangible assets	7,040
Deposit paid for property, plant and equipment	326
	251,485
<b>Current assets</b>	
Inventories and consumables	21,731
Trade receivables	84,052
Prepayments and other receivables	2,299
Cash and cash equivalents	23,854
	131,936
<b>Current liabilities</b>	
Trade payables	12,160
Accruals and other payables	26,263
Bank and other borrowings	4,400
Lease liabilities	31
Deferred government grants	478
Income tax payable	292
	43,624
<b>Net current assets</b>	88,312
<b>Total assets less current liabilities</b>	339,797
<b>Non-current liabilities</b>	
Other payables	300
Bank and other borrowings	21,000
Lease liabilities	9,090
Deferred government grants	13,122
	43,512
<b>Net assets</b>	296,285
Equity	
Share capital	279,499
Reserves	16,786
<b>Total equity</b>	296,285

**APPENDIX D – INDEPENDENT JOINT REPORTING ACCOUNTANTS’ ASSURANCE REPORT AND UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF DUKANG DISTILLERS HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	<b>Year ended 30 June 2020 RMB'000</b>
<b>Revenue</b>	99,490
Cost of sales	(88,468)
<b>Gross profit</b>	11,022
Gain arising from changes in fair value less costs to sell of biological assets	80,697
Other income and gains	6,862
Selling and distribution expenses	(7,354)
Administrative expenses	(37,398)
Other operating expenses	(17,083)
Operating profit	36,746
Finance cost	(70)
<b>Profit before income tax</b>	36,676
Income tax expense	(1,589)
<b>Profit for the financial year</b>	35,087
<b>Other comprehensive income for the year</b>	
<b>Item that may be reclassified subsequently to profit or loss:</b>	
Exchange differences on translation of foreign operations	60
<b>Total comprehensive income for the year</b>	35,147
<b>Earnings per share</b>	
- Basic and diluted	0.44

**APPENDIX D – INDEPENDENT JOINT REPORTING ACCOUNTANTS’ ASSURANCE REPORT AND UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF DUKANG DISTILLERS HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020**

As at 30 June 2020

	<b>Unaudited pro forma adjustments</b>					<b>The Restructured Group</b>
	<b>The Group as at 30 June 2020</b>	<b>The Target Group as at 30 September 2020</b>	<b>Other adjustments</b>			
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	
	Note 3(i)	Note 3(ii)	Note 3(iii(a))	Note 3(iv)	Note 3(v)	
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	373,842	244,119	(373,842)	-	-	244,119
Interest in an associate	11,123	-	(11,123)	-	-	-
Prepayments	731	-	(731)	-	-	-
Intangible assets	-	7,040	-	-	-	7,040
Deposit paid for property, plant and equipment	-	326	-	-	-	326
	<b>385,696</b>	<b>251,485</b>	<b>(385,696)</b>	<b>-</b>	<b>-</b>	<b>251,485</b>
<b>Current assets</b>						
Inventories and consumables	751,136	21,731	(751,136)	-	-	21,731
Trade receivables	-	84,052	-	-	-	84,052
Prepayments, deposits and other receivables	16,682	2,299	(16,682)	-	-	2,299
Income tax recoverable	466	-	(466)	-	-	-
Cash and cash equivalents	121,877	23,846	(121,869)	-	-	23,854
	<b>890,161</b>	<b>131,928</b>	<b>(890,153)</b>	<b>-</b>	<b>-</b>	<b>131,936</b>
<b>Current liabilities</b>						
Trade payables	85,072	12,160	(85,072)	-	-	12,160
Amount due to an associate	8,887	-	(8,887)	-	-	-
Accruals and other payables	110,140	9,124	(103,692)	10,691	-	26,263
Amounts due to shareholders	-	115,990	-	-	(115,990)	-
Bank and other borrowings	115,000	4,400	(115,000)	-	-	4,400
Lease liabilities	-	31	-	-	-	31
Deferred government grants	-	478	-	-	-	478
Income tax payable	-	292	-	-	-	292
	<b>319,099</b>	<b>142,475</b>	<b>(312,651)</b>	<b>10,691</b>	<b>(115,990)</b>	<b>43,624</b>
<b>Net current assets/(liabilities)</b>	<b>571,062</b>	<b>(10,547)</b>	<b>(577,502)</b>	<b>(10,691)</b>	<b>115,990</b>	<b>88,312</b>
<b>Total assets less current liabilities</b>	<b>956,758</b>	<b>240,938</b>	<b>(963,198)</b>	<b>(10,691)</b>	<b>115,990</b>	<b>339,797</b>

**APPENDIX D – INDEPENDENT JOINT REPORTING ACCOUNTANTS’ ASSURANCE REPORT AND UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF DUKANG DISTILLERS HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020**

As At 30 June 2020 (Continued)

	<b>Unaudited pro forma adjustments</b>					<b>The Restructured Group</b>
	<b>The Group as at 30 June 2020</b>	<b>The Target Group as at 30 September 2020</b>	<b>Other adjustments</b>			
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	
	Note 3(i)	Note 3(ii)	Note 3(iii(a))	Note 3(iv)	Note 3(v)	
<b>Non-current liabilities</b>						
Other payables	-	300	-	-	-	300
Bank and other borrowings	-	21,000	-	-	-	21,000
Lease liabilities	-	9,090	-	-	-	9,090
Deferred tax liabilities	11,021	-	(11,021)	-	-	-
Deferred government grants	-	13,122	-	-	-	13,122
	11,021	43,512	(11,021)	-	-	43,512
<b>Net assets</b>	<b>945,737</b>	<b>197,426</b>	<b>(952,177)</b>	<b>(10,691)</b>	<b>115,990</b>	<b>296,285</b>
<b>Equity</b>						
Share capital	279,499	-	-	-	-	279,499
Reserves	666,238	197,426	(952,177)	(10,691)	115,990	16,786
	945,737	197,426	(952,177)	(10,691)	115,990	296,285



**APPENDIX D – INDEPENDENT JOINT REPORTING ACCOUNTANTS’ ASSURANCE REPORT AND UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF DUKANG DISTILLERS HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

For The Financial Year Ended 30 June 2020

	<b>Unaudited pro forma adjustments</b>				<b>The Restructured Group RMB’000</b>
	<b>The Group for the year ended 30 June 2020 RMB’000</b>	<b>The Target Group for the year ended 31 December 2019 RMB’000</b>	<b>Other adjustments</b>		
	Note 3(i)	Note 3(ii)	RMB’000	RMB’000	
		Note 3(iii)(b))	Note 3(iv)		
<b>Revenue</b>	113,331	99,490	(113,331)		99,490
Cost of sales	(69,443)	(88,468)	69,443	-	(88,468)
<b>Gross profit</b>	43,888	11,022	(43,888)	-	11,022
Gain arising from changes in fair value less costs to sell of biological assets	-	80,697	-	-	80,697
Other income and gains	1,936	6,862	(1,936)	-	6,862
Selling and distribution expenses	(40,538)	(7,354)	40,538	-	(7,354)
Administrative expenses	(68,936)	(19,040)	61,269	(10,691)	(37,398)
Other operating expenses	(858)	(17,083)	858	-	(17,083)
Impairment loss on interest in an associate	(3,172)	-	3,172	-	-
<b>Operating (loss)/ profit</b>	(67,680)	55,104	60,013	(10,691)	36,746
Finance cost	(7,629)	(70)	7,629	-	(70)
Share of profit of an associate	624	-	(624)	-	-
(Loss)/profit before income tax	(74,685)	55,034	67,018	(10,691)	36,676
Income tax credit/(expense)	751	(1,589)	(751)	-	(1,589)
<b>(Loss)/profit for the year</b>	(73,934)	53,445	66,267	(10,691)	35,087
<b>Other comprehensive income for the year</b>					
<b>Item that may be reclassified subsequently to profit or loss:</b>					
Exchange differences on translation of foreign operations	1,381	(67)	(1,254)	-	60
<b>Total comprehensive income for the year</b>	(72,553)	53,378	65,013	(10,691)	35,147

**NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**1. General corporate information**

Dukang Distillers Holdings Limited (the “Company”) was incorporated in Bermuda on 12 February 2008 under the Bermuda Companies Act as an exempted company with limited liability. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business of the Company is located at 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the People’s Republic of China (the “PRC”).

The Company’s shares are listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and certain of its shares are listed as Taiwan Depository Receipts on the Taiwan Stock Exchange Corporation.

The principal activity of the Company is investment holding.

**2. Basis of preparation of the unaudited pro forma consolidated financial information**

The unaudited pro forma consolidated financial information of the Restructured Group in this report is expressed in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The financial information has prepared for illustrative purpose only. It has been prepared based on certain assumptions and after making certain adjustments to show:

- the unaudited pro forma consolidated statements of financial position of the Restructured Group as at 30 June 2020 had the Proposed Transactions, as described below, been completed on 30 June 2020; and
- the unaudited pro forma consolidated statements of comprehensive income of the Restructured Group for the financial year ended 30 June 2020 had the Proposed Transactions, as described below, been completed on 1 July 2019.

The pro forma consolidated financial information take into account the following bases and assumptions:

*Proposed Transactions*

On 17 November 2018, the Company entered into a conditional acquisition and disposal agreement (the “Agreement”) with Keen Wind Limited (“Keen Wind”) pursuant to which, subject to the terms and conditions of the Agreement:

- 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
- 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”)

The Xingnong Acquisition and the Dukang Disposal will be completed concurrently. Accordingly, the Company would become the holding company of Great Resolute and Keen Wind would become the holding company of Sea Will. The satisfaction of considerations of Xingnong Acquisition and Dukang Disposal shall be by way of share swap and shall not be executed in cash. There shall be no outstanding amount owing to each other hereunder.

**NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**2. Basis of preparation of the unaudited pro forma consolidated financial information (cont’d)**

The unaudited pro forma consolidated financial information has not reflected any fair value adjustment upon the Xingnong Acquisition and Dukang Disposal, as such, the carrying amount of the identifiable assets and liabilities of Great Resolute and Sea Will are illustrated.

As part of this process, information about the Restructured Group’s financial position, financial performance have been extracted by management from the following:

- (a) Audited consolidated financial statements of the Group for the financial year ended 30 June 2020 as jointly audited by BDO LLP, Singapore and BDO Limited, Hong Kong. These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and are presented in RMB; and
- (b) Audited consolidated financial statements of the Target Group for the financial year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, which is prepared in accordance with IFRS and is presented in RMB.

The objective of the unaudited pro forma consolidated financial information of the Restructured Group is to show what the financial performances of the Restructured Group would have been had the Proposed Transactions been completed on 1 July 2019 and what the financial position of the Restructured Group would have been had the Proposed Transactions been completed on 30 June 2020.

**3. Unaudited Pro forma adjustments**

The following unaudited pro forma adjustments were made assuming transactions taken place on 1 July 2019 and 30 June 2020 respectively: -

- i) The amounts have been extracted from the audited consolidated statements of financial position of the Group as at 30 June 2020 and the audited consolidated statements of comprehensive income for the year ended 30 June 2020 included in the published annual report of the Company for the year ended 30 June 2020.
- ii) The amounts have been extracted from the audited consolidated statements of financial position of the Target Group as at 30 September 2020, and the audited consolidated statements of comprehensive income of the Target Group for the year ended 31 December 2019, as set out in Appendix I to this circular.
- iii) (a) Being the pro forma adjustments to effect the Dukang Disposal on 30 June 2020;  
(b) Being the pro forma adjustments to effect the Dukang Disposal on 1 July 2019.
- iv) The adjustment represents the estimated professional fees and transaction costs incurred by the Company in connection with the Proposed Transactions. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated statements of comprehensive income.
- v) It is the condition precedent stated in the Agreement that the consideration payable by Go National Limited to the previous shareholders of Chibi Shenshan Xingnong Agriculture Technology Co., Limited (“Xingnong Agriculture”) in connection with the restructuring exercise, has to be settled by way of a shareholder’s loan pursuant to their respective equity in Xingnong Agriculture, The shareholder loan will be waived prior to the completion of Proposed Transactions pursuant to the Agreement.
- vi) The corporate expenses of the Company for the year ended 30 June 2020, including the directors’ fees, annual listing fee, company secretarial fees have been recognised in the consolidated financial statements for the year ended 30 June 2020.

# Valuation of the Market Value of 100% Equity Interest in Xingnong Group

Client : Dukang Distillers Holdings Limited  
Report Date : 26 March 2021  
Valuation Date : 30 September 2020  
Reference Number : CON000421040

**Important:** This Report has been prepared for the specific purposes of inclusion in the circular to be issued by the Client in relation to, inter alia, its proposed acquisition of the Target Group (as defined herein). Its contents are only intended for the exclusive use of the client listed above or to persons or firms to whom it is provided by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Under no circumstances may the information herein be copied, reproduced, published or disseminated without the prior approval of Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### Disclaimer

*In this Report, unless the context otherwise stipulates, certain words may be capitalized to denote they may have a definition or explanation stipulated in the definitions and abbreviations in section 1.1 below or that they refer to a section of the Report. This is with the exception of particular abbreviations and technical terms commonly understood within the context of financial analysis. This Report shall be interpreted with regards to the definitions contained herein.*

*This Report has been prepared for the specific purposes of inclusion in the circular to be issued by the Client in relation to, inter alia, its proposed acquisition of the Target Group (as defined herein) and was prepared solely for the purpose stated in this report. Its contents are only intended for the exclusive use of the Client pursuant to an Agreement, or to persons or firms to whom it is provided directly by JLL. Under no circumstances may the information herein be otherwise copied, reproduced, published or disseminated without the prior approval of JLL. The Report should not be used or relied upon by the stated recipient for any other purpose other than the stated valuation purpose within. This Report constitutes a portion of the Services and is thus subject to the conditions of engagement contained within the Agreement. Our responsibility is to perform a valuation based on our independent investigation and analysis, and to report our opinion to the Client. JLL thus acts in the capacity of an advisor to the Client. Our conclusion only serves to advise the Client and aid in the Client's own valuation analysis. Our calculations, Report and/or conclusion cannot replace the decisions or judgment of the Client. It is up to any recipient of this Report to make their own assessment of the validity of this opinion and its underlying assumptions.*

*This Report is subject to the assumptions, explanations, qualifications and disclaimers provided throughout the Report. The Report is also subject to general limiting conditions, a full declaration of which is expressed in section 5.4 below. Users of this Report should take due consideration of the assumptions, explanations, qualifications and disclaimers provided throughout the Report to understand the premises taken by JLL throughout our valuation methodology and calculation. Many of the inputs within this Valuation Assignment based on information provided by or on behalf of the Client and / or other potential transaction participants as well as third parties. We have relied to a considerable extent upon such information relating to aspects of the Valuation Subject including but not limited to its financial features. Additionally, JLL has also made use of public information. We have assumed that the information and data provided by these sources is accurate and truthful, but we make no representation as to the accuracy or completeness of such information. For all information sourced, JLL has not audited, corroborated and is not obliged to conduct due diligence to verify for their accuracy and truthfulness. With respect to estimates and forecasts of future financial performance prepared by or reviewed with the management of the Client and/or other potential transaction participants or obtained from public sources, we have assumed that such estimates and forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of such managements (or, with respect to estimates and forecasts obtained from public sources, represent reasonable estimates).*

*No opinion is intended to be expressed for matters which we deem to cover legal, compliance, tax, accounting or other specialised expertise or knowledge and is beyond what is customarily employed by valuers. Within our Services, we have assumed the Target Group has obtained all requisite legal registration associated with it and is freely transferable in the market without any legal obstacles.*

*Our opinion of value is current only as per the Valuation Date. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date and we assume no obligation to update or otherwise revise these materials for events in the time since then. Assessed values may change significantly and unexpectedly even over short periods. An actual transaction regarding the acquisition of 100% equity interest in the Target Group may be concluded at a higher value or lower value, depending on the circumstances surrounding it, its owner, or the motivations and knowledge, or all, of both the buyers and sellers at that time. JLL makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction.*

*We must emphasise that the realisation of the prospective financial information is dependent on the continuing validity of the assumptions on which it is based. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.*

## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

### 1. Introduction

#### 1.1 Definitions and Abbreviations

<b>Term / Abbreviation</b>	<b>Definition / Long form</b>
Agreement	Service agreement between JLL and the Client
CAGR	Compounded annual growth rate
CAPM	Capital Assets Pricing Model
Client	Dukang Distillers Holdings Limited
DLOM	Discount for lack of marketability
Expert Consultant	Professor Dexiang Zheng
FCFF	Free cash flow for the firm
Go National	Go National Limited
Great Resolute	Great Resolute Limited
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
JLL	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
PRC	People's Republic of China
Report	The written account of our methodology, principal assumptions, findings and opinion regarding the market value of the Subject
Report Date	The date on which we issue the written account of our methodology, principal assumptions, findings and opinion regarding the market value of the Subject
RMB	Renminbi
Services	Refers to the services described in the Agreement between JLL and the Client
Subject	100% equity interest in the Target Group
Target Group/ Xingnong Group	Great Resolute and its subsidiaries, namely, Go National and Xingnong Agriculture
Target Group's Expert Consultant	Mr. Yingchun Jiang
Valuation	Means the work products including but not limited to the Report concerning the Services
Valuation Date	30 September 2020, being the date that the Valuation applies
WACC	Weighted Average Cost of Capital
Xingnong Agriculture	Chibi Shenshan Xingnong Agriculture Technology Co., Ltd
2020 Forward P/E Ratio	Price-to-earning ratio in 2020, which is defined as stock price as at 30 September 2020 divided by forecasted net profit attributable to owners for the financial year 2020

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### 1.2. Executive Summary

In accordance with the instructions of the Client, we have undertaken an investigation and analysis to determine an independent opinion of the Market Value of the Subject as at 30 September 2020. The Report is issued on 26 March 2021 (the "Report Date").

The purpose of this valuation is for full inclusion in the circular to shareholders of the Client (which is currently listed on the Singapore Exchange Securities Trading Limited) in relation to its proposed acquisition of the Target Group.

The Target Group comprises Great Resolute and its wholly-owned subsidiaries, namely Go National and Xingnong Agriculture. Great Resolute and Go National were incorporated in 2017 and 2018, respectively and have not carried on any business since incorporation.

Xingnong Agriculture, is a PRC-based kiwifruit plantation company incorporated at Chibi City of the Hubei Province in 2009. The kiwifruit plantation of Xingnong Agriculture are strategically located at 大桥, 油岭, 红菱, 御屏半岛, 西湖, 御屏, 麦园岭, 新店 and 鲁庄 with total plantation area of approximately 3,614.7 mu (equivalent to approximately 2,409,800 square meters) as at the Valuation Date. Xingnong Agriculture currently produces and sells several types of kiwifruits, which are classified into three main categories, namely 精灵果, 黄金果 and 绿果. Since year 2020, on top of the three main categories highlighted above, Xingnong Agriculture has commenced in producing and selling a new kiwifruit breed namely "红心" or "红贝". However this has not been considered in the Valuation as the management represented that its production level and corresponding economic benefit to be contributed is immaterial.

Xingnong Agriculture also diversified their business by engaging in trading of apples and oranges since 2019. Management has advised that the new business segment is still at the exploring stage and the continuity of the business segment is highly uncertain as at the Valuation Date. Hence the economic benefit contributed by such business segment was not considered in this Valuation.

Our Valuation was carried out on a Market Value basis. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We wish to highlight that the opinion of value is subject to numerous assumptions, qualifications and disclaimers which are elaborated on in the Valuation Analysis section 4 below. Our opinion is also heavily reliant on information provided to us, which we are not in the position to verify for accuracy or truthfulness. Finally, we must emphasize that the realization of prospective financial information is highly uncertain and is dependent on the validity of many assumptions which frequently do not occur as expected causing significant differences in value.

On top of such assumptions, we have also considered various risks and uncertainties that have potential impact on the Subject which are covered in section 4 below. Furthermore, readers should be aware of the ever-present model risk inherent in any financial model which is a simplified version of reality potentially not accounting for or incorrectly accounting for complex issues.

Based on the results of our investigation and analysis outlined in the Report which follows, we are of the opinion that the Market Value of the Subject as at the Valuation Date is as follows.

Valuation Date	Market Value (RMB)
30 September 2020	1,536,000,000

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### Commentary on the Impact COVID-19 on Valuation

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that since the Valuation Date, the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the financial projections / assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods.

The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date in this Report.

However, management of the Target Group has advised that the fruit harvesting season falls at around third quarter of the year and considering the recovery of pandemic in China, the impact of the outbreak of Novel Coronavirus disease (COVID-19) is deemed to be insignificant to the Valuation.

The following pages outline the methodology, factors considered and assumptions employed in formulating our opinion of value.

For and on behalf of  
Jones Lang LaSalle Corporate Appraisal and Advisory Limited



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**Simon M.K. Chan**  
*Executive Director*



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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### 2. Valuation Particulars

#### 2.1. Valuation Purpose

The purpose of this valuation is for full inclusion in the circular to shareholders of the Client (which is currently listed on the Singapore Exchange Securities Trading Limited) in relation to its proposed acquisition of the Target Group.

In accordance with the instructions of the Client, JLL is engaged to perform a valuation of the Valuation Subject.

The Client is an investment holding company incorporated in 2008 and is based in Zhengzhou, the PRC. It was formerly known as Trump Dragon Distillers Holdings Limited and changed its name to Dukang Distillers Holdings Limited in May 2010. The Client manufactures, markets, and sells baijiu products in the PRC and also involved in trademarks management. It sells its products primarily to supermarkets, flagship stores, specialty stores, and restaurants under the Dukang brand.

#### 2.2. Background of the Subject

The Target Group comprises Great Resolute and its wholly-owned subsidiaries, namely Go National and Xingnong Agriculture. Great Resolute and Go National were incorporated in 2017 and 2018, respectively and have not carried on any business since incorporation.

Xingnong Agriculture, is a PRC-based kiwifruit plantation company incorporated at Chibi City of the Hubei Province in 2009. The kiwifruit plantation of Xingnong Agriculture are strategically located at 大桥, 油岭, 红菱, 御屏半岛, 西湖, 御屏, 麦园岭, 新店 and 鲁庄 with total plantation area of approximately 3,614.7 mu (equivalent to approximately 2,409,800 square meters) as at the Valuation Date.

Xingnong Agriculture currently produces and sells several types of kiwifruits, which are classified into three main categories, namely 精灵果, 黄金果 and 绿果.

- i. 精灵果 (“楚源11-48”) – A new species researched and developed by Dr. Wang Zhongyan and his team from Hunan Horticultural Research Institute. The permanent exclusive rights to use in PRC (exclude Hong Kong, Macau and Taiwan) was later granted by 长沙炎农生物科技有限公司 to Xingnong Agriculture. The average weight of the kiwifruit under this category varied between 70g to 100g;
- ii. 黄金果 (“金桃”“金艳”) – A high quality yellow-fleshed kiwifruit, cultivated by 中国科学院武汉植物研究所. This species of kiwifruit has a high yield and the average weight varied between 80g to 140g; and
- iii. 绿果 (“翠玉”) – A green-fleshed kiwifruit with high yield and long periods of storage. It has strong resistance to external environment conditions and the average weight of the kiwifruit under this category varied between 85g to 95g.

Since year 2020, on top of the three main categories highlighted above, Xingnong Agriculture has commenced in producing and selling a new kiwifruit breed namely “红心” or “红贝”. However this has not been considered in the Valuation as the management represented that its production level and corresponding economic benefit to be contributed is immaterial. “红心” is a yellow-fleshed kiwifruit with red seeds in the centre of the fruit. The average weight of the kiwifruit varied between 80g to 110g. Pursuant to the Zhengzhou Fruit Research Institute Licence Agreement, Xingnong Agriculture has a non-exclusive licence to cultivate this kiwifruit breed from 1 January 2019 to December 31 2033.

Xingnong Agriculture also diversified their business by engaging in trading of apples and oranges since 2019. Management has advised that the new business segment is still at the exploring stage and the continuity of the business segment is highly uncertain as at the Valuation Date. Hence the economic benefit contributed by such business segment was not considered in this Valuation.

### 2.3. Appointment of Our Expert Consultant

We have engaged the Expert Consultant in this valuation exercise.

The Expert Consultant is currently an associate professor in School of Forestry in Fujian Agriculture and Forestry University (福建农林大学林学院). He graduated from Fujian Agriculture and Forestry University (原福建林学院) with a Bachelor degree in Forestry in 1996 and obtained his Doctoral degree in Forest Management from Beijing Forestry University (北京林业大学) in 2006. The Expert Consultant has vast experience in various forest assets assessment projects in the PRC and also been actively involved in several forestry research projects and publications.

Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the kiwifruit plantation managed by Xingnong Agriculture. The Expert Consultant provided assistance and advice on the biological aspects of the kiwifruit plantation managed by Xingnong Agriculture in order for us to have better understanding of the nature of the kiwifruit plantation and the Valuation Subject. We have considered and relied to a considerable extent on the expertise and opinion of the Expert Consultant with respect to the physical and biological attributes of the kiwifruit plantation managed by Xingnong Agriculture in the preparation of the Report.

In the process of our valuation exercise, we were advised on the following relevant areas, including but not limited to:

#### **External Factors**

- Ecosystem and biotic interaction of the plantation;
- Topographical and meteorological aspects of the plantation area; and
- Soil quality and other environment conditions at the plantation.

#### **Specific Factors**

- Biological properties of the kiwifruits; and
- Sustainability and productivity of each species of the kiwifruit trees.

### 2.4. Independence Declaration

JLL confirms that to the best of our knowledge and belief, we and the Expert Consultant are independent of the Client and the Subject, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value. Neither JLL nor the Expert Consultant (i) holds any interest (direct or indirect) in the shares in the Client (or its subsidiaries) or the Target Group (or its related corporations), or (ii) will participate in any offering in connection with or arising from the Client's acquisition of the Target Group.

### 2.5. Reliance on External Information

Many of the inputs within the Valuation make use of external information obtained from the Client and / or the Target Group and other public sources. We have relied to a considerable extent upon such information relating to aspects of the Subject including but not limited to its financial features. We have assumed that the information and data provided by these sources is accurate and truthful, but we make no representation as to the accuracy or completeness of such information. For all information sourced, JLL has not audited, corroborated and is not obliged to conduct due diligence to verify for their accuracy and truthfulness. A commonly referenced, though not exhaustive, list of such information includes the historical and prospective financial information of the Target Group, representations made by the Client and / or their professional advisors, financial / economic databases and technical papers from the professional services / academic sectors.

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### 2.6. Standards

For this Valuation we have been guided by the following standards according to the different elements involved in our scope of work.

- Regarding financial reporting, International Financial Reporting Standards issued by the International Accounting Standards Board
- Regarding valuation, International Valuation Standards issued by the International Valuation Standards Council

### 2.7. Basis of Value

Our Valuation was carried out on a Market Value basis.

Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

### 2.8. Valuation Date

The Valuation Date is set to be 30 September 2020.

### 2.9. Currency

Our opinion of value is presented in RMB unless otherwise stated.

## 3. Valuation Methodology

### 3.1. Valuation Approaches

There are three generally accepted valuation approaches, namely the market, cost and income approaches.

#### Market Approach

A market approach determination of value is achieved by comparing the Subject with similar assets or liabilities for which prices are available. Often adjustments are made to reflect the date of the transaction, condition and utility of the comparable relative to the Subject. Subjects for which there is an established, liquid, secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few inputs and assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in the inputs as there are inherent assumptions on the value of those comparable subjects. Market approaches also suffer in that it can be hard to find transactions for comparables that are justifiably comparable.

#### Cost Approach

A cost approach determination of value of a Subject works on the principle that a buyer will not pay any more for an asset / liability than the cost to obtain an equivalent one by purchase or by construction. Therefore, the cost approach considers the cost to reproduce or replace the Subject in accordance with current market prices for similar subjects, with an allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes.

The cost approach generally furnishes the most reliable indication of value for subjects without a known secondary market. It is also advantageous when the subject is not directly income generating and / or is unique thus ruling out the applicability of the other two valuation approaches. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the Subject.

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### Income Approach

An income approach determination of value is achieved by the conversion of expected future cash flow or cost savings generated by the Subject into a present value. It is based on the principle that an informed buyer would pay no more for the Subject than an amount equal to the present worth of anticipated future benefits (income or cost savings) from the same or a substantially similar asset or liability with a similar risk profile.

Advantages of this approach lie in its ability to work when information on relevant market comparables is inadequate and when reasonable projections for the quantity and timing of expected future cash flows associated to the Subject can be made. However, this approach relies on numerous assumptions over a long time horizon which by their nature are not able to be independently verified. The result of such an approach may be very sensitive to certain inputs chosen and inevitably, some assumptions may not materialize meaning actual future values may vary greatly from what was forecasted.

### 3.2. Selection of Approach

To select the most appropriate approach, we have considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information related to the Subject to perform this analysis. We have also considered the relative advantages and disadvantages of each approach having regard to the nature and circumstances of this Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the future economic benefits contributed by the Subject. The guideline public transaction method under market approach is inappropriate as it requires market transactions comparable to the Subject as an indication of value. However, we have not identified any current market transactions which are comparable to the Subject. We have therefore relied on the income approach in determining our opinion of value.

In this study, the Market Value of the Subject was developed through the application of an income approach technique known as the discounted cash flow method.

The discounted cash flow method of valuation can be applied to many types of investment. In each case, it involves estimating all future cash flows of the investment and using a discount rate encapsulating the time value of money and risks involved in the business to devolve the future cash flows into a present value.

Apart from the income approach, we have also conducted the guideline public company method under market approach in our analysis for cross-checking purpose. The guideline public company method required the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the value of the Subject. In order to reflect the operating performance outlook of the Target Group, we have adopted the 2020 Forward P/E Ratio of the comparable companies as the market multiples in this cross-checking analysis. The detailed workings can be referred in section 5.1 below.

## 4. Valuation Analysis

### 4.1. General Assumptions

The following key assumptions in determining the Market Value of the Subject have been made.

- The Valuation was primarily based on the financial projections and latest historical financial information made available to us. The projections outlined in the financial information provided were prepared on a reasonable basis, reflecting aspects of the Subject including but not limited to market conditions, economic fundamentals, availability of competent management and sufficient personnel, sufficient facilities and systems for future expansion, and we assume they will materialize;
- The Target Group has, or will have, sufficient capital needs (financial, human, physical) to achieve or contribute to current and future production;
- There will be no material change in the core operations of the Target Group from what is present and / or expected;
- All relevant laws, statutes, ordinances and regulations pertaining to the Target Group are complied with and where applicable renewable upon expiry;

## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

- Operational and contractual terms stipulated in the contracts and agreements associated with the Subject will be honored;
- We have assumed that there are no hidden or unexpected conditions associated with the Subject that might adversely affect the reported values;
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions from present and / or from what is expected, which might adversely affect the business of the Target Group;
- Disease, natural disaster and extreme weather conditions can have negative impact on the production or the life of the kiwifruit plantation. We have assumed that there will be no unusual events which could have significant impacts on the production volume during the forecast period; and
- Our Valuation is conducted based on a going concern assumption, in which the Subject is viewed as continuing in business for the foreseeable future.

### 4.2. Key Inputs, Sources and Assumptions

#### **Financial model**

The specific model we have utilized is known as the FCFF model.

FCFF is a measure of the net amount of cash available to bond and stockholders that is generated by a company after expenses, taxes and changes in net working capital and investments are subtracted.

Our opinion of value was calculated using a cash flow projection based on a financial forecast of the Target Group, prepared by their management and provided to us by the Client / Target Group, which covers a 39-year period, as the majority lease term of the kiwifruit plantations will expire in 2058.

We have also made reference to the expert report issued by the Expert Consultant as well as that prepared by the Target Group's Expert Consultant, who currently works as a researcher in Hubei Tea Research Institute, Chinese Academy of Agricultural Sciences (湖北省农业科学院果树茶叶研究所) in assessing the reasonableness of the future cash flows contributed by the Target Group during the forecast period.

Details of financial forecast adopted can be referred in section 5.1 below, with key inputs shown as below.

<b>Parameter</b>	<b>Input</b>
Revenue Growth Rate (%)	6 (CAGR)
Gross Margin (%)	11 (Average)
Profit Margin (%)	72 (Average)

#### **Discount Rate**

In applying the discounted cash flow method for the Subject, it is necessary to determine an appropriate discount rate / cost of capital to account for the time value of money and the risks of the business. We have determined that the appropriate discount rate for the Subject is its weighted average cost of capital ("WACC").

The discount rate represents an estimate of the rate of return required by a third party investor for an investment. The rate of return expected by an investor relates to perceived risks from the investment. Risk factors relevant in the determination of an appropriate discount rate include the following.

- Interest rate risk, which measures variability of returns caused by changes in the general level of interest rates;
- Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price;
- Market risk, which measures the effects of the general market on the price behavior of securities; and
- Company specific risk, which measures the uncertainty inherent in projections of operating income.

## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

### Discount Rate Calculation

The concept of WACC is to incorporate the different costs of capital for all sources of the Subject's capital and weight by their proportionate share of total capital to determine the Subject's overall cost of capital.

WACC	=	$(E/V) \times Re + (D/V) \times Rd \times (1-Tc)$
Re	=	Required return on equity
Rd	=	Required return on debt
E	=	Fair value of the firm's equity
D	=	Fair value of the firm's debt
V	=	E+D
E/V	=	Percentage of equity financing
D/V	=	Percentage of debt financing
Tc	=	Corporate tax rate

To estimate the required return on equity, we have used a modified CAPM adjusted for further unexplained risk premia to estimate the required return on equity capital seen below.

The CAPM is a fundamental tenet of modern portfolio theory which has been generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required return on equity capital. The thinking behind it is that because specific risks can be avoided through portfolio diversification, the expected return on an asset should include only the risk premium for holding market risk. The degree of market risk is estimated via the beta which is determined referencing comparable publicly traded companies.

The equation of CAPM is shown as follow.

CAPM	=	$Rf + \beta \times Rm + \text{Other risk premium}$
Rf	=	Risk free rate
$\beta$	=	Estimated beta
Rm	=	Equity risk premium

Parameter	Input	Source	Remark
Risk Free Rate (%)	3.15	Bloomberg L.P.	10-year yield of the PRC sovereign curve in representing the long term yield
Market Premium (%)	9.77	Bloomberg L.P.	Average market premium of the PRC
Estimated Beta	0.92	Bloomberg L.P.	Average beta of comparable companies (with exclusion), details refer to section 5.1 below
Size Premium (%)	3.16	Duff & Phelps	Excess return for micro market capitalization
Specific Risk Premium (%)	1.00	Not Applicable	Estimated
Required Return on Equity Capital (%)	16.29	Not Applicable	Calculated
Debt-to-Equity Ratio (%)	6.33	Bloomberg L.P.	Average debt-to-equity ratio of comparable companies (with exclusion), details refer to section 5.1 below
Cost of Debt (%)	8.28	Management of the Target Group	Actual borrowing rate
Corporate Tax Rate (%)	0	Tax Document from 赤壁市国家税务局	Tax exemption
After-tax Cost of Debt (%)	8.28	Not Applicable	Calculated, appropriate to use after-tax basis to match projection which is after-tax
Applied WACC (%)	15.82	Not Applicable	Calculated

## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

### **Discount for Lack of Marketability (“DLOM”)**

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this interest using a put option method. The concept is that when comparing a public share and a private share, the holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event becomes shorter, the degree of the DLOM becomes smaller.

We have adopted Black Scholes Option Pricing Model with the following parameters to estimate the DLOM.

Parameter	Input	Source	Remark
Option Type	European Put	Not Applicable	Assumed
Spot Price (RMB)	1.00	Not Applicable	Assumed
Exercise Price (RMB)	1.00	Not Applicable	Assumed
Risk Free Rate (%)	2.60	Bloomberg L.P.	Yield rate on 1-year PRC sovereign curve
Maturity Period (year)	1.00	Not Applicable	Assumed
Volatility (%)	62.83	Bloomberg L.P.	Average historical volatilities of comparable companies (with exclusion), details refer to section 5.1 below
Implied DLOM (%)	23.08	Not Applicable	Calculated

### **4.3. Non-operating Assets and Liabilities**

In our valuation methodology the net present value of future cash flow has considered just the Target Group's operating assets and therefore we have considered its non-operating assets and liabilities separately. The non-operating assets and liabilities are listed in section 5.1 below. Due to the nature of the non-operating assets and liabilities, we have adopted the cost approach and relied on the book values as our opinion of value for the non-operating assets and liabilities.

### **4.4. Opinion of Value**

Based on the results of our investigations and analysis outlined in the Report, we are of the opinion that the Market Value of the Subject as at the Valuation Date is as follows.

Valuation Date	Market Value (RMB)
30 September 2020	1,536,000,000

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### Commentary on the Impact COVID-19 on Valuation

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that since the Valuation Date, the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the financial projections / assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date in this Report.

However, management of the Target Group has advised that the fruit harvesting season falls at around third quarter of the year and considering the recovery of pandemic in China, the impact of the outbreak of Novel Coronavirus disease (COVID-19) is deemed to be insignificant to the Valuation.

#### **4.5. Risk Factors**

We caution readers to be aware of the following risks which we believe could influence the Market Value of the Subject. Such risks can range from very subject specific factors to more systematic factors.

##### **Realization of Forecast and Projection**

This valuation is premised in part on the historical financial information and projection provided by the management of the Target Group. We have assumed accuracy of the information provided and relied to a considerable extent on such information in arriving at our opinion of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material.

##### **Operation of Agricultural Land in the PRC**

The legal framework and the administrative and registration system for rural and sub-urban agricultural land in the PRC are not as developed as those for urban land. Under the laws and regulations in the PRC, there is currently no requirement for leases of rural or sub-urban agricultural land in the PRC to be registered with the relevant land administrative authorities. Hence, there are specific risks associated with the ownership, leasing and use of agricultural land in the PRC including but not limited to risks concerning the legality and validity of land use rights or leasing arrangements.

##### **Natural Disaster and Disease**

Given the nature of the kiwifruit plantation of the Target Group, the productivity is subject to the effect of natural environmental conditions such as weather conditions and disease. Any occurrence of natural disaster or outbreak of biological diseases may have a material impact on the productivity and hence the economic benefit generated by the Valuation Subject.

##### **Market Competition**

As the PRC becomes a member of the World Trade Organization, it is expected that the import tariffs of agricultural products will be lowered and the related import quotas and restrictions will be eliminated. This may result in an increase in competition from local as well as overseas suppliers. Any unexpected price fluctuation in agricultural products may also affect the economic value of the Valuation Subject.

##### **Tax Concessions**

The Target Group is exempted from business tax and income tax for its operation in agricultural activities. However, any changes in the tax concession available to the Target Group may have an adverse effect on the value of the Valuation Subject.

##### **Changes in Political, Economic and Regulatory Environment**

The Target Group is subject to various laws and regulations governing its operations in the PRC. Future political and legal changes in the PRC might have either favorable or unfavorable impacts on the Target Group.



## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

### 5. Appendices

#### 5.1. Excerpts of Valuation Model

##### Income Approach

	Audited		Audited		Full year		Pro-rata		
	31/12/17	31/12/18	31/12/19	30/9/20	31/12/20	Oct - Dec 2020	31/12/21	31/12/22	31/12/23
Revenue	49,500,000	61,708,000	99,490,000	89,951,000	108,200,000	18,249,000	193,510,000	230,980,000	282,880,000
Gross Profit	4,860,000	6,290,000	11,022,000	9,466,000	12,010,200	2,544,200	21,479,610	25,638,780	31,399,680
Net Profit	19,457,000	25,346,000	53,445,000	67,728,000	56,931,496	(5,286,504)	121,735,421	156,227,389	204,312,501
Free Cash Flow to Firm (FCFF)						88,617,188	139,619,307	148,380,357	186,842,504
Present Value of FCFF						86,996,434	124,994,059	114,719,907	124,730,499

	31/12/24	31/12/25	31/12/26	31/12/27	31/12/28	31/12/29	31/12/30	31/12/31	31/12/32
Revenue	305,180,000	358,580,000	463,390,000	495,830,000	543,340,000	589,300,000	600,220,000	627,640,000	627,640,000
Gross Profit	33,874,980	39,802,380	51,436,290	55,037,130	60,310,740	65,412,300	66,624,420	69,668,040	69,668,040
Net Profit	221,532,584	261,164,693	338,592,422	365,177,739	404,298,639	443,194,257	450,990,830	473,664,098	471,126,505
Free Cash Flow to Firm (FCFF)	216,554,298	261,188,027	356,783,617	380,373,269	423,802,467	462,482,518	467,599,989	491,211,255	487,157,556
Present Value of FCFF	124,859,645	129,976,536	153,300,445	141,114,852	135,799,785	127,902,796	111,655,878	101,273,729	86,751,382

	31/12/33	31/12/34	31/12/35	31/12/36	31/12/37	31/12/38	31/12/39	31/12/40	31/12/41
Revenue	643,490,000	643,490,000	659,340,000	659,340,000	675,190,000	675,190,000	691,060,000	691,060,000	706,900,000
Gross Profit	71,427,390	71,427,390	73,186,740	73,186,740	74,946,090	74,946,090	76,707,660	76,707,660	78,465,900
Net Profit	483,598,399	481,697,632	497,996,002	496,069,249	509,182,862	506,287,673	517,955,562	514,551,917	526,154,032
Free Cash Flow to Firm (FCFF)	500,312,234	496,886,505	510,191,844	506,627,241	519,744,058	515,773,102	528,445,257	524,203,926	536,649,670
Present Value of FCFF	76,894,400	65,937,334	58,455,821	50,137,678	44,392,603	38,036,399	33,648,059	28,829,927	25,472,924

**APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT**

	31/12/42	31/12/43	31/12/44	31/12/45	31/12/46	31/12/47	31/12/48	31/12/49	31/12/50
Revenue	706,900,000	722,750,000	722,750,000	738,610,000	738,610,000	754,450,000	754,450,000	770,300,000	770,300,000
Gross Profit	78,465,900	80,225,250	80,225,250	81,985,710	81,985,710	83,743,950	83,743,950	85,503,300	85,503,300
Net Profit	523,300,810	535,384,963	531,488,314	542,368,296	538,123,952	548,661,643	544,079,938	554,260,525	549,224,608
Free Cash Flow to Firm (FCFF)	532,197,265	544,070,428	539,371,670	551,302,546	546,257,642	557,836,967	552,106,327	563,327,829	557,499,336
Present Value of FCFF	21,811,202	19,252,223	16,485,359	14,542,680	12,441,438	10,969,803	9,377,772	8,258,135	7,056,404

	31/12/51	31/12/52	31/12/53	31/12/54	31/12/55	31/12/56	31/12/57	31/12/58
Revenue	786,160,000	786,160,000	802,010,000	802,010,000	817,850,000	817,850,000	833,710,000	833,710,000
Gross Profit	87,263,760	87,263,760	89,023,110	89,023,110	90,781,350	90,781,350	92,541,810	92,541,810
Net Profit	558,982,408	553,521,168	562,732,049	558,358,937	567,037,405	559,879,139	567,315,586	559,629,957
Free Cash Flow to Firm (FCFF)	568,289,455	562,028,014	570,876,303	564,053,428	573,696,533	565,868,879	574,429,793	489,173,901
Present Value of FCFF	6,210,504	5,305,195	4,650,814	3,967,576	3,484,218	2,968,421	2,600,698	1,912,204

**Sum of Present Value of FCFF**

**2,137,175,738**

Add: Cash

23,846,000

Add: Non-operating assets

-

Less: Debt

(25,400,000)

Less: Non-operating liabilities

(139,303,000)

**100% Market Value before DLOM**

1,996,318,738

DLOM

23.08%

**100% Market Value after DLOM**

**1,535,547,084**

**Rounded**

**1,536,000,000**

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### **Market Approach**

Note: This calculation is for cross-checking reference.

	2020 Forward P/E	
600598 CH Equity	28.91	
601952 CH Equity	25.78	
600354 CH Equity	N/A	
73 HK Equity	N/A	
682 HK Equity	N/A	
904 HK Equity	N/A	
600506 CH Equity	N/A	
Min	25.78	
Max	28.91	
2020 Forecast Net Profit	56,931	RMB'000
Market Value before Adjustments	1,467,694	RMB'000
	1,645,890	RMB'000
DLOM	23.08%	
Control Premium	24.80%	
Market Value after Adjustments (Min)	1,409,000	RMB'000
Market Value after Adjustments (Max)	1,580,000	RMB'000

## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

### Comparable Companies

Stock Code	Company Name	Company Description
600598 CH EQUITY	Heilongjiang Agriculture Co., Ltd.	Heilongjiang Agriculture Co., Ltd. plants, processes, and sells rice, soybean, wheat, corn, and other grain products. The Company also produces fertilizers and sells paper products.
601952 CH EQUITY	Jiangsu Provincial Agricultural Reclamation and Development Corporation	Jiangsu Provincial Agricultural Reclamation and Development Corporation operates as an agricultural company. The Company runs grains farming, fruits growing, crops growing, and other businesses. Jiangsu Provincial Agricultural Reclamation and Development also operates agricultural machines sales, industrial investments, and other businesses.
600354 CH EQUITY	Gansu Dunhuang Seed Group Co., Ltd.	Jiangsu Provincial Agricultural Reclamation and Development Corporation operates as an agricultural company. The Company runs grains farming, fruits growing, crops growing, and other businesses. Jiangsu Provincial Agricultural Reclamation and Development also operates agricultural machines sales, industrial investments, and other businesses.
73 HK EQUITY	Asian Citrus Holdings Limited	Asian Citrus Holdings Limited owns and operates orange plantations in China. The Company currently cultivates and sells a variety of oranges namely winter oranges (hamlin, pineapple and hong jiang oranges) and summer oranges (Valencia oranges) in the PRC.
682 HK EQUITY	Chaoda Modern Agriculture (Holdings) Limited	Chaoda Modern Agriculture (Holdings) Limited, through its subsidiaries, grows fruits and vegetables in China. The Company controls the entire production chain from seeds to processing and marketing. Chaoda offers both fresh produce and frozen produce.
904 HK EQUITY	China Green (Holdings) Limited	China Green (Holdings) Limited, through its subsidiaries, produces and supplies a wide range of agricultural products including fresh produce and processed food to both domestic and international markets. The Company also offers branded food and beverage products to domestic markets in China.
600506 CH Equity	Xinjiang Korla Pear Company, Ltd.	Xinjiang Korla Pear Company, Ltd. produces and markets pears, seedlings, and other fruits and crops. The Company sells its products throughout China.

*The use of the capitalised term “Company” in the above table is not a defined term within the Report and refers solely to the comparable company being described.*

## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

### 5.2. Excerpts of Combined Statements of Financial Position

	2017	2018	2019	Sep-20
<b>Non-current assets</b>				
Propoerty, plant and equipment	226,011,000	233,806,000	241,333,000	244,119,000
Intangible assets	7,328,000	6,896,000	7,362,000	7,040,000
Deposit for property, plant and equipment	1,733,000	1,766,000	6,166,000	326,000
	235,072,000	242,468,000	254,861,000	251,485,000
<b>Current assets</b>				
Inventories and consumables	611,000	3,628,000	4,399,000	21,731,000
Trade receivables	4,767,000	3,230,000	7,617,000	84,052,000
Prepayments and other receivables	797,000	1,155,000	2,814,000	2,299,000
Cash and cash equivalents	8,619,000	7,153,000	53,860,000	23,846,000
	14,794,000	15,166,000	68,690,000	131,928,000
	249,866,000	257,634,000	323,551,000	383,413,000
<b>Current liabilities</b>				
Trade payables	2,482,000	3,663,000	9,401,000	12,160,000
Accruals and other payables	17,601,000	16,517,000	9,996,000	9,124,000
Loan from a shareholder	-	5,000,000	-	-
Amount due to shareholders	-	-	115,990,000	115,990,000
Bank and other borrowings	30,000,000	3,000,000	4,400,000	4,400,000
Lease liabilities	25,000	27,000	29,000	31,000
Deferred government grants	478,000	478,000	478,000	478,000
Income tax payable	167,000	140,000	167,000	292,000
	50,753,000	28,825,000	140,461,000	142,475,000
<b>Non-current liabilities</b>				
Other payables	-	-	300,000	300,000
Bank and other borrowings	12,521,000	17,500,000	25,400,000	21,000,000
Lease liabilities	9,367,000	9,340,000	9,311,000	9,090,000
Deferred government grants	14,436,000	13,958,000	13,480,000	13,122,000
	36,324,000	40,798,000	48,491,000	43,512,000
	87,077,000	69,623,000	188,952,000	185,987,000
<b>Net assets</b>	162,789,000	188,011,000	134,599,000	197,426,000

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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### 5.3. Bibliography

- Duff & Phelps. The Duff & Phelps Cost of Capital Navigator
- KPMG. Corporate tax rates table

### 5.4. General Limiting Conditions

- In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Client / Target Group and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We have had no reason to doubt, but take no responsibility for, the accuracy of such information. Our reports were used as part of the analysis of the Client / Target Group in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Client / Target Group.
- We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
- Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
- The board of directors and the management of Client / Target Group have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
- Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
- No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
- The use of and/or the validity of the report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.
- Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
- We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client / Target Group because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
- This report has been prepared solely for the purpose stated in this report. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
- Where a distinct and definite representation has been made to us by parties interested in the Valuation Subject, we are entitled to rely on that representation without further investigation into the veracity of the representation.

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## APPENDIX E – JLL XINGNONG GROUP VALUATION REPORT

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- The Client / Target Group agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of such services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
- We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
- This exercise is premised in part on the historical financial information and future forecast provided by the management of the Client / Target Group and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
- This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Client / Target Group and other sources. Actual transactions involving the assets or businesses of the Valuation Subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the assets or businesses, and the knowledge and motivation of the buyers and sellers at that time.
- The board of directors, management and/or staff of the Client / Target Group and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Client / Target Group and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

### 5.5. Valuation Firm Overview

JLL Corporate Appraisal & Advisory ("CAA") is a fully owned subsidiary of JLL (NYSE: JLL), a Fortune 500 company which is focused in real estate services and investment management. With 2017 revenue of US\$7.9 billion, JLL's 82,000 colleagues serve clients in over 80 countries from nearly 300 corporate offices worldwide.

CAA is a leading provider of business valuation as well as tangible asset valuation and advisory services in the context of fundraising, transactions and financial reporting. The practice has been operating for over 25 years and is led by a steady group of experienced professionals a number of whom have been instrumental through its development, even in its founding years. We are interested in valuation; a skill we believe is a key pillar to the functioning of capital markets. CAA is placed uniquely as an 'integrated' valuation service provider meaning that we can opine in major asset classes including intangibles, businesses, financial instruments, real estate and machinery. We also provide advisory services where we focus exclusively on real estate. Our advisory practice is mostly centred on financial / strategic-oriented assignments across all real estate sectors.

Our core markets are in China, Hong Kong and Singapore although our work regularly takes us around Asia Pacific and increasingly more globally. CAA has 7 offices across our core markets. In 2016, CAA formed a strategic collaboration with a Chinese valuation entity, placing us now as one of the few internationally-experienced valuation firms that can provide compliant valuation services for licensed activities in China. We have experience fulfilling valuations outside of our core markets in our own capacity but more often via cooperation with the JLL group as well as a third party network of valuation service providers.

**5.6. Biography of Signor**

**Simon M.K. Chan**

FCPA, FCPA (Aust), FRICS, CVA, ICVS, Member of AusIMM  
Executive Director

Simon Chan is responsible for the management and strategic development of business valuation services at JLL. His training and experience in corporate finance, audit, valuation and financial advisory services was gained helping clients in a wide array of industries.

Simon continues to offer his expertise to particularly challenging valuation assignments which are common within the energy & resources industry as well as in real estate development projects. Always with a good-humour, he is known for bringing solutions in a new and unusual light with his lateral thinking.

Simon has over 20 years of work experience in valuation and financial advisory services. His experience is both wide-ranging and enhanced by in-depth specialisms. His corporate finance advisory experience is particularly wide and includes company equity valuation, purchase price allocation, intangible asset identification and valuation (e.g. trademark, customer base, patent, etc.), biological asset valuation (e.g. trees, livestock, orchard, etc.), current asset and liability valuation, goodwill and other asset impairment evaluation, convertible bond valuation, employee share option valuation and derivative valuation. He combines this with specialisms in energy and resources (e.g. mining right and resource valuations) and real estate (project valuation and development advisory) contexts.

He has provided valuation services to numerous listed companies in different industries predominantly in China, Hong Kong, Singapore as well as globally in connection with these journeying clients. The profile of Simon’s clients includes numerous large scale IPOs of state-owned and privately-owned enterprises in China as well as various international MNCs invested in China. In previous firms, Simon gained much of his practical experience in audit or corporate finance capacities.

Simon obtained a Bachelor of Commerce degree in the University of Melbourne, Australia with majors in accountancy and finance. He is a fellow of Hong Kong Institute of Certified Public Accountants (HKICPA), Certified Public Accountants of Australia (CPA (Aust.)) and the Royal Institution of Chartered Surveyors (RICS). He is a Chartered Valuer and Appraiser (CVA), an International Certified Valuation Specialist (ICVS) and The Australasian Institute of Mining and Metallurgy (AusIMM).

**5.7. Contributors to Valuation**

The individuals involved and their respective contributions to this Valuation are as follows.

Contributor	Involvement
Simon Chan	<ul style="list-style-type: none"> <li>• Oversaw execution of the Valuation;</li> <li>• Performed final review of the Valuation; and</li> <li>• Acted as the signor of the Report.</li> </ul>
Kevin Chan	<ul style="list-style-type: none"> <li>• Conducted the principal review of the Valuation;</li> <li>• Structured the Valuation approach;</li> <li>• Liaised with relevant parties to gain background understanding of the Subject;</li> <li>• Coordinated the Valuation engagement; and</li> <li>• Managed overall Valuation execution.</li> </ul>
Sam Lai	<ul style="list-style-type: none"> <li>• Managed overall Valuation execution; and</li> <li>• Liaised with relevant parties to gain background understanding of the Subject.</li> </ul>
Libing Chiam	<ul style="list-style-type: none"> <li>• Prepared financial model and the Report;</li> <li>• Researched Subject and various information sources for key inputs and assumptions; and</li> <li>• Liaised with relevant parties to address queries and incorporate any feedback regarding the Valuation.</li> </ul>

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## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

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赤壁神山兴农科技有限公司

Case Ref: YU/BVIA3306/FEB16(a)

Dear Sir/Madam,

**Re: Business Valuation of 100% Equity Interest in Great Resolute Limited and its subsidiaries**

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We refer to instructions from 赤壁神山兴农科技有限公司 (hereinafter referred to as the “Company”) to us to conduct a business valuation on 100% equity interest in Great Resolute Limited and its subsidiaries (hereinafter referred to as the “Xingnong Group”) We are pleased to report that we have made relevant enquiries and have obtained other information which we considered relevant for the purpose of providing our valuation as at 30 September 2020 (hereinafter referred to as the “Date of Valuation”).

This report states the purpose of valuation, scope of work, an overview of the Xingnong Group, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

### 1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Xingnong Group and Dukang Distillers Holdings Limited. In addition, Roma Appraisals Limited (hereinafter referred to as “Roma Appraisals”) acknowledges that this report has been prepared for the public documentation purpose of inclusion in the circular to be issued by Dukang Distillers Holdings Limited in relation to, *inter alia*, its proposed acquisition of the Xingnong Group only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Xingnong Group in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

### 2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by management of the Xingnong Group and/or its representative(s) (together referred to as the “Management”).

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Xingnong Group. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Xingnong Group as provided by the Management to a considerable extent.

We have no reasons to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Xingnong Group will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of the Xingnong Group, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized. In case of any change in the assumptions and projections, our opinion of value may vary materially.

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## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

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### 3. OVERVIEW OF THE XINGNONG GROUP

The following table shows the group chart of the Xingnong Group as at the Date of Valuation:



Great Resolute is a business company incorporated on 21 November 2017 in the British Virgin Islands. The sole shareholder of Great Resolute is Keen Wind and its principal activity is investment holding.

Go National is an investment holding company incorporated in 2018 in Hong Kong, which is currently 100% owned by Great Resolute.

The Company was incorporated in April 2009 in Hubei province. The Company is principally engaged in production and sales of kiwifruits in China. The Company performed a trial operation on trading of apples and oranges in the fourth quarter in 2019. Development cost of the trial operation is included in the financial projection provided by the Management. Without an appreciable prospect, the Management may consider to cease operation of the trial operation.

### 4. BASIS OF VALUATION

Our valuation is based on market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2020, market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

### 5. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Xingnong Group.

We have had discussions with the Management and the biological expert 吴良如 (hereinafter referred to as the “Biological Expert”) appointed by us in relation to the development, operations and other relevant information of the Xingnong Group. We have also consulted other independent sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Xingnong Group as provided by the Management to a considerable extent.

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## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

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The valuation of the Xingnong Group requires consideration of all pertinent factors, which may or may not affect the operation of the business. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Xingnong Group;
- Relevant licenses and agreements;
- The business risks of the Xingnong Group such as the ability in maintaining competent technical and professional personnel;
- Investment returns of entities engaged in similar lines of business;
- The reasonableness of the revenue forecast, including but not limited to the capacity of the kiwifruit farms, projected price of kiwifruits and projected growth rate of the capacity of the kiwifruit farms as discussed in the “湖北赤壁神山兴农科技有限公司猕猴桃园生物资产评估报告” dated 8 December 2020 issued by the Biological Expert;
- In the financial projection provided by the Management, costs of goods sold, management expense and sales expense including depreciation and amortization account for 53.2% to 58.2% of revenue and gains arising from changes in fair value less costs to sell of biological assets from 2021 to 2058; and
- Finance expenses are projected based on the current bank borrowings' repayment schedule. Tax expenses are forecasted based on China's prevailing corporate tax rate of 25% imputed on estimated government grants received for acquisition of property, plant and equipment over the forecasted period.

### 6. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Xingnong Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

#### 6.1. Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities in companies that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

#### 6.2. Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

### 6.3. Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

### 6.4. Business Valuation

In the process of valuing the Xingnong Group, we have taken into account the operational and financial information of the Xingnong Group and conducted discussions with the Management to understand the status and prospect of the Xingnong Group and the industry it is participating. Also, we have considered the accessibility to available data and relevant market transactions in choosing among the valuation approaches.

The Market-Based Approach was not adopted in this case because most of the important assumptions of the comparable transactions, such as discounts or premiums on the transaction prices or considerations, and future business plans of relevant comparable companies were not available. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Xingnong Group.

Income-Based Approach takes into consideration the future earning potential of the Xingnong Group as well as factors in the expected expansion of the production scale of the Xingnong Group.

We have therefore considered the adoption of the Income-Based Approach in arriving at the market value of the Xingnong Group.

#### 6.4.1. Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow ("DCF") method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

Expected Free Cash Flow = Net Profit + Depreciation - Change in Net Working Capital - Capital Expenditure

The present value of the expected free cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \dots + CF_n/(1+r)^n$$

*In which*

*PVCF = Present value of the expected free cash flows;*

*CF = Expected free cash flow;*

*r = Discount rate; and*

*n = Number of years.*

To adopt this method, we obtained the weighted average cost of capital ("WACC") of the Xingnong Group as a basic discount rate. The WACC is the minimum required return that the Xingnong Group must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T_c)$$

*In which*

*Re = Cost of equity;*

*Rd = Cost of debt;*

*We = Weight of equity value to enterprise value;*

*Wd = Weight of debt value to enterprise value; and*

*Tc = Corporate tax rate.*

## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

### 6.4.2. Cost of Debt

The cost of debt was determined by the expected borrowing rate of the Xingnong Group. The cost of debt adopted was the China above 5 years benchmark lending rate as at the Date of Valuation as extracted from Bloomberg plus firm specific risk premium. Since the interest expenses paid on debts are tax-deductible for the Xingnong Group, the cost of the Xingnong Group to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

### 6.4.3. Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model (“CAPM”), which describes the relationship between the risk of the Xingnong Group and expected return to investors. It is calculated by the following formula:

$$R_e = R_f + \beta \times \text{Market Risk Premium} + \text{Other Risk Premium}$$

*In which*  
*Re = Cost of equity;*  
*Rf = Risk-free rate; and*  
*β = Beta coefficient.*

### 6.4.4. Discount Rate

In the process of determining the WACC, we have considered the business nature of the Xingnong Group and adopted several listed companies with business scopes and operations similar to those of the Xingnong Group as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies selected are principally engaged in agricultural production in China;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Chaoda Modern Agriculture (Holdings) Limited	682.HK	Hong Kong	Chaoda Modern Agriculture (Holdings) Limited, through its subsidiaries, grows fruits and vegetables in China. The company controls the entire production chain from seeds to processing and marketing. The company offers both fresh produce and frozen produce.
Xinjiang Korla Pear Company, Ltd.	600506.CH	China	Xinjiang Korla Pear Company, Ltd. produces and markets pears, seedlings, and other fruits and crops. The company sells its products throughout China.
Jiangsu Provincial Agricultural Reclamation and Development Corporation	601952.CH	China	Jiangsu Provincial Agricultural Reclamation and Development Corporation operates as an agricultural company. The company runs grains farming, fruits growing, crops growing, and other businesses. The company also operates agricultural machines sales, industrial investments, and other businesses.

## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

Company Name	Stock Code	Listing Location	Business Description
Yuan Longping High-tech Agriculture Co., Ltd.	000998.CH	China	Yuan Longping High-tech Agriculture Co., Ltd. produces and markets seeds of grains, vegetables, and fruits. The company also develops and manufactures agricultural chemicals, operates hotels, develops and invests in real estate.
Great-Sun Foods Co., Ltd.	603336.CH	China	Great-Sun Foods Co., Ltd. retails food products. The company offers fruits, vegetables, seafood, and other food products. The company serves customers in China.
Lontrue Company Limited	300175.CH	China	Lontrue Company Limited plants, processes, stores and sells fresh fruit and dried fruit. The company's main products are fresh apples and raisins.

Source: Bloomberg

Below is the summary of the key parameters of the WACC of the Xingnong Group adopted as at the Date of Valuation:

Key Parameters	As at 30 September 2020
a) Risk-free Rate	3.15%
b) Market Risk Premium	7.71%
c) Beta Coefficient	0.87
d) Other Risk Premium	6.00%
e) Cost of Equity	15.82%
f) Cost of Debt	10.90%
g) Weight of Equity Value to Enterprise Value	91.30%
h) Weight of Debt Value to Enterprise Value	8.70%
i) Corporate Tax Rate	0.00%
<b>WACC</b>	<b>15.39%</b>

Notes:

- a) We noted that the projection period is approximately 39 years. However, a risk-free rate of 39 years is not available and we consider a period of 10 years is long enough to cover a business cycle. The risk-free rate adopted was the yield rate of China 10-year government bonds as at the Date of Valuation as extracted from Bloomberg, which was adopted and assumed to reflect the applicable long-term risk free rate.
- b) The market risk premium adopted was the market risk premium of the China market as at the Date of Valuation as extracted from Bloomberg.
- c) The beta coefficient adopted was the median beta of the comparable companies as at the Date of Valuation as extracted from Bloomberg.
- d) The other risk premium adopted was to reflect forecast risks of the Xingnong Group, the fierce competition in the agricultural industry within China and the market risk premium in China as at the Date of Valuation being significantly lower than the long-term trend.
- e) The cost of equity was determined based on Capital Asset Pricing Model ("CAPM").
- f) The cost of debt adopted was the China above 5 years benchmark lending rate as at the Date of Valuation as extracted from Bloomberg plus firm specific risk premium.
- g) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.
- h) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

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## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

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- i) *The corporate tax rate adopted was zero as the Xingnong Group has the tax exempt status for agricultural companies in China and it was assumed that it would remain unchanged throughout the forecast period.*

Hence, we adopted the WACC of 15.39% as the discount rate of the Xingnong Group as at the Date of Valuation.

### 6.4.5. Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to Stout Restricted Stock Study published by Stout Risius Ross, LLC. in 2020, a marketability discount of 15.80% was adopted in arriving at the market value of the Xingnong Group under the Income-Based Approach as at the Date of Valuation.

## 7. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The Xingnong Group would be operated and developed as planned by the Management throughout the forecasted period which is from the Date of Valuation to the expiry of the first batch of the forest use rights on 31 December 2058 as confirmed by the Biological Expert appointed by us, and the development of business operations would be in line with the financial projection;
- The valuation was mainly based on the financial projections of the future cash flows as provided by the Management from the Date of Valuation to 31 December 2058. Finance expenses have been excluded from the financial projections as these expenses have been considered in the WACC of the Xingnong Group;
- There would be a long-term government subsidy of RMB5,000,000 per year throughout the forecast period as estimated by the Management;
- As advised by the Management, the selling of agricultural products would enjoy value-added tax-free benefit and the non-operating profit including the government subsidy will be subject to tax under current tax policy. The tax policy was assumed to remain unchanged throughout the forecast period;
- The depreciation schedule and capital expenditure schedule were advised by the Management;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Xingnong Group operates or intends to operate are officially obtained;
- There will be sufficient supply of technical staff in the industry in which the Xingnong Group operates, and the Xingnong Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Xingnong Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Xingnong Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Xingnong Group; and
- Interest rates and exchange rates in the localities for the operation of the Xingnong Group will not differ materially from those presently prevailing.

In light of the financial projections provided by the Management under the COVID-19 situation, the reported value best represents the market value of 100% equity interest in the Xingnong Group as at the Date of Valuation. The value may change materially after the Date of Valuation as the COVID-19 situation evolves.

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## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

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### 8. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Xingnong Group. The factors considered included, but were not necessarily limited to, the following:

- Audited accounts of the Xingnong Group as at 30 September 2020;
- Business licenses and agreements of the Xingnong Group;
- Historical operational information of the Xingnong Group;
- Financial projections of the Xingnong Group;
- The nature and background of the Xingnong Group; and
- Expert report namely “湖北赤壁神山兴农科技有限公司猕猴桃园生物资产评估报告” dated 8 December 2020 issued by the Biological Expert.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

### 9. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background and business nature of the Xingnong Group provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other independent third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us.

However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operational and financial information that have not been provided to us are accepted.

We assumed that the management of the Xingnong Group is competent and will continue to perform duties in line with the business and operating policies of the Xingnong Group. Also, ownership of the Xingnong Group was in responsible hands. The quality of the management of the Xingnong Group may have direct impact on the viability of the business as well as the market value of the Xingnong Group.

We have not investigated the title to or any legal liabilities of the Xingnong Group and have assumed no responsibility for the title to the Xingnong Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.



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## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

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We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Xingnong Group until all professional fee has been paid in full.

### 10. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Xingnong Group and its associated companies, or the value reported herein.

Neither Roma Appraisals nor the Biological Expert appointed by us (i) holds any interest (direct or indirect) in the shares in the Xingnong Group (or its related corporations) or Dukang Distillers Holdings Limited (or its subsidiaries and associated company), or (ii) will participate in any offering in connection with or arising from the acquisition of the Xingnong Group by Dukang Distillers Holdings Limited.

### 11. OPINION OF VALUE

Based on the investigation stated above and on the valuation method employed, the market value of 100% equity interest in the Xingnong Group as at the Date of Valuation, in our opinion, was reasonably stated as **RMB1,610,000,000 (RENMINBI ONE BILLION SIX HUNDRED AND TEN MILLION ONLY)**.

Yours faithfully,  
For and on behalf of  
**Roma Appraisals Limited**

*Roma Appraisals Limited*

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YU/KL

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## APPENDIX F – ROMA XINGNONG GROUP VALUATION REPORT

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**Roma Group (ROMA)**, a listed company in Hong Kong (Stock Code: 8072), is a well-established independent firm engaged in the provision of valuation and technical advisory services.

We provide a broad range of services from business & intangible assets valuation to oil & mining valuation & technical advisory and from credit & risk evaluation to surveyors & property agency services.

Our dynamic & experienced professional team is committed to deliver credible, professional and the highest quality services to our clients. ROMA has performed numerous sizable valuation and advisory assignments worldwide. Our customized solutions comply with standards and regulations of major countries in a fair and accurate manner. Our extensive networks and connections with professional groups and financial institutions enable us to add value to your business. ROMA is your strategic partner of choice. We help you make the most reliable, informed and insightful corporate decisions.

### **Our Services:**

- Exploration Planning & Onsite Supervision
- Due Diligence
- Resource and Reserve Estimation
- JORC/NI43-101/PRMS Reports
- Geostatistical Studies
- Scoping and Feasibility Studies
- Compliance Studies for IPOs
- Project Evaluation
- Inventory Surveys
- Biological Assets Valuation
- Business & Intangible Assets Valuation
- Credit and Risk Evaluation
- Financial Instruments Valuation
- Natural Resources Valuation
- Purchase Price Allocation
- Strategic Marketing
- Surveyors & Property Consultants
- Work of Art Valuation

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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*The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards published by the International Valuation Standards Council which entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication in this report. This report is prepared and signed off in English format, translation of this report in language other than English should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the date of this report. If additional documents and facts are made available, we reserve the right to amend this report and its conclusion.*

26 March 2021

The Board of Directors

**Dukang Distillers Holdings Limited**

18<sup>th</sup> Floor, SUHE International Centre, East 62

Nongye Road, Jinshui District

Zhengzhou City

Henan Province

The People's Republic of China

450008

Dear Sirs,

In accordance with the instructions given to us by the present management of Dukang Distillers Holdings Limited (hereinafter referred to as the "Instructing Party"), we have conducted an appraisal on the possible business enterprise value of Sea Will International Limited (hereinafter referred to as the "Target Company") as at 30 September 2020 (hereinafter referred to as the "Valuation Date") for the Instructing Party's internal management reference purpose in relation to, *inter alia*, disposal of the Target Company.

We understand that the Instructing Party and its advisers will refer our work product (in any form of presentation) as part of its business due diligence, and we have not been engaged to make specific sales or purchase recommendations. We further understand that the Instructing Party will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision with regard to the Target Company. Our work is designed solely to provide information that will give a reference to the Instructing Party as part of its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party.

### INSTRUCTION

Business enterprise value is defined as the total value of a business. It comprises monetary assets (net working capital), tangible assets and intangible assets, thereby encompassing all assets of a business enterprise. In other words, the business enterprise value is also equal to the value of its invested capital — common equity, preferred stocks and long-term debts. While there is no universal definition of the term, it is the usual practice for a professional valuer, based on his professional knowledge and experience, to identify the definition for the intended valuation.

In this appraisal (the word appraisal has the same meaning of valuation in this report), we were instructed to analyse the subject business enterprise, i.e. the Target Company, and to express our opinion of the possible business enterprise value of the Target Company, as at the Valuation Date, on a going concern basis, and based on documents and information provided by the Instructing Party or the appointed personnel of Dukang Distillers Holdings Limited (hereinafter referred to as the "Company"). For the purpose of this valuation, we define the term business enterprise value in this engagement as the market value of the entire equity interest in the Target Company (hereinafter referred to as the "Appraised Asset").

## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

The term “Market Value” is defined by the International Valuation Standards (hereinafter referred to as the “IVS”) and published by the International Valuation Standards Council as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We further assumed that, subject to the above definition, both the buyer and the seller contemplate the retention of the Target Company at its existing status for the continuation of the current operations as a going concern business, and both seeking their maximum economic self-interest in arriving at an arm’s-length transaction.

### COMPANY PROFILE

The Company was incorporated in Bermuda on 12 February 2008 under the Bermuda Companies Act as an exempted company with limited liability. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business of the Company is located at 18/F, SUHE International Centre, East 62, Nongye Road, Jinshui District, Zhengzhou City, Henan Province, the People’s Republic of China (hereinafter referred to as “China” or the “PRC”). The Company’s shares are listed on the Mainboard of Singapore Exchange Securities Trading Limited and certain of its shares are listed as Taiwan Depository Receipts on the Taiwan Stock Exchange Corporation.

As of 30 September 2020, the Company had a market capitalisation of approximately RMB 26 million with outstanding shares of approximately 80 million. According to Annual Report 2020 of the Company, it had an audited turnover of approximately RMB 113 million and an audited net loss of approximately RMB 74 million, respectively, for the year ended 30 June 2020.

The Target Company was incorporated in the British Virgin Islands on 22 January 2007 with issued/registered and paid-up capital of US\$10,000. As at the Valuation Date, the Target Company was a directly and wholly owned subsidiary of the Company. The Target Company is an investment holding company, and together with its subsidiaries, manufactures, markets, and sells baijiu products, a spirit distilled from wheat and sorghum, principally in Henan Province, the PRC. The corporate structure of the Company and the Target Company is shown in the Appendix I.

Based on the annual reports and consolidated financial statements of the Company, the consolidated financial performance of the Company for the last 5 years is represented as follows:

	(in RMB’000)				
For the Year Ended 30 June	2017	2018	2019	2020	2020*
<b>Revenue</b>	464,530	148,524	139,648	113,331	22,022
<b>After-tax Profit / (Loss)</b>	(112,441)	(222,034)	(69,353)	(73,934)	(14,156)

\* For the 3 months ended 30 September 2020

### ESTABLISHMENT OF TITLES

Due to the purpose of this valuation, the Instructing Party provided us the necessary documents to support that the legally interested parties in the Appraised Asset have free and uninterrupted rights to assign the Appraised Asset (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value as agreed with the Instructing Party did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested parties obtained the Appraised Asset from the relevant authorities. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the Appraised Asset.

We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the Appraised Asset. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the Appraised Asset valued. We take no responsibility for our misinterpretation of the documents.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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In our valuation, we have assumed that the legally interested parties in the Appraised Asset have obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested parties to continue the ownership of the Appraised Asset. Should this not be the case, it will affect our conclusion in this report significantly. Readers are reminded to have performed their own legal due diligence work on such issues. No responsibility or liability is assumed in respect of the aforementioned matters.

### VALUATION PROCEDURES ADOPTED

In performing the appraisal, we have adopted the following agreed-upon procedures which were agreed with the Instructing Party prior to the commencement of this engagement. They were:

- to read the supplied materials and based on the content of the materials such as product information, market condition and development, financial information, and the scale of the going concern of the Target Company to arrive at our opinion. In the course of valuation, we will assume the information that contained in the materials is correct and we will not verify or ascertain the correctness of the information contained in the materials;
- to prepare and submit a list(s) of required document and information regarding the operation of the Target Company during the course of valuation. The completeness of the valuation depends on the availability of the required information being supplied by the Instructing Party or the appointed personnel of the Company;
- to hold discussions with relevant personnel and to review various accounting and financial documents in order to understand the scope of the Target Company's assets and operations;
- to obtain the latest available asset schedule on which to start the valuation;
- to gather relevant information regarding the type of business, its operation and the assets of the Target Company;
- to conduct appropriate study in order to obtain necessary industry and market information to support our opinion of value. The extent of research is at our discretion;
- to value the Appraised Asset using the respective standards of value that is most appropriate; and
- to document our findings and conclusion in our valuation report.

### THE BASIS OF VALUE AND ASSUMPTIONS

The Appraised Asset is valued on the basis of "Market Value" in continued use or as a going concern business. The continued use premise assumes that the Appraised Asset will be used for the purpose for which the Appraised Asset was conceived or is currently used. Implicit in this definition is the fact that a hypothetical willing and able buyer would not pay more to acquire the Appraised Asset than he could reasonably expect to earn in the future from an investment in the Appraised Asset.

Our valuation has been made on the assumptions that, as at the Valuation Date,

1. the legally interested parties in the Appraised Asset have free and uninterrupted rights to assign the Appraised Asset (a part of or the whole of) for the whole of the unexpired terms as granted under the relevant government licences and any premiums / administrative costs payable have already been fully paid;
2. all the required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed on which our valuation is based;
3. the prospective earnings of the current or projected business would provide a reasonable return to the Appraised Asset, and that the Target Company has adequate working capital to operate its business from time to time;

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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4. the management of the Target Company has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as change of government policy, natural disasters and labour dispute) to the Target Company's business;
5. there will be no material changes in the government policies or political, legal (including legislation or regulations or rules), fiscal (including interest rate and exchange rate) and market or economic conditions in the PRC, where the Target Company operated on a going concern basis;
6. the legally interested parties in the Appraised Asset can sell the Appraised Asset (a part of or the whole of) in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the interest;
7. the legally interested parties in the Appraised Asset have absolute title to its relevant interest;
8. the legally interested parties in the Appraised Asset have obtained relevant approvals for the sale of the Appraised Asset and is able to dispose of and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market; and
9. the Appraised Asset can be freely disposed and transferred free of all encumbrances for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the reported findings and conclusion herein.

### FACTORS CONSIDERED IN THE VALUATION

Unless otherwise stated, the valuation of the Appraised Asset has taken account of a number of pertinent factors affecting the operations of the Target Company's business and its ability to generate future investment returns. The factors considered in the valuation including, but were not limited to, the following:

- the nature of the Appraised Asset;
- the capability and determination of the management of the Target Company to follow the business plan;
- the capability and determination of the management of the Target Company to renew and to maintain all the necessary contracts, licences, permits and approvals from time to time to make the business be on-going;
- the capability and determination of the management of the Target Company to maintain and expand its existing clientele and its favourable working relationship with its customers;
- the capability and determination of the management of the Target Company to continue the existing marketing and distribution strategies;
- the capability and determination of the management of the Target Company to maintain its existing qualification and management standards and to review/up-lift its standards to catch the market need from time to time;
- the commitment of the management of the Target Company to protect the Appraised Asset against any disruption of the normal business;
- the commitment of the management of the Target Company to maintain a cost effective and stable supply chain of resources/factors of production to service to its customers on time and within budget;
- the economic and industry data affecting the Appraised Asset and the relevant market;
- market-derived investment returns in similar nature of entities; and
- the risks facing the Target Company and the Appraised Asset.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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### APPROACH TO VALUE

In the process of valuation, we have considered the three generally accepted business enterprise appraisal approaches to value, namely, the Income Approach, the Market Approach and the Asset-based Approach.

#### The Income Approach

The Income Approach focuses on the economic benefits generated by the income-producing capability of a business enterprise. The underlying theory of this approach is that the value of a business enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business enterprise. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate suitable for the risks associated with realising those benefits. Alternatively, this can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is subject to the assumption that the business enterprise has been maintaining stable economic benefits and growth rate. The core idea under this approach is that a rational buyer normally will purchase an asset only if the present value of the expected economic benefits is at least equal to the purchase price. Likewise, a rational seller normally will not sell if the present value of the expected economic benefits is more than the selling price. Thus, a sale generally will occur at an amount equals to the economic benefits of the asset being valued.

According to the information provided to us, we noted that the Company has been incurring losses since 2015. After discussion with the Instructing Party, we were advised that due to the slowdown of the economic growth in the PRC, the ongoing anti-corruption campaign and the PRC government's clampdown on luxury gifting, lavish banquets and receptions, the demand for premium baijiu has exhibited a tremendous decrease. The revenue of the Company has dropped from over RMB 850 million in 2015 to RMB 113 million in 2020.

The Company's revenue for the 1<sup>st</sup> quarter ended 30 September 2020 decreased to approximately RMB 22.0 million from approximately RMB 24.6 million for the 1<sup>st</sup> quarter ended 30 September 2019, as a result of the outbreak of the COVID-19 pandemic. The nationwide lockdown was imposed in February 2020 when China was being hit worst by the COVID-19. Following the nationwide lockdown in China and the declaration of the COVID-19 as a pandemic on 11 March 2020 by the World Health Organization, the baijiu sales of the Company have been disrupted since February 2020 and there was a drastic change in consumers' consumption habit and spending pattern on discretionary consumer goods which were not expected to restore in a short period of time. This has dampened the typical peak sales season of the Company's baijiu products and the Company expects such downward trend to persist further.

In view of the Company's declining profitability and recent losses due to the challenging industry environment, the Instructing Party or the appointed personnel of the Company took a conservative view towards the future economic benefits of the Target Company. After discussion with the Instructing Party, we were given to understand that reliable financial projections may not be available and are expected to be subject to comparatively high uncertainty, subjective judgement and assumptions. As such, the derived valuation result would be subject to significant uncertainty as the amount and timing of future income are highly uncertain, and thus the Income Approach was considered inappropriate.

According to the information available to us, the Target Company and its subsidiaries and associated company recorded (i) net assets of approximately RMB 933.5 million and net current assets of approximately RMB 566.1 million; (ii) current bank loans of approximately RMB 115.0 million which are secured by leasehold buildings and right-of-use assets; and (iii) cash and cash equivalents of approximately RMB 116.5 million, as at 30 September 2020. Furthermore, after discussion with the Instructing Party, we were given to understand that the management of the Company does not intend to liquidate or cease the operations of the Target Company, or has any reason to doubt that the Target Company could not continue operating on a going concern basis. In view of the foregoing and the conclusion of the independent joint auditors of the Company in its Annual Report 2020, we consider it is appropriate to value the Target Company on a going concern basis.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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### The Market Approach

The Market Approach is basically a comparison method to value a business enterprise by comparing to the prices at which other similar business nature companies or interests changed hands in arm's-length transactions. The underlying theory of this approach is one would not pay more than one would have to pay for an equally desirable alternative. Therefore, the valuer will seek valuation guidance for valuation indication from the prices of other similar companies or equity interests in companies that were sold recently. The right transactions used in analysing for valuation indication need to be sales on an arm's-length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell. Then, based on those transactions, multiples (i.e. financial ratios) are derived to apply to the fundamental financial variables of the subject business enterprise and to arrive at an indicated value of the subject business enterprise. The most commonly known multiples are price-to-earnings ("P/E"), price-to-sales (or revenue) ("P/S"), price-to-book ("P/B") and enterprise value-to-EBITDA (earnings before interest, taxes, depreciation and amortisation) ("EV/EBITDA") multiple.

There are two methods of the Market Approach known as the Guideline Publicly Traded Company Method (by using similar company daily stock transaction prices) and the Guideline Merged and Acquired Company Method. Both methods need to rely on analysing available similar transacted comparables, and the big difference is on the structure of transactions - daily stock transaction prices in public market or mergers and acquisitions as occurred. In most cases, finding good market comparables is often difficult (particularly for those mergers and acquisitions) for there is no single marketplace where similar assets change hands between buyers and sellers, who are well informed and have no special motivations or compulsions to buy or to sell, are recorded.

As the Company's shares are listed and tradable in the public market, and all the operating activities are under the subsidiaries of the Target Company, the share price of the Company could be a good indicator to the value of the Target Company.

Over the past few years, the total value of the Company's shares has been exhibiting a downward trend. At the end of September 2013, its market capitalisation exceeded RMB 2 billion. Subsequently, however, the total value of the Company's shares fell significantly below RMB 500 million and RMB 100 million at the end of 2014 and in mid-2017, respectively. The share price has continued to drop since then. As at the Valuation Date, the market capitalisation of the Company was approximately RMB 26 million, which reflected the equity interest of the Company and its subsidiaries. It is also observed that the Company's shares have been subject to significantly low trading liquidity in the trailing 12 months prior to 30 September 2020, with the average daily trading volume at only 0.05% of the total outstanding shares as at 30 September 2020.

However, to estimate the value of the Target Company, several other factors are required to be considered. They are (i) the equity interest of the Company exhibiting a volatile and rapidly descending trend; (ii) liquidity concern of the Target Company; and (iii) listing premium of the Company. It is obvious that not all of the above factors can be easily qualified, especially for the liquidity concern and the listing premium, which may vary a lot depending on the specific needs of the potential purchaser(s), for example, relatively shorter term holding by institutional investors for trading purpose and relatively longer term involvement and commitment in the business operations by substantial shareholders. As such, the market capitalization of the Company as at the Valuation Date may not be a reliable and suitable indicator of the value of the Target Company and the Market Approach has not been relied on.

After discussion with the Instructing Party, we were advised that there were no secondary transactions in the shares of the Company or the Target Company around the Valuation Date, despite the previous off-market transaction on 19 March 2019 in which Mr. Guo Keping acquired 7,875,760 shares of the Company at the market price. The consideration in these off-market secondary transactions in the listed shares of the Company is usually benchmarked to the market price of the Company's shares which is primarily driven by market vagaries, behavior and investors' sentiment.



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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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### The Asset-based Approach

The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business enterprise and equals to the value of its invested capital (equity and long-term debt). In other words, the value of the business enterprise is represented by the money that has been collected to purchase the business assets needed. This money comes from investors who buy stocks of the business enterprise (equity) and investors who lend money to the business enterprise (debt). After collecting the total amount of money from equity and debt, and converted into various types of assets of the business enterprise for its operation, their sum equals to the value of the business enterprise.

From a valuation perspective, the valuer will restate the value of all types of assets of a business enterprise from book value i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, the valuer can identify the indicated value of the business enterprise, or, by applying the accounting principle “assets minus liabilities” to arrive at the value of the equity interests of the business enterprise. The former is known as Asset Accumulation Method and the latter known as Adjusted Net Asset Method though they are identically the same. There is another method known as Excess Earning Method which is a collective valuation of all intangible assets as a group by capitalised returns over and above a reasonable rate of return on tangible assets and adding the capitalised value of intangibles plus the estimated value of tangible assets to become the value of a business enterprise. However, some practitioners prefer to classify this method as a hybrid method for it combines asset value with a capitalised earnings component.

By employing the Asset-based Approach in our valuation, the assets, which comprise the Appraised Asset, are analysed, adjusted and appraised individually. For the purpose of this appraisal, the Instructing Party or the appointed personnel of the Company provided us with a copy of the consolidated financial statements of the Company as at the Valuation Date. Since the Company has already made adjustments, if any, regarding inter-related company entries and impairment loss, we have adopted the provided balance sheets as the latest balance sheets at the Valuation Date. Should this not be the case, it will affect the values reported in this report significantly.

Based on the consolidated balance sheet of the Company, the assets of the Appraised Asset comprised:

1. Monetary Assets
2. Tangible Assets
3. Liabilities

### Monetary Assets

Monetary Assets comprised prepayments, deposits and other receivables, income tax recoverable, cash and cash equivalents, interest in an associate, and this amounted to RMB 141,608,000 in the book as at the Valuation Date. The majority of Monetary Assets is attributed to cash and cash equivalents, which amounted to RMB 116,484,000. Based on agreed upon procedures and that monetary assets are generally considered to be more liquid in nature, book costs have been adopted for Monetary Assets in our valuation.

### Tangible Assets

Tangible Assets comprised inventories, property, plant and equipment, and this amounted to RMB 1,117,183,000 in the book as at the Valuation Date.

### *Inventories*

Inventories comprise various raw materials, finished goods and work-in-progress (WIP). In conducting our valuation, we have referred to our on-site inspection of the inventories conducted in August 2019 in view of the prevailing outbreak of the COVID-19 pandemic, as detailed in the subsequent section “INSPECTIONS AND INVESTIGATIONS”. We have also gathered relevant accounting and financial information, investigated market conditions and interviewed relevant factory personnel to understand the type and quality of the inventories and factors that will affect their prices. We also visited various websites in the internet to gather relevant industry information and prices of similar wines.

From the composition of the inventory, we have valued the WIP portion comprising base wines (原酒), various quality and alcohol content blended wines (混合酒), seasoning wine (调味酒), qu wine (曲酒), qu blocks (曲块), spent grain for re-fermentation (回库酒), and fermentation pit mud (窖泥).

## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

Base wines, seasoning wines, and qu blocks were valued based on market prices gathered from internet data and recent purchases from the Company. Adjustments were made to these costs, if applicable, to reflect market data input to arrive at the value.

Various quality and alcohol content blended wines, and qu wines were valued mainly using historical costs from the Company's purchases due to lack of market data that provides prices for similar type of Chinese wines, wine age and alcohol content. Historical cost was analysed and most recent cost input for each type was adopted to arrive at the value.

We did not assign any value to spent grain for re-fermentation and fermentation pit mud since these are production waste products and no relevant market information can be found.

The raw materials and finished goods comprising part of the inventories were valued using book costs without adjustments as these costs are based on market purchases and market pricing of the Company's products.

### *Real Properties*

The real properties (same as the word "properties" in this report) comprise two office floors, two operating factory complexes and a developing factory complex. Details are as follows:

No.	Properties	Usage	Land Site Area/ Building Gross Floor Area
1.	18-19th Floor SUHE International Centre, East 62 Nongye Road Jinshui District Zhengzhou City Henan Province The PRC 450000	Occupied for Office purpose	Building – 6,185.00 sq. m.
2.	A Factory Complex located at Dukang Boulevard Dukang Village Caidianxiang Ruyang County Luoyang City Henan Province The PRC 471200	Occupied for production, ancillary office and staff dormitory purposes	Land – site area 453,973.64 sq. m.  Building – 147,701.42 sq. m. (with certificate).  52,824.00 sq. m. (without Realty Title Certificates).
3.	A Factory Complex located at 1 Jiucheng South Road Yichuan County Luoyang City Henan Province The PRC 471300	Occupied for production, ancillary office and staff dormitory purposes	Land – site area 115,453.1 sq. m.  Building – 70,349.47 sq. m.
4.	A developing complex located at Pingdeng Village Yichuan County Luoyang City Henan Province The PRC 471300	Vacant	Land – site area 206,666.66 sq. m.  With obsolescent construction-in- progress items erected thereon

For valuing the Tangible Assets - real properties, our valuations were based on the IVS published by the International Valuation Standards Council which followed by the HKIS Valuation Standards 2017 Edition (the "HKIS Standards") and published by the Hong Kong Institute of Surveyors (the "HKIS").

According to the IVS, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our values of the properties on the market value basis.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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The term “Market Value” is defined by the IVS as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Unless otherwise stated, our valuations of the properties have been made on the assumptions, that, as at the Valuation Date:

- the legally interested party in each of the properties has absolute title to its relevant property interests;
- the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;
- the legally interested party in each of the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;
- each of the properties has obtained relevant government’s approval for the sale of the property and is able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of transaction) in the market; and
- the property can be freely disposed and transferred free of all encumbrances at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the values as reported.

Having considered the inherent characteristic of the real properties held by the Target Company or its subsidiaries, we have adopted the market approach (also known as sales comparison approach) on the assumption that each of the properties was sold with the benefit of vacant possession as at the Valuation Date. The approach considers the sales, listing or offerings of similar or substitute properties and related market data to establish a value estimate of a property that a reasonable investor would have to pay for a similar property of comparable utility. The underlying assumption of this method is that an investor will pay no more for the property than he or she would have to pay for another property with an income stream of comparable amount, duration, and certainty. In valuing property No. 1 mentioned above, we have also considered capitalization method of the income approach by capitalizing the market rental by the market yield. In valuing the developing complex (i.e. property No. 4 above), we have not considered the cost incurred for the construction-in-progress as at the Valuation Date due to its obsolescence for few years and the Target Company has no intention to further inject capital to complete the buildings.

In valuing the right-of-use assets (i.e. land use rights and prepaid rentals) of property Nos. 2 to 4 mentioned above, transactions of comparable industrial land in Luoyang City in Henan Province have been considered. Adjustments have been made to various factors such as transaction time, land use terms and location.

Unless otherwise stated, in valuing the real properties, we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

### *Plant and Equipment*

The plant and equipment are being utilised by the Target Company and its subsidiaries in the manufacture and sale of its own brand of Chinese wine locally called baijiu.

The plant and equipment comprise various grain cooking and fermentation equipment, distillation equipment, various sizes of stainless steel, mild steel and wooden tanks, clay jars, water supply and treating equipment, bottling equipment, pipelines, electrical supply and distribution equipment, refrigeration and cooling equipment, motor vehicles and office and electronic equipment. The plant and equipment valued was based on the fixed asset list provided to us inclusive of fully depreciated assets as well as those identified to have impairment adjustment.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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Due to the large quantities of plant and machinery included in the valuation, we conducted our on-site physical inspection of the plant and equipment in August 2019 on sampling basis only, in view of the prevailing outbreak of the COVID-19 pandemic as detailed in the subsequent section “INSPECTIONS AND INVESTIGATIONS”. Our on-site inspection was undertaken to verify the operation and general condition of major plant and machinery. We also conducted inspection in the factories of Ruyang Dukang Distillers Company Limited (汝阳杜康酿酒有限公司) and Henan Dukang Distillers Company Limited (河南杜康酒业股份有限公司), where the major inventories and plant and equipment used in the manufacturing of baijiu were located. Assets of other sub-companies such as sales offices with insignificant amounts were not inspected and valuation was conducted based on the information shown in the fixed asset list provided to us.

We considered all three approaches to value and found the cost and market approaches are the most appropriate in valuing the plant and machinery assets. The income approach is found to be inappropriate due to low utilization rate as a result of declining revenues and demand for baijiu and lack of sufficient discreet financial information to properly analyse the contribution of the plant and machinery assets to the over-all cash flow of the business.

We have taken into consideration the following in conducting our valuation:

- the extent, character and utility of the plant and machinery assets;
- current replacement cost or reproduction cost of the plant and machinery assets;
- used and new equipment dealer's prices;
- generally accepted useful or economic lives;
- the cost of comparable plant and machinery in the used market, if available; and
- depreciation profile of similar used machines.

Due to the specialised nature of the plant and machinery valued and the lack of reliable used market information in China, the cost approach was used as the main valuation approach. In using this approach we estimated the gross current replacement cost of the plant and machinery assets by taking into consideration their current equipment prices, transportation cost, installation cost, design and engineering costs and other indirect costs. This was then depreciated using useful life data from various sources including the American Society of Appraisers and adjusted to account for our observations of the actual physical condition based on our on-site inspection and obsolescence.

Other assets like motor vehicles, office furniture and equipment were valued taking into account available second-hand market information. Depending on the quality of second-hand market information available, we arrived at our value using direct matching, comparable matching and percent of cost analysis.

### Liabilities

Liabilities comprised trade payables, accrued liabilities and other payables, amount due to an associate, amount due to holding company, bank loans, deferred tax liabilities, and this amounted to RMB 325,251,000 in the book as at the Valuation Date. We have relied on the consolidated financial statements of the Company as at the Valuation Date and book costs have been adopted for Liabilities.

Majority of the total liabilities were attributable to bank loans, accrued liabilities and other payables and trade payables, which accounted for RMB 115,000,000, RMB 103,022,000 and RMB 85,072,000, respectively. After discussion with the Instructing Party, we were given to understand that the management of the Company was not aware of any factors indicating potential significant difference between the fair value and the book costs of the liabilities, and we also considered that the carrying amounts of the liabilities were reasonable approximations to their fair values.

Under this method and subject to the definition of this appraisal, the summation of the values of the individual appraised assets (both tangible and intangible) represents the total invested capital of the subject business enterprise. By employing the “assets minus liabilities”, the value of the equity interest can be arrived.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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### VALUATION COMMENTS

As mentioned above, we have considered the three generally accepted business enterprise appraisal approaches to value, namely, the Income Approach, the Market Approach and the Asset-based Approach.

For the Income Approach, reliable financial projections may not be available and subject to comparatively high uncertainty, subjective judgement and assumptions. As such, the derived valuation result would be subject to high uncertainty.

Due to the high fluctuation and the continuous downward trend of the market capitalisation of the Company, we have reservations in adopting the Market Approach in arriving at the value of the Target Company as it might be significantly different on a later date.

From a valuation perspective, adopting the Asset-based Approach would be more appropriate than the other two approaches as it provides a clearer picture of the ability of the underlying assets of the Appraised Asset to support its business.

### MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the Appraised Asset. Unless otherwise stated, we have received confirmation from the management of the Company and it is assumed accordingly that the Appraised Asset is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

In our valuation, we have assumed that the Appraised Asset is able to sell and purchase in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. Readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed in respect of the aforementioned matters.

With the outbreak of the novel coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, we observe that the local real estate market is generally affected leading to comparatively lower levels of transactional activity and liquidity. There has been a shortage of market evidence for comparison purposes to make a well informed opinion of value as at the Valuation Date. Our valuations of these properties are therefore reported as being subject to valuation uncertainty at times of market unrest as set out in the International Valuation Standards. As a consequence, less certainty – and a higher degree of caution – should be accorded to our valuations than would normally be the case. For the avoidance of doubt, this valuation uncertainty clause does not mean that the valuations cannot be relied upon. Rather, this is to ensure transparency of the fact that – under the current extraordinary circumstances – less certainty can be accorded to the valuation than would otherwise be the case. This clause serves as a precaution and it does not invalidate the valuation. With the unknown future impact that the COVID-19 might have on the local real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that the valuations contained within this report should be under frequent review.

Unless otherwise stated, we are unable to identify any adverse news against the Target Company and the Appraised Asset which may affect the reported value in our report as at the date of this report. Thus, we are not in the position to report and comment on its impact (if any) to the Target Company and the Appraised Asset. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the value reported herein.

### INSPECTIONS AND INVESTIGATIONS

We have relied on the previous limited scope external inspection of the assets of the Appraised Asset for this assignment at when and where possible bases, and we have also relied on our previous inspection record in August 2019 and recent updates from the Instructing Party in respect of which we have been provided with such information as we have requested for the purpose of our valuation. After discussion with the Instructing Party, we were given to understand that there have been no material changes in status or alteration of usage of the assets since our previous inspection. Moreover, due to the prevailing outbreak of the COVID-19 resulting in the global pandemic and the relevant travel restrictions, we have not conducted any on-site inspection or company visit of the assets of the Appraised Asset closer to or around the Valuation Date compared to our previous inspection. We have relied on the documents and information provided to us and our independent research in preparing the valuation.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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In our inspection, we have not inspected those parts of the Appraised Asset which were covered, unexposed, not being arranged or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the assets or the status of the Appraised Asset, and our report should not be taken as making any implied representation or statement about such assets or status. We are not, however, able to report that the assets being valued are free from rot, insect, infestation or any other defects. No tests were carried out to the services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made to the assets of the Appraised Asset. If the Instructing Party wants to satisfy them as to the condition of it, then the Instructing Party should obtain a third party detailed inspection and report of their own before reaching any business decision of the Appraised Asset.

### SOURCES OF INFORMATION AND ITS VERIFICATION

For the purpose of valuing the Appraised Asset, we were furnished with various financial documents and other documents related to the Target Company as a going concern business. Any projections of the future revenues as a going concern business of the Target Company which the Appraised Asset would be benefited were prepared by the appointed personnel of the Instructing Party and they are responsible for the assumptions upon which the projections are based. These data have been utilised without further verification. We have had no reason to doubt the truth and accuracy of the information that we have been furnished. No responsibility is assumed for the accuracy of the provided information.

Due to the purpose of this engagement, the Instructing Party is requested to provide us the necessary documents to support its title to the Appraised Asset. In the course of valuation, we have been provided with copies of the documents regarding the Target Company. However, we have not conducted any searches or inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us.

For the purpose of this valuation, we were furnished with various copies of documents related to this valuation and these copies have been referenced without further verifying with the relevant bodies and/or authorities. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Company. Readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed in respect of the aforementioned matters.

We have relied solely on the information provided by the Instructing Party or the appointed personnel of the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, easements, financial projections, corporation status, business scope, assets, tenure, occupation and all other relevant matters.

Our procedures to value did not include undertaking a feasibility study of any proposed expansion of the Target Company. Accordingly we do not express an opinion as to the merit or demerit of any future expansion.

Unless otherwise stated, we have not carried out a valuation on a redevelopment basis on any land that owned, directly or indirectly by the Target Company and the study of possible alternative development options and the related economics do not come within the scope of our report.

We are not contracted to conduct a due diligence to review the rice wine industry in the PRC. In the course of valuation, we have solely depended on the advice given by the Instructing Party. We are unable to accept any responsibility or liability for the reliability of the advice.

Our procedures did not include a full scope inspection of all the assets and service facilities in the premises and to prepare an error free asset list for the purpose of the valuation. In the valuation, we have relied on the information as contained in the balance sheet provided by the Instructing Party. No responsibility or liability is assumed from our part.

Our engagement did not include an independent survey to verify the assets of the Target Company. We are not in the position to verify or ascertain the correctness with regard to the information provided. In our valuation, we have solely relied on the advice given by the Instructing Party, no responsibility or liability is assumed.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other named or unnamed professionals, external data providers and/or the Instructing Party in our valuation, the assumptions and caveats adopted by them in arriving at their opinions were also applied in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party. We have sought and received confirmation from the Instructing Party that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect the valuation.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan (RMB).

### VALUATION RESULTS

Based on the investigation, analysis, stated assumptions, limitations, reasoning and data outlined above, and on the valuation method employed, the possible market value of the Appraised Asset (before taking into consideration any transaction cost) as of the Valuation Date was in the region of **RENMINBI NINE HUNDRED AND NINETY ONE MILLION YUAN ONLY (RMB 991,000,000)**.

### LIMITING CONDITIONS

This report is provided strictly for the sole use of the Instructing Party as stated herein. Save as stipulated herein, neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear.

Our opinion of value in this report is valid only for the stated purpose and only for the Valuation Date. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of such services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The opinions expressed in this report have been based on the information supplied to us by the Instructing Party or the appointed personnel of the Company. The readers are reminded that in case of any variance on the assumptions adopted in this valuation, the concluded value will be greatly affected. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decisions or actions resulting from them.

The Instructing Party and/or the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

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## APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT

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### STATEMENTS

Our opinion of value is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the valuation, readers are urged to consider carefully the nature of such assumptions which are disclosed in our report and should exercise caution in interpreting our report.

Our valuation is prepared in line with the guidelines on reporting as contained in the IVS. The valuation has been undertaken by us, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of our report together with the data provided to us for the purpose of this valuation, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no interest (direct or indirect) in the Appraised Asset, the Company or the value reported.

Yours faithfully,  
For and on behalf of  
**LCH (Asia-Pacific) Surveyors Limited**



**Elsa Ng Hung Mui** BSc MSc RPS(GP)  
*Executive Director*

Contributing Valuers:

**Rolando Arcaya** BScME ASA

**Ivan Chan Chun Ting** BSc

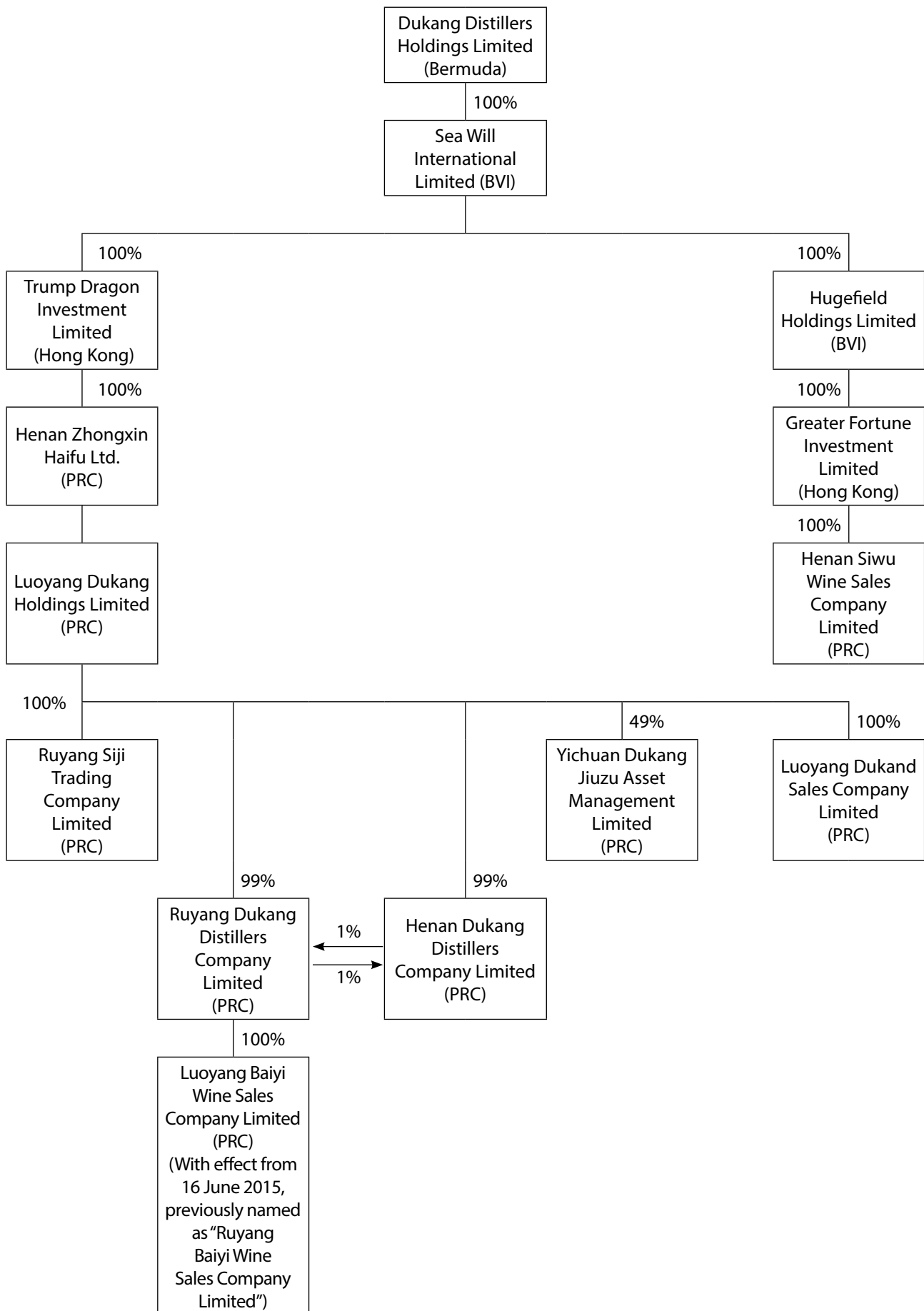
**Edward Ye Junhong** BSc MSc

*BV-1809005-circular (2020-9-30)*

Ms Elsa Ng Hung Mui obtained a Master Degree of Science in Finance in 2003. At present, she is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.



**APPENDIX G – INDEPENDENT DUKANG GROUP VALUATION REPORT**



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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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### PRC LAWS AND REGULATIONS

#### Land Regulations

##### National Legislation

In the PRC, there are two (2) kinds of land ownership, namely, state ownership and collective ownership. The urban lands are owned by the state, and the rural and suburban lands, unless stipulated by laws to be owned by the state, are owned by collectives.

PRC law distinguishes between the ownership of land and the right to use land. Under such a system, companies set up by local or foreign investors in the PRC can acquire the right to use the land owned by the state for their business purposes.

Land in the PRC is also categorised by usage. A system of land usage control is implemented under PRC law. According to the Land Administration Law of the PRC (《中华人民共和国土地管理法》) (revised in 2004, effective from 28 August 2004 and further revised in 2019, and effective from 1 January 2020) (the “**Land Administration Law**”), the state formulates the overall planning of land utilisation, whereby land is categorised as land for agricultural purpose, land for construction purpose (including but not limited to industrial, commercial, tourism, entertainment, commodity housing development) and unexploited land. Land users shall use land in accordance with the approved usage.

According to the Civil Code of the PRC (《中华人民共和国民法典》) (the “**Civil Code**”) issued by National People’s Congress on 28 May 2020 and effective from 1 January 2021, users of granted state-owned land for construction purposes have the right to, in accordance with the laws, occupy, use, benefit from and mortgage the land owned by the state and to use such land to construct buildings, structures and facilities and to dispose of the land use right.

State-owned land for construction purposes can be further divided into two (2) categories in terms of ways by which the land use right is obtained, that is, granted state-owned land for construction purpose and allocated state-owned land for construction purpose. Under the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中华人民共和国城镇国有土地使用权出让和转让暂行条例》(2020修正)) (“**Urban Land Regulations**”), which was promulgated by the State of Council on 19 May 1990 and revised on 29 November 2020, the grant of state-owned land use rights refers to the grant of land use rights by the state to a land user for a definite period subject to the payment of land premium by the land user. Further details of the grant of land use rights are found in the paragraph titled “Grant of Land Use Rights” below.

However, according to the Urban Real Estate Law (revised in 2019) (《中华人民共和国城市房地产管理法》(2019年修正)) allocation of land use rights, subject to approval by the government, applies only when necessary and only to land used for the following purposes:

- 1) government offices and military sites;
- 2) urban infrastructure and public welfare;
- 3) power generation, transportation, water resources and other projects which are vigorously supported by the state; and
- 4) other purposes specified by laws and regulations.

In addition to the acquisition of land use rights, either granted or allocated, directly from competent land authorities, entities may also acquire land use rights by means of transfer of land use rights by current land users who have obtained land use rights.

##### **Grant – differentiating between the ownership of land and the right to use land**

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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Under the Urban Land Regulations, there are three (3) methods by which land use rights may be granted, namely by agreement, tender or auction. On 11 June 2003, the Ministry of Land and Resources promulgated the "Rules on Grant of State-owned Land Use Rights by Agreement" («协议出让国有土地使用权规定»). According to such regulation, if there is only one (1) party interested in the land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate the plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. The local land bureau and the person who is interested will negotiate and enter into the grant contract based on such plan. If two (2) or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or putting up for bidding. Furthermore, according to the "Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Putting up for Bidding" («招标投标挂牌出让国有土地使用权规定») which was effective on 1 November 2007, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or putting up for bidding.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to consider tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. The land bureau will consider the following factors: the successful bidder shall be either the bidder who can satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offers the highest bid.

Upon signing of the contract for the grant of land use rights, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local land bureau for the issue of the land use rights certificate. Upon expiration of the term of grant, the grantee may apply for renewal of the term. Upon approval by the relevant local land bureau, a new contract shall be entered into to renew the grant, and a grant premium shall be paid.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land use in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant local land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

On 31 May 2006, the Ministry of Land and Resources promulgated the Regulation regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Putting up for Bidding («招标投标挂牌出让国有土地使用权规范(试行)») and the Regulation on Grant of State-owned Land Use Rights by Agreement («协议出让国有土地使用权规范(试行)»), which took effect on 1 August 2006. These regulations specifically define the circumstances in which the state-owned land use rights shall be granted by means of tender, auction and putting up for bidding and which could be granted by agreement. In accordance with these regulations, the system of preliminary application for land use right may be established in relevant regions with mature conditions. Any unit or individual that intends to use any specific plot that has been included into a grant plan based on a tender, auction and bid may file a preliminary application for use of the land and promise a price it/he may offer for such land. Where the administration of land and resources at the municipal or county level deems that any land price and conditions that the unit or individual has offered is acceptable, it may organize the tender, auction and bid for grant at a proper time and may notify the unit or individual that has filed a preliminary application for land use to join it. A unit or individual that has filed a preliminary application for land use shall participate in the tender or bid, where the price shall not be any lower than the land price it/ he has offered. Also, a collective decision-making system shall be applied to the grant of the state-owned land use right. The administrations of land and resources at the municipal or county level may, based on the real situation, establish an organ in charge of the coordination and decision-making of the grant of state-owned land use right, which shall take charge of coordinating and handling the relevant issues arising out of grant and determining the relevant matters in a collective manner.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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According to the Law of the People's Republic of China on Land Contract in Rural Areas (《中华人民共和国农村土地承包法》), which was promulgated on 29 December 2018 and took effect on 1 January 2019, land contract in rural areas shall take the form of household contract within the collective economic organizations in the countryside, while such land in rural areas as barren mountains, gullies, hills and beaches, which are not suited to the form of household contract, may be contracted in such forms as bid invitation, auction and public consultation.

Land shall be contracted out in accordance with the following procedures:

- 1) a contract-working team shall be elected by the villagers assembly of the collective economic organization concerned;
- 2) the contract-working team shall, in accordance with the provisions of laws and administrative rules and regulations, draw up and announce its contracting plan;
- 3) convening, according to law, the villagers assembly of the collective economic organization concerned to adopt the contracting plan through discussion;
- 4) making known to the public arrangements for the implementation of the contracting plan; and
- 5) concluding the contract.

According to Law of the People's Republic of China on the Organization of Villagers' Committees (《中华人民共和国村民委员会组织法》), which took effect on 29 December 2018, the proposals for land contracting operations involving the interests of the villagers shall be conducted upon discussion and decision of the villagers' assemblies.

### Regulations on Property Rights

#### Civil Code

According to the Civil Code, when the term of the right to use construction land for residential (but not other) expires, it shall be renewed automatically. The Civil Code leaves open the issue of whether property owners need to pay land premium again at renewal. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, use as equity contributions, endow or mortgage the right to use construction land use rights.

If the state removes the premises owned by entities and individuals or other realties, it is required to compensate for demolition and relocation in accordance with law and protect the lawful rights and interests of the owners, if the state removes residential premises owned by an individual, it must ensure the dwelling conditions of the individual. Similarly, if the state acquires collectively owned land, all relevant compensation must be paid in full, social security expenses of the expropriated farmers must be arranged and the livelihood of the farmers must generally be ensured. In addition, the state needs to refund the land premium if the construction land use rights are expropriated for public interest.

#### Documentation of Title

According to the Civil Code, the creation, change, transfer or extinguishment of real property rights shall come into effect upon and at the time of registration and shall not have effect without registration unless otherwise provided by law. Nevertheless, the contracts between the parties regarding creation, change, transfer or extinguishment of real property rights shall come into effect upon offer and acceptance, and the effectiveness of the said contracts is not subject to registration of real property rights.

Pursuant to the Interim Regulations on Real Estate Registration (《不动产登记暂行条例》) which was promulgated by the State Council in 2014, and amended on 24 March 2019, a unified real estate registration system will be adopted and the local governments at and above the county level shall each designate a department as the real estate registration authority within their respective administrative regions, which shall be responsible for the work of real estate registration. The state shall implement a system for legitimate enquiry of real estate registration materials. Rights holders and interested parties may inquire about and obtain copies of materials on real estate registration in accordance with the law and in such cases, the real estate registration authorities are required to provide such materials. Pursuant to the Implementation Regulations for the Provisional Regulations on Real Estate Registration (《不动产登记暂行条例实施细则》) which was promulgated by the Ministry of Land and Resources and amended on 24 July 2019, the rights to be registered include registration of collective land ownership, registration of state-owned development land use rights and building ownership, registration of homestead use rights and building ownership, registration of collective development land use rights and ownership of buildings and structures, registration of land contracted management rights, registration of territorial waters use rights, registration of easements and registration of mortgage rights.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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Pursuant to the Civil Code, the registers kept by the registration authorities shall be the basis of the real property rights and the certificates issued to the owners or rights holders are evidentiary documents of the real property rights. In the event of any discrepancy between the information on the register and a certificate, the information on the register shall prevail unless it has been proven by evidence that there was an error in the register.

### Transfer of Property

Pursuant to the Provisions on Real Estate Transfer (《城市房地产转让管理规定》), which was promulgated by the Ministry of Construction on 7 August 1995, and amended on 15 August 2001, a real property owner may transfer, exchange, contribute, donate or mortgage the real property owned by it. Where a building is transferred, the ownership of the building and underlying land use rights shall be transferred simultaneously. Transfer of ownership of the building shall also be subject to the pre-conditions as set forth in the paragraph titled "Transfer of Land Use Rights" above. The real property may not be transferred in, *inter alia*, the following situations:

- 1) real property for which the underlying land use rights was acquired by way of grant but the pre-conditions for transfer of the granted land use rights are not met;
- 2) real property which was seized or the rights to which were restricted in any way by a ruling or decision of judicial or administrative authorities in accordance with the law;
- 3) the land use rights have been recalled in accordance with law;
- 4) jointly owned real property, if the other joint owners have not given their consent;
- 5) the title to the real property is subject to dispute; and
- 6) real property which has not been registered and a title certificate of which has not been obtained.

### Mortgage of Property

The grant of mortgages in the PRC is governed by the Civil Code and the Administrative Measures on Mortgage of Urban Real Estate (《城市房地产抵押管理办法》) issued by the Ministry of Construction in 1997 and revised and effective as of 15 August 2001. Under these laws, all mortgage agreements must be in writing.

The validity of a mortgage depends on the validity of the mortgage contract, the validity of the secured principle contract unless otherwise stipulated in the mortgage contract, and registration of the mortgage with the relevant authorities. Where ownership rights to a lawfully acquired building are mortgaged, the land use rights underlying such building shall be deemed to have been mortgaged together with the building simultaneously.

### Regulations governing FIEs

FIEs in the PRC can take several forms, including equity joint ventures, co-operative joint ventures and wholly foreign-owned companies. Establishment of a joint venture requires approval by the MOFCOM or its counterpart. Certain documents including a feasibility study report, joint venture contract and articles of association of the joint venture company must be submitted and approved by MOFCOM or its counterpart. In addition, the applicant is required to apply to the State Administration Bureau for Industry and Commerce or its counterpart for the issue of a business license. A joint venture entity is official established on the date its business license from the State Administration Bureau for Industry and Commerce or its counterpart is issued.

The Wholly Foreign-owned Enterprises Law of the PRC (《中华人民共和国外资企业法》) (last amended on 3 September 2016 and which came into force on 1 October 2016) and the Implementation Rules on Wholly Foreign-owned Enterprises Law of the PRC (《中华人民共和国外资企业法实施细则》) (last amended on 19 February 2014 and which came into force on 1 March 2014) stipulated the establishment procedures of a wholly foreign-owned enterprise ("WFOE"), the regulations on registered capital, affairs of foreign exchange, accounting practice, taxation and labor service, and other relevant issues. The Decisions by the National People's Congress Standing Committee on Revising Four Laws including the Wholly Foreign-owned Enterprises Law of the PRC issued by the People's Congress Standing Committee (《全国人民代表大会常务委员会关于修改〈中华人民共和国外资企业法〉等四部法律的决定》) on 3 September 2016 has modified the procedures of investment by foreign investors in the PRC, so that foreign investors investing in commercial industry which is not under the restriction of special access administrative measures shall make record-filing with the relevant authorities, which replaced the approval process.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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On 15 March 2019, the National People's Congress reviewed the submitted draft and approved the Foreign Investment Law of the PRC («中华人民共和国外商投资法») (“**Foreign Investment Law**”), which came into effect from 1 January 2020. Upon taking effect, the newly promulgated Foreign Investment Law replaced the three (3) existing laws on foreign investment (i.e., the Wholly Foreign-owned Enterprise Law of the PRC («中华人民共和国外资企业法»), the Cooperative Joint Venture Law of the PRC («中华人民共和国中外合作经营企业法») and the Equity Joint Venture Law of the PRC («中华人民共和国中外合资经营企业法»)) and the Foreign Investment Law provides a 5-year transition period for the existing foreign invested enterprises, or the FIEs, to adjust their business structures. While being silent on specific issues including the discussion on contractual arrangements, the Foreign Investment Law emphasises the principle of applying “national treatment” to foreign investors; industries that are not listed in the Foreign Investment Catalog or the Special Administrative Measures (Negative List) for Foreign Investment Access recently effective in June 2018 are permitted areas for foreign investments, and are generally open to foreign investment unless specifically restricted by other PRC regulations.

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment (Revised in 2017) («外商投资产业指导目录 (2017年修订)»), (the “**Catalogue**”), which was promulgated and is amended from time to time by the MOFCOM and the NDRC. Industries listed in the Catalogue are divided into three (3) categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally deemed as constituting a fourth “permitted” category. According to the latest revised version of the Catalogue (i.e. the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) («鼓励外商投资产业目录 (2020年版)») promulgated on 27 December 2020 and effective on 27 January 2021, agriculture is classified as an industry where foreign investments are encouraged.

MOFCOM and NDRC promulgated the Special Management Measures (Negative List) for the Access of Foreign Investment (the “**Negative List**”) («外商投资准入特别管理措施 (负面清单)»), effective on 23 June 2020. The Negative List expands the scope of permitted industries by foreign investment, by reducing the number of industries that fall within the Negative List where restrictions on the shareholding percentage or requirements on the composition of the board or senior management still exists.

### Regulation of Foreign Currency Exchange and Dividend Distribution

#### Foreign Exchange

The principal laws and regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations («外汇管理条例») was last amended on 5 August 2008. Under these regulations, the RMB is freely convertible for current account items, including the trade and service-related foreign exchange transactions and other current exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities, unless the prior approval of SAFE is obtained and prior registration with SAFE is made.

#### Regulations on Registration of Overseas Investment in Foreign Exchange by Chinese Resident

The SAFE issued Circular on Foreign Exchange Administration of Overseas Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles («关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知») (the “**SAFE Circular No. 75**”) on 21 October 2005, which took effect on 1 November 2005. It regulated that the SAFE and its branches shall manage the registration and administration of the special purpose vehicle established by any domestic resident. The SAFE Circular No. 75 was repealed by the SAFE Circular No. 37 (as defined below) on 4 July 2014.

The SAFE Circular No. 37 was issued by the SAFE on 4 July 2014. According to the SAFE Circular No. 37, Chinese residents shall register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle directly or indirectly controlled by Chinese residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. The SAFE Circular No. 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under the relevant SAFE rules from local branches of the SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

The Notice about Further Simplification and Improvement of Management Policy of Direct Investment in Foreign Exchange («关于进一步简化和改进直接投资外汇管理政策的通知») (the “**SAFE Circular No. 13**”) was issued by the SAFE on 13 February 2015 and came into effect on 1 June 2015. The SAFE Circular No. 13 stated that the direct investment in foreign exchange beyond China shall be registered by the bank according to the relevant rules of the SAFE. It has simplified the registration procedure of foreign exchange of direct investment in or out of China.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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### Regulations on Dividend Distribution

According to the Companies Law of the PRC (《中华人民共和国公司法》) as amended on 26 October 2018 and the Foreign Investment Law, WFOEs in China may only pay dividends out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, WFOEs in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds up to 50% of the registered capital of the enterprises.

### Regulations Governing Taxation in the PRC

#### Income Tax

The PRC Enterprise Income Tax Law (《中华人民共和国企业所得税法》) was promulgated in March 2007 and was most recently amended in December 2018. The PRC Enterprise Income Tax Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Under the PRC Enterprise Income Tax Law, an enterprise established outside China with “de facto management bodies” within China is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation regulations to the PRC Enterprise Income Tax Law, a “de facto management body” is defined as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise.

In April 2009, the Ministry of Finance (“**MOF**”) and State Administration of Taxation (the “**SAT**”) jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (《财政部国家税务总局关于企业重组业务企业所得税处理若干问题的通知》) (the “**Circular 59**”). In December 2009, SAT issued the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《国家税务总局关于加强非居民企业股权转让所得企业所得税管理的通知》) (the “**Circular 698**”). Both Circular 59 and Circular 698 became effective retroactively as of January 2008. In February 2011, SAT issued the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises (《关于非居民企业所得税管理若干问题的公告》) (the “**SAT Circular 24**”) effective April 2011. By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise.

In February 2015, SAT issued the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises (《国家税务总局关于非居民企业间接转让财产企业所得税若干问题的公告》) (the “**SAT Circular 7**”) to supersede existing provisions in relation to the indirect transfer as set forth in Circular 698, while the other provisions of Circular 698 remain in force. SAT Circular 7 introduces a new tax regime that is significantly different from that under Circular 698. SAT Circular 7 extends its tax jurisdiction to capture not only indirect transfers as set forth under Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment, and placement in China, of a foreign company through the offshore transfer of a foreign intermediate holding company. SAT Circular 7 also addresses transfer of the equity interest in a foreign intermediate holding company broadly. In addition, SAT Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also brings challenges to both the foreign transferor and transferee of the indirect transfer as they have to determine whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly. In October 2017, SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《国家税务总局关于非居民企业所得税源泉扣缴有关问题的公告》) (the “**SAT Circular 37**”), which was amended in June 2018. The SAT Circular 37 superseded the Non-resident Enterprises Measures and SAT Circular 698 as a whole and partially amended some provisions in SAT Circular 24 and SAT Circular 7. SAT Circular 37 purports to clarify certain issues in the implementation of the above regime, by providing, among others, the definition of equity transfer income and tax basis, the foreign exchange rate to be used in the calculation of withholding amount, and the date of occurrence of the withholding obligation. Specifically, SAT Circular 37 provides that where the transfer income subject to withholding at source is derived by a non-PRC resident enterprise in instalments, the instalments may first be treated as recovery of costs of previous investments. Upon recovery of all costs, the tax amount to be withheld must then be computed and withheld.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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### Value-added Tax and Business Tax

The Provisional Regulations of the PRC on Business Tax («中华人民共和国营业税暂行条例») was effective from 1 January 1994 and was subsequently modified on 10 November 2008. It was repealed by the Decision of State Council about Abolishment of Provisional Regulations of the People's Republic of China on Business Tax and Modification of Provisional Regulations of the People's Republic of China on Value-added Tax («国务院关于废止<中华人民共和国营业税暂行条例>和修改<中华人民共和国增值税暂行条例>的决定») which came into effect on 19 November 2017.

According to the Provisional Regulations on Value-added Tax («增值税暂行条例») issued on 13 December 1993, and modified in 2008, 2016 and 2017 by the State Council, tax payers engaging in sales of goods, provision of processing services, repair and fitting or importation of goods within China shall pay the value-added tax.

The MOF and the SAT launched the Pilot Plan for Levying Value-added Tax in Lieu of Business Tax («营业税改征增值税试点方案») on 16 November 2011. Starting from 1 January 2012, the PRC government has been gradually implementing a pilot plan in certain provinces and municipalities, to levy a 6% value-added tax on revenue generated from certain kinds of services in lieu of the business tax. The Notice of the Ministry of Finance of the People's Republic of China and the State Administration of Taxation about Overall Promotion of Pilot Plan for Levying Value-added Tax in Lieu of Business Tax («营业税改征增值税试点实施办法») was released on 23 March 2016 and came into effect from 1 May 2016. The company and individual engaging in sales of good, intangible asset or real estate within China shall pay the value-added tax in lieu of business tax.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-added Tax Rates («财政部、国家税务总局关于调整增值税税率的通知») issued on 4 April 2018 and which came into effect on 1 May 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have Value-added Tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

### Land Appreciation Tax

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax («中华人民共和国土地增值税暂行条例») (the "**Land Appreciation Provisional Regulations**") enacted on 13 December 1993 and modified on 8 January 2011, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Land Appreciation Tax («中华人民共和国土地增值税暂行条例实施细则») (the "**Land Appreciation Detailed Implementation Rules**") which was enacted and enforced on 27 January 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items.

### Urban Land Use Tax

Pursuant to the "Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns" (Revised in 2013) («中华人民共和国城镇土地使用税暂行条例》(2013年修订), which was revised by the Decision of the State Council on Revising Certain Administrative Regulations («国务院关于修改部分行政法规的决定») on 2 March 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax shall be between RMB 0.6 and RMB 30 per square meter of urban land collected.

### Deed Tax

Pursuant to the "Interim regulations of the People's Republic of China on Deed Tax" («中华人民共和国契税暂行条例»), which was revised by the Decision of the State Council on Revising Certain Administrative Regulations («国务院关于修改部分行政法规的决定») on 2 March 2019, the transferee, whether an entity or individual, of the title to a land site or building in the PRC, shall have to pay deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the State Administration of Taxation for the record.



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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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### Stamp Duty

Persons who have executed or received dutiable documents within China are subject to stamp duty. Dutiable documents include contracts or documents of a contractual nature for the sale of goods, the undertaking of processing work, the contracting of construction and engineering projects, the lease of property and technology, as well as transfer of property. A stamp duty is payable by each party on the stampable documents at the rate of 0.05% of the contractual price of the property transferred in respect of transfer of properties and at the rate of 0.1% of the total amount of rent in respect of the leasing of properties.

### Tax Incentives

The laws and regulations governing the tax incentives relating to agriculture in the PRC include the Law of the People's Republic of China on Enterprise Income Tax (《中华人民共和国企业所得税法》) (revised and effective on 29 December 2018), the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax (《中华人民共和国企业所得税法实施条例》) (promulgated on 6 December 2007 and revised on 23 April 2019), the Interim Value-Added Tax Regulations of the People's Republic of China (《中华人民共和国增值税暂行条例》) (revised and effective on 19 November 2017) and the Implementing Rules for the Interim Regulations of the People's Republic of China on Value-added Tax (《中华人民共和国增值税暂行条例实施细则》) (revised on 28 October 2011 and effective on 1 November 2011). Pursuant to these laws and regulations, the items including agricultural products produced and sold by agricultural producers themselves and projects of agriculture shall be exempted from value-added tax and may be entitled to exemption or reduction of enterprise income tax.

### Environment Protection Regulations

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law of the PRC (《中华人民共和国环境保护法》) (revised on 24 April 2014 and effective from 1 January 2015), the Environmental Impact Assessment Law of the PRC (《中华人民共和国环境影响评价法》) (revised on 29 December 2018), and the Administrative Regulations on Environmental Protection in Construction Projects (《建设项目环境保护管理条例》) (revised on 16 July 2017 and effective from 1 October 2017). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form may be required to be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also conduct an inspection at the property to ensure compliance with the applicable environmental standards and regulations before the property can be put into production or use.

Pursuant to the Soil and Water Conservation Law of the People's Republic of China (《中华人民共和国水土保持法》) and Regulation on the Implementation of the Water and Soil Conservation Law of the People's Republic of China (《中华人民共和国水土保持法实施条例》), any and all organizations and individuals shall have the obligation to protect water and soil resources, and prevent and control water and soil loss. Land reclamation at the expense of deforestation or grass destruction, illegally deforesting or damaging grassland for reclamation, destroying vegetation, reclaiming barren sloping land, illegally reclaiming barren sloping land, dumping waste sand, stone, soil, or tailings and waste residues into rivers, lakes, reservoirs, and channels other than special storage locations, damaging water and soil conservation facilities and committing any other act of damaging water and soil resources and causing water loss and soil erosion shall be prohibited.

Pursuant to the Law of the People's Republic of China on the Prevention and Control of Soil Pollution (《中华人民共和国土壤污染防治法》), all organizations and individuals are obligated to protect soil and prevent soil pollution. Producing, selling or using agricultural inputs explicitly banned by the State is prohibited. Producers, sellers and consumers of agricultural inputs shall promptly recycle discarded packages of such agricultural inputs such as pesticides, fertilizers and agricultural films, and hand such discarded packages of pesticides over to specialized agencies or organizations for treatment in a harmless manner.

Pursuant to the Regulations on the Control of the Agriculture Chemicals (《农药管理条例》), use of agriculture chemicals shall comply with the relevant state provisions relating to the safe and rational use of agricultural chemicals. The protective measures apply to the use of agricultural chemicals to prevent pollution and agricultural and safety incidents.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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### Intellectual Property Law

#### Regulations on Trademark

The Trademark Law of the PRC (revised in 2019) («中华人民共和国商标法（2019年修订）») which was promulgated by the Standing Committee of the National People's Congress on 23 August 1982 and revised on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, and the Regulation on the Implementation of the Trademark Law of the PRC (revised in 2014) («中华人民共和国商标法实施条例（2014年修订）») which was promulgated by the State Council on 3 August 2002 and revised on 29 April 2014, govern the application, examination and approval, renewal, alteration, transfer, use and invalidation of trademark registration, and the protection of trademark rights entitled to trademark registrants.

#### Regulations on Copyright

The Copyright Law of the PRC (as amended in 2020) («中华人民共和国著作权法（2020年修订）») was revised by the Standing Committee of the National People's Congress on 11 November 2020 and will come into effect on 1 June 2021. It stipulates that Chinese citizens, legal persons or other organizations whose works, including, among other things, literature, arts, natural sciences, social sciences, engineering and computer software, whether published or not, are entitled to copyright. Regulations for the Protection of Computer Software («计算机软件保护条例») which were promulgated by the State Council in 1991 and amended in 2001, 2011 and 2013, govern the registration of software copyright, the exclusive license of software copyright and the registration of transfer contracts. The Copyright Protection Center of China registers and submits the corresponding registration certificates in relation to applications made by software copyright owners that fulfill the requirements of the Measures for the Registration of Computer Software Copyright («计算机软件著作权登记办法») and the Regulations for the Protection of Computer Software.

#### Regulations on Domain Names

Measures for the Administration of Internet Domain («互联网域名管理办法») was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and came into effect on 1 November 2017. It stipulates that the establishment of domain name root servers, domain name root servers operating institutions, domain name registration and management institutions and domain name registration service institutions requires the approval of the relevant information technology authorities in accordance with the measures. Domain name services follow the principle of "first application, first registration". The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services («工业和信息化部关于规范互联网信息服务使用域名的通知») promulgated on 27 November 2017, and which came into effect on 1 January 2018, regulates internet information service providers as its main target in relation to their overall anti-terrorism obligations to maintain network security.

#### Regulations on Patents

Pursuant to the Patent Law of the PRC (as amended in 2020) («中华人民共和国专利法（2020年修订）») ("Patent Law") promulgated by the Standing Committee of the National People's Congress and the Detailed Rules for the Implementation of the Patent Law of the PRC (revised in 2010) («中华人民共和国专利法实施细则（2010年修订）») promulgated by the State Council, patents are divided into invention, utility model and appearance design. The term of protection of a patent right for an invention is 20 years from the date of application, and the term of protection of a patent right for an appearance design and utility model is 10 years from the date of application. Patent Law and its implementing rules stipulate that patent rights owned by a patentee are protected by laws.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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### Regulations on New Varieties of Plants

The Regulation of the People's Republic of China on Protection of New Varieties of Plants (2014 Revision)(《中华人民共和国植物新品种保护条例(2014年修订)》) promulgated by the State Council on 20 March 1997, and which was revised on 31 January 2013 and 29 July 2014, and the Detailed Rules for the Implementation of the Regulation of the People's Republic of China on the Protection of New Varieties of Plants (2014 Amendment)(《中华人民共和国植物新品种保护条例实施细则》(2014年修订)) promulgated by the Ministry of Agriculture on 19 September 2007, and which was revised on 31 December 2011 and 25 April 2014, stipulate that the entity which or the person who has accomplished the breeding has an exclusive right in their protected variety. Without the consent of the holder of the variety rights, no other entity or person shall produce or sell the propagating material of the said protected variety for commercial purposes, or reuse the propagating material of the said protected variety for commercial purposes. The term of protection of the variety rights is 20 years from the date of grant of the variety rights for vines, forest trees, fruit trees and ornamental plants and 15 years from the date of grant of the variety rights for other plants. Beyond the aforementioned terms, there are no provisions under the PRC laws for any further renewals. The new plant varieties for which variety rights are granted shall be novel, specific, consistent, stable, have appropriate names and shall be distinguished from the name of the known variety of the same or similar plant genus or species. Novelty means that the new plant variety for which variety rights are applied for has not been sold before the date of application, or the variety has not been sold in China for more than a year with the permission of the breeder; the sale of the species propagation materials of vines, forest trees, fruit trees and ornamental trees outside China has not exceeded six (6) years, and the sale of the species propagation materials of other plants outside China has not exceeded four (4) years.

### Employment Laws

#### Labor Law of the People's Republic of China

The Labor Law of the PRC (《中华人民共和国劳动法》) was revised on 29 December 2018. It applies to enterprises, individually-owned economic organizations and employees with an employment relationship with them within the territory of the People's Republic of China. It regulates the promotion of employment, labor contracts and collective contracts, employees' working hours, rest and vacations, wages, occupation safety and health, special protection for female staff and juvenile workers, vocational training, social insurance and welfare, labor dispute, supervision and inspection, and legal responsibility.

#### Labor Contract Law of the People's Republic of China

The Labor Contract Law of the PRC (《中华人民共和国劳动合同法》) was revised on 28 December 2012. It applies to the actions of establishing labor relationships, concluding, performing, amending, cancelling or terminating of labor contracts between employers and organizations such as enterprises, individual economic organizations and private non-enterprise units, etc. in the People's Republic of China, making relevant provisions on the actions of conclusion, performance and amendment, cancellation and termination of labor contracts, collective contracts, labor dispatching and part-time employment relationship, etc.

#### Social Insurance Law of the People's Republic of China

The Social Insurance Law of the PRC (《中华人民共和国社会保险法》) ("**Social Insurance Law**") was revised on 29 December 2018, and makes relevant provisions on basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, collection and payment of social insurance premiums, social insurance funds, social insurance agencies and social insurance supervision.

#### Interim Regulations on the Collection and Payment of Social Insurance Premiums

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社会保险费征缴暂行条例》), the Regulations on Work Injury Insurance (《工伤保险条例》), the Regulations on Unemployment Insurance (《失业保险条例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企业职工生育保险试行办法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing their employees' social insurance registrations with local social insurance agencies, and shall pay or withhold the relevant social insurance premiums for or on behalf of their employees. The Social Insurance Law has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with the relevant laws and regulations on social insurance.

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## APPENDIX H - SUMMARY OF PRC LAWS AND REGULATIONS

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### Regulations on the Administration of Housing Provident Fund

According to the Regulations on the Administration of Housing Provident Fund (《住房公积金管理条例》) (Order No. 262 of the State Council), which was promulgated and issued on 3 April 1999, and was amended on 24 March 2002 and 24 March 2019, housing provident fund contributions by an individual employee and by his or her employer shall belong to the individual employee.

Employers shall make timely payments and deposit their employees' housing provident fund contributions in full and late or insufficient payments shall be prohibited. Employers shall process housing provident fund payments and deposit registrations with the housing provident fund administration center. Companies who violate the above regulations and fail to process housing provident fund payments and deposit registrations or fail to open housing provident fund accounts for their employees, shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach the regulations and fail to pay in full the housing provident fund contributions as they fall due, the housing provident fund administration center shall order such companies to make payment within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply with the regulations after the expiry of such period.

The Agricultural Products Safety Law of the PRC According to the Agricultural Products Quality Safety Law of the PRC (《中华人民共和国农产品质量安全法》), which was promulgated by the State Council on April 29, 2006 and amended on October 26, 2018. Agricultural products sold by production enterprises, farmers cooperative economic organizations, and units or individuals engaged in the purchase of agricultural products, shall be packaged or marked with additional labels in accordance with regulations before they can be sold. The package or label shall indicate the products' name, place of origin, producer, production date, shelf life, product quality grade, name of additives if any. Animals, plants and their products that need to be quarantined in accordance with the law shall be accompanied by a quarantine pass mark and a quarantine pass certificate. In addition, agricultural producers shall rationally use chemical products, such as chemical fertilizers, pesticides, veterinary medicine and agricultural films, in order to avoid contaminating the production places of agricultural products.

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## APPENDIX I - TAXATION

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The following is a general discussion of the salient income tax, capital gains tax, stamp duty and GST consequences in relation to the purchase, ownership and disposal of the Shares in the Company and is not intended to be and does not constitute legal or tax advice. The discussion is based on the tax laws, regulations and interpretations in the country of incorporation of the Company presently in effect and available as of the date of this Circular. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of the Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

Prospective investors should consult their tax advisors concerning the tax consequences of owning and disposing of our Shares. Neither the Company, the Directors, the Financial Advisers nor any other persons involved in the Proposed Transactions accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of the Shares.

### **Bermuda**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, or any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, and there is no Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable to it or any of its operations until 31 March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Daqiao Village, Shenshan Town, Chibi City (赤壁市神山镇大桥村)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001027 (赤壁林证字 (2009) 第001027号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	29.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001028 (赤壁林证字 (2009) 第001028号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	4.50	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001029 (赤壁林证字 (2009) 第001029号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	59.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001030 (赤壁林证字 (2009) 第001030号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	26.80	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 2, Daqiao Village, Shenshan Town, Chibi City (赤壁市神山镇大桥村二组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001031 (赤壁林证字 (2009) 第001031号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	14.80	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001032 (赤壁林证字 (2009) 第001032号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	39.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001033 (赤壁林证字 (2009) 第001033号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	36.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001034 (赤壁林证字 (2009) 第001034号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	31.20	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001035 (赤壁林证字 (2009) 第001035号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	148.30	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

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	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001036 (赤政林证字 (2009) 第001036号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	35.20	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001037 (赤政林证字 (2009) 第001037号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	24.70	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001038 (赤政林证字 (2009) 第001038号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	12.10	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001039 (赤政林证字 (2009) 第001039号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	14.40	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001040 (赤政林证字 (2009) 第001040号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	50.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001041 (赤政林证字 (2009) 第001041号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	80.60	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001042 (赤政林证字 (2009) 第001042号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	75.90	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 7, Daqiao Village, Shenshan Town, Chibi City (赤壁市神山镇大桥村七组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001071 (赤政林证字 (2009) 第001071号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	78.40	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001072 (赤政林证字 (2009) 第001072号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	45.60	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001073 (赤政林证字 (2009) 第001073号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	103.40	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001074 (赤政林证字 (2009) 第001074号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	113.10	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001075 (赤政林证字 (2009) 第001075号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	25.40	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001076 (赤政林证字 (2009) 第001076号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	17.60	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001077 (赤政林证字 (2009) 第001077号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	123.50	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 3, Daqiao Village, Shenshan Town, Chibi City (赤壁市神山镇大桥村三组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001043 (赤政林证字 (2009) 第001043号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	18.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001044 (赤政林证字 (2009) 第001044号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	56.20	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001045 (赤政林证字 (2009) 第001045号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	33.30	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001046 (赤政林证字 (2009) 第001046号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	13.70	None



**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001047 (赤政林证字 (2009) 第001047号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	46.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001048 (赤政林证字 (2009) 第001048号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	52.20	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001049 (赤政林证字 (2009) 第001049号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	36.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001050 (赤政林证字 (2009) 第001050号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	23.60	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001051 (赤政林证字 (2009) 第001051号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	26.60	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001052 (赤政林证字 (2009) 第001052号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	27.40	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001053 (赤政林证字 (2009) 第001053号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	58.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001054 (赤政林证字 (2009) 第001054号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	45.80	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001055 (赤政林证字 (2009) 第001055号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	25.00	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Group 4, Daqiao Village, Shenshan Town, Chibi City (赤壁市神山镇大桥村四组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 000914 (赤政林证字 (2009) 第000914号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	56.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001078 (赤政林证字 (2009) 第001078号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	10.10	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001079 (赤政林证字 (2009) 第001079号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	10.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001080 (赤政林证字 (2009) 第001080号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	11.90	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001081 (赤政林证字 (2009) 第001081号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	13.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001082 (赤政林证字 (2009) 第001082号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	5.50	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001083 (赤政林证字 (2009) 第001083号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	22.30	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001084 (赤政林证字 (2009) 第001084号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	13.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 000906 (赤政林证字 (2009) 第000906号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	34.90	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Group 7, Daqiao Village, Shenshan Town, Chibi City (赤壁市神山镇大桥村七组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001056 (赤政林证字 (2009) 第001056号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	18.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001057 (赤政林证字 (2009) 第001057号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	108.50	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001058 (赤政林证字 (2009) 第001058号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	27.00	None
Group 8, Daqiao Village, Shenshan Town, Chibi City (赤壁市神山镇大桥村八组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001059 (赤政林证字 (2009) 第001059号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	52.20	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001060 (赤政林证字 (2009) 第001060号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	63.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001061 (赤政林证字 (2009) 第001061号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	39.60	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001062 (赤政林证字 (2009) 第001062号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	75.60	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001063 (赤政林证字 (2009) 第001063号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	77.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001064 (赤政林证字 (2009) 第001064号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	26.30	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001065 (赤政林证字 (2009) 第001065号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	47.30	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001066 (赤政林证字 (2009) 第001066号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	40.50	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001067 (赤政林证字 (2009) 第001067号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	235.80	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001068 (赤政林证字 (2009) 第001068号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	12.40	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001069 (赤政林证字 (2009) 第001069号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	22.50	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001070 (赤政林证字 (2009) 第001070号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	19.60	None
Group 3, Luzhuang Village, Chimagang Office, Chibi City (赤壁市赤马港办事处鲁庄村三组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000079 (赤政林证字 (2011) 第000079号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	11.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000080 (赤政林字 (2011) 第000080号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	3.10	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000081 (赤政林证字 (2011) 第000081号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	8.30	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Group 4, Luzhuang Village, Chimagang Office, Chibi City (赤壁市赤马港办事处鲁庄村四组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000084 (赤壁林证字 (2011) 第000084号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	21.60	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000085 (赤壁林证字 (2011) 第000085号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	23.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000086 (赤壁林证字 (2011) 第000086号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	85.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000087 (赤壁林证字 (2011) 第000087号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	7.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000088 (赤壁林证字 (2011) 第000088号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	27.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000089 (赤壁林证字 (2011) 第000089号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	18.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000090 (赤壁林证字 (2011) 第000090号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	15.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000091 (赤壁林证字 (2011) 第000091号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	37.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000092 (赤壁林证字 (2011) 第000092号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	22.00	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000093 (赤政林证字 (2011) 第000093号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	12.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000095 (赤政林证字 (2011) 第000095号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	36.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000098 (赤政林证字 (2011) 第000098号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	31.00	None
Group 5, Luzhuang Village, Chimagang Office, Chibi City (赤壁市赤马港办事处鲁庄村五组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000099 (赤政林证字 (2011) 第000099号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	10.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000102 (赤政林证字 (2011) 第000102号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	26.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000104 (赤政林证字 (2011) 第000104号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	51.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000105 (赤政林证字 (2011) 第000105号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	7.00	None
Group 10, Luzhuang Village, Chimagang Office, Chibi City (赤壁市赤马港办事处鲁庄村十组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000149 (赤政林证字 (2011) 第000149号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	21.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000148 (赤政林证字 (2011) 第000148号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	33.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000148 (赤政林证字 (2011) 第000148号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	33.00	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000147 (赤政林证字 (2011) 第000147号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	11.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000145 (赤政林证字 (2011) 第000145号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	12.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000146 (赤政林证字 (2011) 第000146号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	11.50	None
Group 11, Luzhuang Village, Chimagang Office, Chibi City (赤壁市赤马港办事处鲁庄村十一组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000159 (赤政林证字 (2011) 第000159号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	6.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000160 (赤政林证字 (2011) 第000160号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	6.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000161 (赤政林证字 (2011) 第000161号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	12.00	None
Group 23, Xiwan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇西湾村二十三组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000166 (赤政林证字 (2011) 第000166号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	23.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 000165 (赤政林证字 (2011) 第000165号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	34.60	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2013) No. 000015 (赤政林证字 (2013) 第000015号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	48.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Group 22, Xiwan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇西湾村二十二组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2013) No. 000013 (赤政林证字 (2013) 第000013号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	39.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 20, Xiwan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇西湾村二十组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2013) No. 000010 (赤政林证字 (2013) 第000010号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	60.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 21, Xiwan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇西湾村二十一组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2013) No. 000012(1) (赤政林证字 (2013) 第000012号(1))	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	82.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2013) No. 000012(2) (赤政林证字 (2013) 第000012号(2))	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	26.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan	
Group 12, Xiwan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇西湾村十二组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2013) No. 000009(1) (赤政林证字 (2013) 第000009号(1))	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	45.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2013) No. 000009(2) (赤政林证字 (2013) 第000009号(2))	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	39.70	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan	
Group 8, Xihu Village, Shenshan Town, Chibi City (赤壁市神山镇西湖村八组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001117 (赤政林证字 (2009) 第001117号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	36.10	None
Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001118 (赤政林证字 (2009) 第001118号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	182.30	None	



**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001120 (赤政林证字 (2009) 第001120号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	100.80	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001121 (赤政林证字 (2009) 第001121号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	46.80	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001122 (赤政林证字 (2009) 第001122号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	138.90	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001123 (赤政林证字 (2009) 第001123号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	73.80	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001124 (赤政林证字 (2009) 第001124号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	41.40	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001125 (赤政林证字 (2009) 第001125号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	9.80	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001126 (赤政林证字 (2009) 第001126号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	13.50	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001127 (赤政林证字 (2009) 第001127号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	37.00	None
Group 7, Xihu Village, Shenshan Town, Chibi City (赤壁市神山镇西湖村七组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001128 (赤政林证字 (2009) 第001128号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	32.40	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001129 (赤政林证字 (2009) 第001129号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	33.20	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001130 (赤政林证字 (2009) 第001130号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	92.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001131 (赤政林证字 (2009) 第001131号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	75.60	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001132 (赤政林证字 (2009) 第001132号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	108.20	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001133 (赤政林证字 (2009) 第001133号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	92.70	None
Group 17, Yiyangqiao Village, Xindian Town, Chibi City (赤壁市新店镇益阳桥村十七组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001020 (赤政林证字 (2011) 第001020号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	14.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Tucheng Village, Xindian Town, Chibi City (赤壁市新店镇土城村)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001027(1) (赤政林证字 (2011) 第001027号(1))	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	11.90	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001027(2) (赤政林证字2011 第001027号(2))	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	16.0	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001027(3) (赤政林证字 (2011) 第001027号(3))	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	57.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000046 (赤政林证字 (2012) 第000046号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	18.60	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 9, Tucheng Village, Xindian Town, Chibi City (赤壁市新店镇土城村九组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001028 (赤政林证字 (2011) 第001028号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	38.50	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001029 (赤政林证字 (2011) 第001029号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	56.50	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 10, Tucheng Village, Xindian Town, Chibi City (赤壁市新店镇土城村十组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001030 (赤政林证字 (2011) 第001030号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	50.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001031 (赤政林证字 (2011) 第001031号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	36.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

<b>Address/Location</b>	<b>Grantee</b>	<b>Title / Licence</b>	<b>Issuing Authority / Grantor</b>	<b>Usage</b>	<b>Tenure</b>	<b>Approximate land area (mu)</b>	<b>Encumbrances</b>
Group 17, Wangfushan Village, Xindian Town, Chibi City (赤壁市新店镇望夫山村十七组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001037 (赤政林证字 (2011) 第001037号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	45.40	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 1, Wangfushan Village, Xindian Town, Chibi City (赤壁市新店镇望夫山村一组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001038 (赤政林证字 (2011) 第001038号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	27.20	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 3, Wangfushan Village, Xindian Town, Chibi City (赤壁市新店镇望夫山村三组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001039 (赤政林证字 (2011) 第001039号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	27.10	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 5, Wangfushan Village, Xindian Town, Chibi City (赤壁市新店镇望夫山村五组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001040 (赤政林证字 (2011) 第001040号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	10.10	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 10, Tucheng Village, Xindian Town, Chibi City (赤壁市新店镇土城村十组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001032 (赤政林证字 (2011) 第001032号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	2.60	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001033 (赤政林证字 (2011) 第001033号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	11.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001034 (赤政林证字 (2011) 第001034号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	49.80	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001035 (赤政林证字 (2011) 第001035号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	45.70	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Group 14. Huatingqiao Village, Xindian Town, Chibi City (赤壁市新店镇花亭桥村十四组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001019 (赤政林证字 (2011) 第001019号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	33.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 6. Wangfushan Village, Xindian Town, Chibi City (赤壁市新店镇望夫山村六组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001036 (赤政林证字 (2011) 第001036号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	23.60	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 13. Wangfushan Village, Xindian Town, Chibi City (赤壁市新店镇望夫山村十三组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001041 (赤政林证字 (2011) 第001041号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	15.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 14. Wangfushan Village, Xindian Town, Chibi City (赤壁市新店镇望夫山村十四组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2011) No. 001042 (赤政林证字 (2011) 第001042号)	Chibi People's Government (赤壁市人民政府)	Planting	2010-01-01 to 2059-12-31	14.60	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 4. Youling Village, Shenshan Town, Chibi City (赤壁市神山镇油岭村四组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001114 (赤政林证字 (2009) 第001114号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	166.70	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001115 (赤政林证字 (2009) 第001115号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	113.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001116 (赤政林证字 (2009) 第001116号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	397.90	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
Group 13. Youling Village, Shenshan Town, Chibi City (赤壁市神山镇油岭村十三组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001085 (赤政林证字 (2009) 第001085号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	89.10	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001086 (赤政林证字 (2009) 第001086号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	89.10	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Group 17, Youling Village, Shenshan Town, Chibi City (赤壁市神山镇油岭村十七组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001087 (赤壁林证字 (2009) 第001087号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	429.00	Mortgaged in favour of Chibi Rural Commercial Bank to secure the 2019 Fixed Assets Loan
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001088 (赤壁林证字 (2009) 第001088号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	72.90	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001089 (赤壁林证字 (2009) 第001089号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	144.20	None
Group 17, Youling Village, Shenshan Town, Chibi City (赤壁市神山镇油岭村十七组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001090 (赤壁林证字 (2009) 第001090号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	103.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001091 (赤壁林证字 (2009) 第001091号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	124.70	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001096 (赤壁林证字 (2009) 第001096号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	38.90	None
Group 5, Youling Village, Shenshan Town, Chibi City (赤壁市神山镇油岭村五组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001097 (赤壁林证字 (2009) 第001097号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	202.50	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001098 (赤壁林证字 (2009) 第001098号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	64.80	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001099 (赤壁林证字 (2009) 第001099号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	76.10	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001095 (赤政林证字 (2009) 第001095号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	210.60	None
Quankou-Forest Farm, Yupingshan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇御屏山村泉口-林场)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001163 (赤政林证字 (2009) 第001163号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	121.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001164 (赤政林证字 (2009) 第001164号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	101.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001165 (赤政林证字 (2009) 第001165号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	61.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001166 (赤政林证字 (2009) 第001166号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	115.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001167 (赤政林证字 (2009) 第001167号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	90.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001168 (赤政林证字 (2009) 第001168号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	62.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001169 (赤政林证字 (2009) 第001169号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	142.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000328 (赤政林证字 (2012) 第000328号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	56.00	None

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001171 (赤政林证字 (2009) 第001171号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	272.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001172 (赤政林证字 (2009) 第001172号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	21.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000329 (赤政林证字 (2012) 第000329号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	120.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001174 (赤政林证字 (2009) 第001174号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	180.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2009) No. 001175 (赤政林证字 (2009) 第001175号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	39.00	None
Group 11, Yupingshan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇御屏山村十一组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000330 (赤政林证字 (2012) 第000330号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	42.00	None
Group 6, Yupingshan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇御屏山村六组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000028 (赤政林证字 (2012) 第000028号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	47.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000026 (赤政林证字 (2012) 第000026号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	57.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000027 (赤政林证字 (2012) 第000027号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	24.00	None



**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
Group 7, Yupingshan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇御屏山村七组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000044 (赤政林证字 (2012) 第000044号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	101.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000045 (赤政林证字 (2012) 第000045号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	39.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000031 (赤政林证字 (2012) 第000031号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	17.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000030 (赤政林证字 (2012) 第000030号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	6.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000137 (赤政林证字 (2012) 第000137号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	20.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000143 (赤政林证字 (2012) 第000143号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	55.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000033 (赤政林证字 (2012) 第000033号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	2.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000035 (赤政林证字 (2012) 第000035号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	67.00	None
Group 8, Yupingshan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇御屏山村八组)							

**APPENDIX J – LIST OF FOREST/LAND USE RIGHTS**

Address/Location	Grantee	Title / Licence	Issuing Authority / Grantor	Usage	Tenure	Approximate land area (mu)	Encumbrances
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000034 (赤政林证字 (2012) 第000034号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	54.00	None
Group 9, Yupingshan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇御屏山村九组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000022 (赤政林证字 (2012) 第000022号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	50.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000024 (赤政林证字 (2012) 第000024号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	10.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000023 (赤政林证字 (2012) 第000023号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	60.00	None
	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 000021 (赤政林证字 (2012) 第000021号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	49.00	None
Group 5, Yupingshan Village, Guantangyi Town, Chibi City (赤壁市官塘驿镇御屏山村五组)	Xingnong Agriculture	Chi Zheng Lin Zheng Zi (2012) No. 0000135 (赤政林字 (2012) 第000135号)	Chibi People's Government (赤壁市人民政府)	Planting	2009-01-01 to 2058-12-31	25.00	None

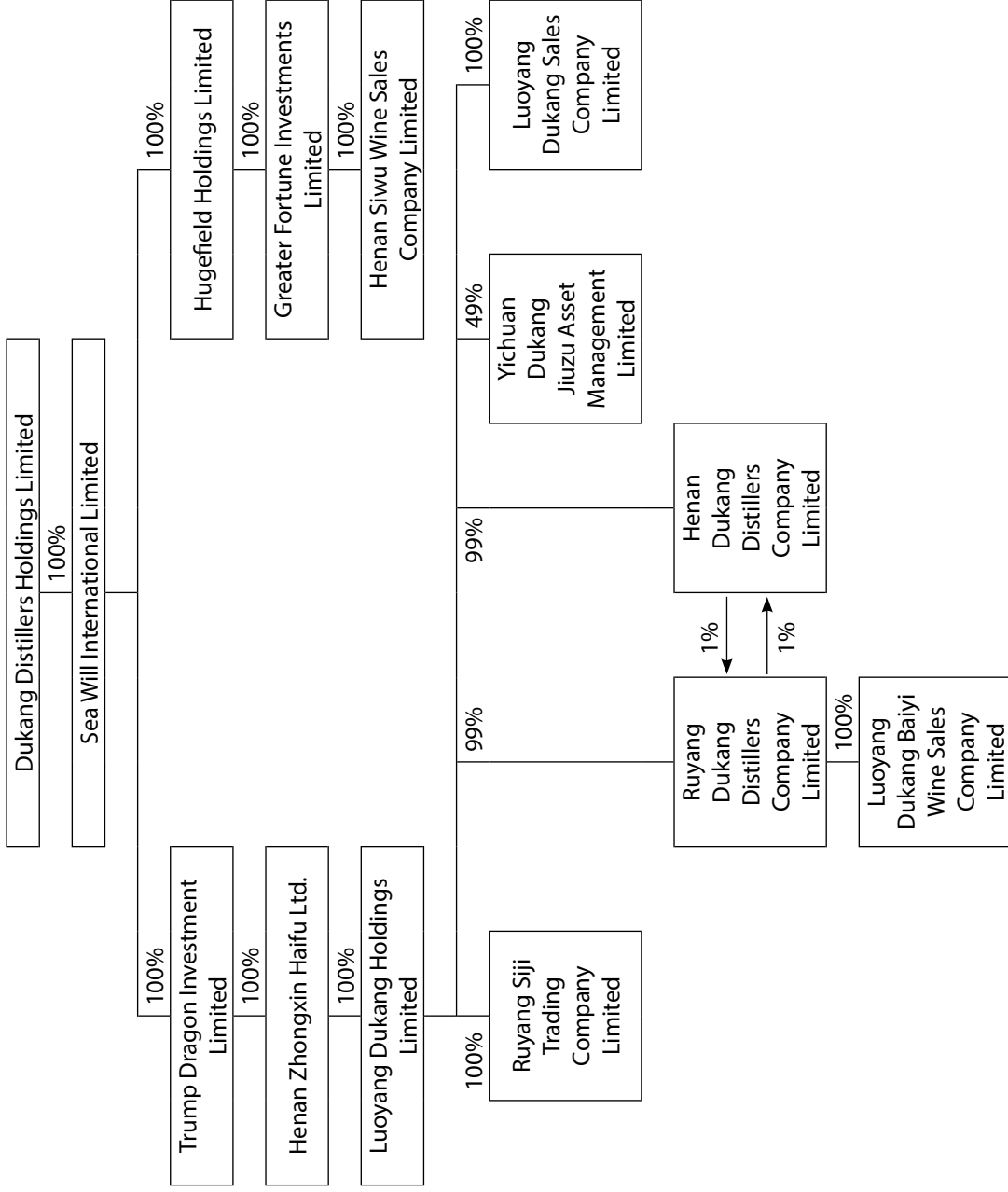
**Notes:**

- (1) Under the forest use agreements, failure by Xingnong Agriculture to pay the necessary fees for the use of forestry land to the contractee within the 1-year grace period stipulated under the forest use agreements will result in a right for the contractor to terminate the forest use agreements.
- (2) Some of the forestry land management rights were transferred to Xingnong Agriculture by the contractor. Pursuant to the Law of the PRC on Land Contract in Rural Areas (《中华人民共和国农村土地承包法》), the contractor shall not unilaterally terminate a contract for the circulation of land management rights, except where the transferee undertakes one of the following: (a) change in the purpose of the use of land designed for agriculture without authorization; (b) cease to cultivate and allow the land to lie fallow for two (2) consecutive years; (c) cause serious damage to the land or seriously damaging the ecological environment of the land; or (d) other serious breach of the contract.
- (3) If the above forest use rights are terminated due to the termination of the forest use agreements, the Kiwifruit Business may be adversely affected and this could have a material adverse effect on the business, financial condition, results of operations and prospects of Xingnong Agriculture.

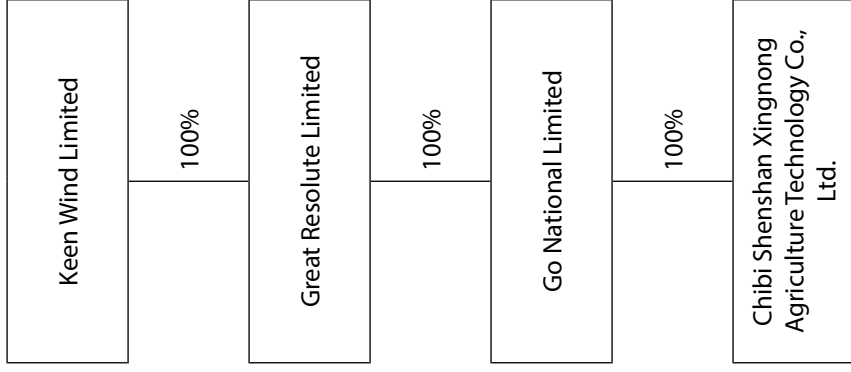
# APPENDIX K – DETAILED ILLUSTRATIONS OF THE PROPOSED TRANSACTIONS

## (I) Before the Proposed Transactions

### (a) Current Group



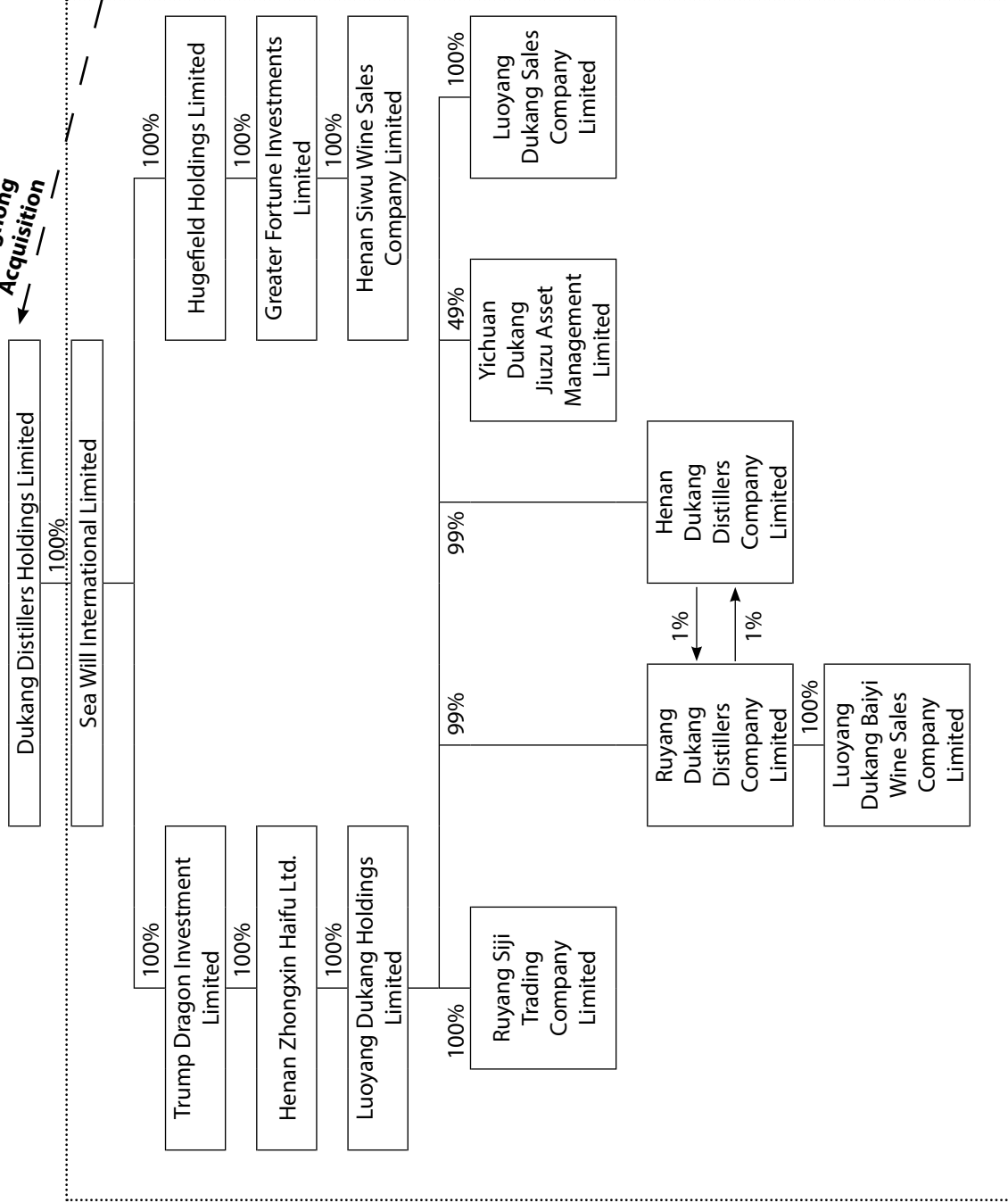
### (b) Vendor and the Xingnong Group



**APPENDIX K – DETAILED ILLUSTRATIONS OF THE PROPOSED TRANSACTIONS**

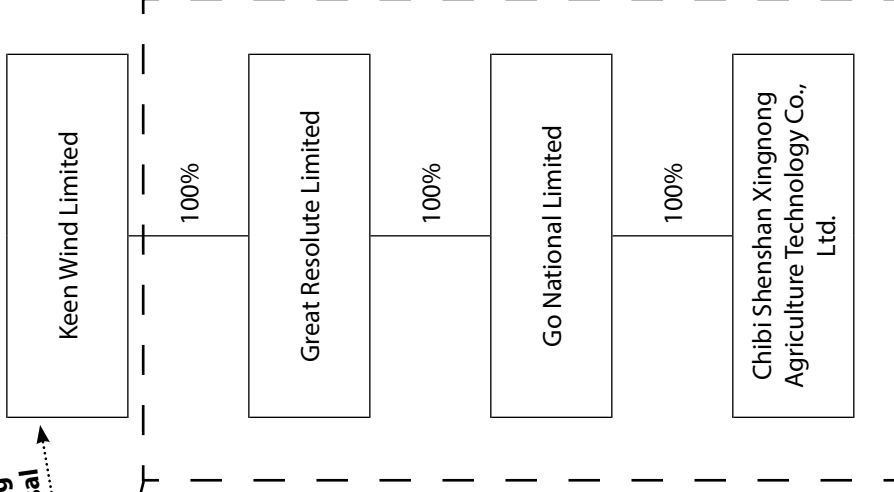
**(II) The Proposed Transactions**

**(a) Current Group**



**Dukang Disposal**

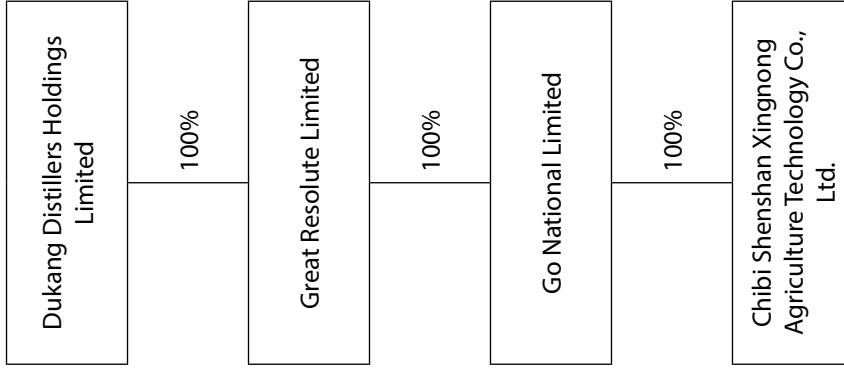
**(b) Vendor and the Xingnong Group**



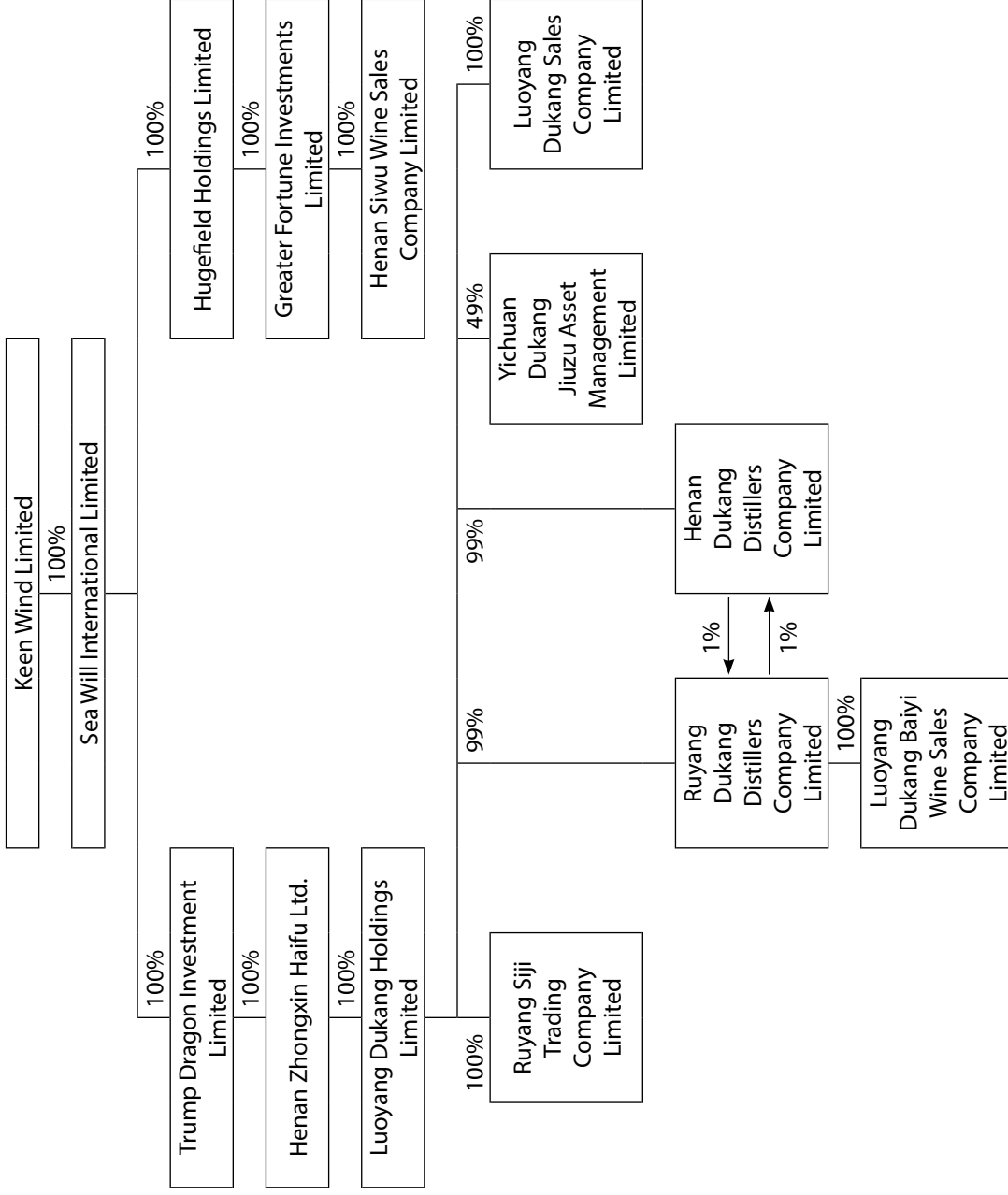
**APPENDIX K – DETAILED ILLUSTRATIONS OF THE PROPOSED TRANSACTIONS**

**(III) After the Proposed Transactions**

**(a) Restructured Group**



**(b) Vendor and the Dukang Group**



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## NOTICE OF SPECIAL GENERAL MEETING

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### DUKANG DISTILLERS HOLDINGS LIMITED

(Incorporated in Bermuda)  
(Company Registration No. 41457)

### NOTICE OF SPECIAL GENERAL MEETING

***Due to the COVID-19-related control and safe distancing measures put in place in Singapore, members of the Company should refer to the notes to this Notice of Special General Meeting for further details on how to attend the Special General Meeting.***

**NOTICE IS HEREBY GIVEN** that a **SPECIAL GENERAL MEETING (“SGM”)** of Dukang Distillers Holdings Limited (the **“Company”**) will be held at Minto Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 on Thursday, 6 May 2021 at 2.30 p.m., for the purpose of considering and, if thought fit, passing the following resolutions:

*All capitalised terms in this Notice which are not defined herein shall have the same meaning ascribed to them in the Circular to the Shareholders of the Company dated 31 March 2021, unless otherwise defined herein or where the context otherwise requires.*

#### **Shareholders should note that:**

- (a) **Each of Ordinary Resolutions 1 and 2 are inter-conditional upon each other (“Key Resolutions”); and**
- (b) **Ordinary Resolutions 3, 4, 11 and Special Resolutions 1 and 2 are conditional upon the passing of the Key Resolutions (“Conditional Resolutions”); and**
- (c) **Ordinary Resolution 11 is conditional upon the passing of Special Resolution 2.**

**This means that if any of the Key Resolutions is not passed, the other Key Resolution would not be passed, and if any of the Key Resolutions is not passed, the Conditional Resolutions would not be passed. If Special Resolution 2 is not passed, Ordinary Resolution 11 would not be passed. For the avoidance of doubt, the Key Resolutions are not subject to Special Resolution 2, and in the event that the Key Resolutions are passed and Special Resolution 2 is not passed, the Company will nonetheless proceed to complete the Xingnong Acquisition and the Dukang Disposal, and will continue to be listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (and appoint ZICO Capital Pte. Ltd. as its compliance advisor for a period of 3 years following Completion. There is no assurance that the Company will be successful in exiting the watch-list of the SGX-ST). Please refer to Section 3.6 entitled “Rule 1015(2) of the Main Board Rules” and Section 14.2(a) entitled “Watch-List Requirements” of this Circular for further information.**

#### **AS ORDINARY RESOLUTIONS**

##### **ORDINARY RESOLUTION 1: XINGNONG ACQUISITION**

THAT:-

- (a) subject to and contingent upon the passing of the Key Resolutions, approval be and is hereby given for the proposed acquisition (**“Xingnong Acquisition”**) by the Company of all the issued and fully-paid shares in Great Resolute Limited 宏堅有限公司 (**“GR”**), representing 100% of the equity interest in GR (as described in the circular dated 31 March 2021 issued by the Company in relation to the Xingnong Acquisition), from Keen Wind Limited (靈風有限公司) (**“Keen Wind”**), at the purchase consideration of RMB1,111,000,000 (equivalent to approximately S\$228,755,000) (**“Xingnong Acquisition Consideration”**) to be satisfied by the Netting-Off, on the terms and conditions set out in the acquisition and disposal agreement dated 17 November 2018 entered into between the Company and Keen Wind (as amended by the side letters entered between the Company and Keen Wind dated 15 November 2019 and 30 June 2020, and supplemental agreements dated 9 December 2020 and 30 March 2021) (the **“Agreement”**); and

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## NOTICE OF SPECIAL GENERAL MEETING

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- (b) that authority be and is hereby given to the Directors to:
- (i) to carry out and implement the Xingnong Acquisition in accordance with the Agreement; and
  - (ii) to complete and do all such acts and things, including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 1.

### ORDINARY RESOLUTION 2: DUKANG DISPOSAL

THAT:-

- (a) subject to and contingent upon the passing of the Key Resolutions, approval be and is hereby given for the proposed disposal ("**Dukang Disposal**") by the Company of all the issued and fully-paid shares in Sea Will International Limited ("**Sea Will**") (as described in the circular dated 31 March 2021 issued by the Company in relation to the Dukang Disposal), to Keen Wind, at the purchase consideration of RMB1,111,000,000 (equivalent to approximately S\$228,755,000) ("**Dukang Disposal Consideration**") to be satisfied by the Netting-Off, on the terms and conditions set out in the Agreement; and
- (b) that authority be and is hereby given to the Directors to:
- (i) to carry out and implement the Dukang Disposal in accordance with the Agreement; and
  - (ii) to complete and do all such acts and things, including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 2.

### ORDINARY RESOLUTION 3: APPOINTMENT OF HU CHAO AS DIRECTOR

THAT subject to and contingent upon the passing of the Key Resolutions and Completion taking place, Hu Chao be and is hereby appointed as a director of the Company with effect from Completion, to hold office in accordance with the Bye-laws of the Company.

*[See Explanatory Note (i)]*

### ORDINARY RESOLUTION 4: APPOINTMENT OF ZHAO CHICHUN AS DIRECTOR

THAT subject to and contingent upon the passing of the Key Resolutions and Completion taking place, Zhao Chichun be and is hereby appointed as a director of the Company with effect from Completion, to hold office in accordance with the Bye-laws of the Company.

*[See Explanatory Note (i)]*

### RE-ELECTION OF MR. TAN SIOK SING AS DIRECTOR

### ORDINARY RESOLUTION 5:

THAT, subject to and contingent upon the passing of Ordinary Resolution 6, Mr. Tan Siok Sing, who is retiring from office under Bye-Law 86(1) of the Bye-Laws of the Company and Rule 720(5) of the Listing Manual ("**Listing Manual**") of the SGX-ST and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

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## NOTICE OF SPECIAL GENERAL MEETING

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### **ORDINARY RESOLUTION 6:**

THAT, subject to and contingent upon the passing of Ordinary Resolution 5, the re-election and continued appointment of Mr. Tan Siok Sing as a director of the Company, who, being eligible, offers himself for re-election, for a period ending on the earlier of the following: (a) the retirement or resignation of Mr. Tan Siok Sing as a director; or (b) the conclusion of the third annual general meeting of the Company following the passing of this Ordinary Resolution 6, be and is hereby approved.

*[See Explanatory Note (i)]*

*Mr. Tan Siok Sing will, upon re-election as a Director of the Company, also be appointed as the Non-Executive Chairman, and will remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Board of Directors of the Company and will be considered independent for the purposes of Rule 704(8) and Rule 210(5)(d)(iii) (which takes effect on 1 January 2022) of the Listing Manual.*

### **RE-ELECTION OF MR. HO TECK CHEONG AS DIRECTOR**

### **ORDINARY RESOLUTION 7:**

THAT, subject to and contingent upon the passing of Ordinary Resolution 8, Mr. Ho Teck Cheong, who is retiring from office under Bye-Law 86(1) of the Bye-Laws of the Company and Rule 720(5) of the Listing Manual, and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

### **ORDINARY RESOLUTION 8:**

THAT, subject to and contingent upon the passing of Ordinary Resolution 7 the re-election and continued appointment of Mr. Ho Teck Cheong as a director of the Company, who, being eligible, offers himself for re-election, for a period ending on the earlier of the following: (a) the retirement or resignation of Mr. Ho Teck Cheong as a director; or (b) the conclusion of the third annual general meeting of the Company following the passing of this Ordinary Resolution 8, be and is hereby approved.

*[See Explanatory Note (i)]*

*Mr. Ho Teck Cheong will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee of the Board of Directors of the Company and will be considered independent for the purposes of Rule 704(8) and Rule 210(5)(d)(iii) (which takes effect on 1 January 2022) of the Listing Manual.*

### **RE-ELECTION OF MR. CHIA SENG HEE AS DIRECTOR**

### **ORDINARY RESOLUTION 9:**

THAT, subject to and contingent upon the passing of Ordinary Resolution 10, Mr. Chia Seng Hee, who is retiring from office under Bye-Law 86(1) of the Bye-Laws of the Company and Rule 720(5) of the Listing Manual, and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

### **ORDINARY RESOLUTION 10:**

THAT, subject to and contingent upon the passing of Ordinary Resolution 9 the re-election and continued appointment of Mr. Chia Seng Hee as a director of the Company, who, being eligible, offers himself for re-election, for a period ending on the earlier of the following: (a) the retirement or resignation of Mr. Chia Seng Hee as a director; or (b) the conclusion of the third annual general meeting of the Company following the passing of this Ordinary Resolution 10, be and is hereby approved.

*[See Explanatory Note (i)]*



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## NOTICE OF SPECIAL GENERAL MEETING

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*Mr. Chia Seng Hee will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and the Remuneration Committee, and a member of the Audit Committee of the Board of Directors of the Company and will be considered independent for the purposes of Rule 704(8) and Rule 210(5)(d)(iii) (which takes effect on 1 January 2022) of the Listing Manual.*

### **ORDINARY RESOLUTION 11: AUTHORITY TO ALLOT AND ISSUE SHARES**

THAT subject to and contingent upon the passing of the Key Resolutions and Special Resolution 2, and pursuant to the Bye-Laws of the Company and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to:-

- (a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of such authority or thereafter, including, but not limited to, the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and issue Shares in pursuance of any Instruments made or granted by the Directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Ordinary Resolution 11), provided that:

- (1) the aggregate number of Shares issued pursuant to such authority (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this authority but excluding Shares which may be issued pursuant to any adjustments ("**Adjustments**") effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company for the time being) shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), and provided further that the aggregate number of Shares to be issued other than on a pro-rata basis to existing Shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority but excluding Shares which may be issued pursuant to any Adjustments effected under any relevant Instrument) does not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed after adjusting for:-
  - (i) new Shares arising from the conversion or exercise of any convertible securities;
  - (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Ordinary Resolution 11, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
  - (iii) any subsequent bonus issue, consolidation or sub-division of Shares.
- (3) in exercising the authority conferred by this Ordinary Resolution 11, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Bermuda Companies Act and the Bye-Laws for the time being of the Company; and

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## NOTICE OF SPECIAL GENERAL MEETING

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- (4) unless revoked or varied by the Company in general meeting by ordinary resolution, the authority conferred by this Resolution shall commence upon the transfer of the Company from Main Board to the Catalist becoming effective and shall continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

*[See Explanatory Note (ii)]*

### AS SPECIAL RESOLUTIONS

#### **SPECIAL RESOLUTION 1: CHANGE OF NAME OF THE COMPANY FROM “DUKANG DISTILLERS HOLDINGS LIMITED” TO “CHINA SHENSHAN ORCHARD HOLDINGS CO. LTD.” AND ADOPTION OF “中国神山果农控股有限公司” AS THE SECONDARY NAME OF THE COMPANY**

THAT subject to and contingent upon the passing of the Key Resolutions and subject to Completion taking place and the Company having obtained the approval of the Registrar of Companies in Bermuda:

- (a) the name of the Company be changed from “Dukang Distillers Holdings Limited” to “China Shenshan Orchard Holdings Co. Ltd.” and, in connection therewith, the Chinese name of “中国神山果农控股有限公司” be adopted and registered in Bermuda as the new secondary name of the Company (“**Name Change**”); and
- (b) the Directors or any one of them be and is hereby authorised to complete and do all such acts and things (including to execute such documents and to make such filings with the Registrar of Companies in Bermuda to effect the Name Change) as they/he/she may consider expedient, necessary, desirable, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Special Resolution 1.

#### **SPECIAL RESOLUTION 2: THE PROPOSED TRANSFER OF THE COMPANY’S LISTING FROM MAIN BOARD TO CATALIST**

THAT subject to and contingent upon the passing of the Key Resolutions:

- (a) approval be and is hereby given for the Company to be transferred from Main Board to the Catalist; and
- (b) the Directors and each of them be and are hereby authorised to complete and do all acts and things (including executing all such documents as may be required in connection with the Proposed Listing Transfer) and exercise such discretion as the Director(s) may in their or his absolute discretion deem fit, advisable or necessary to give full effect to this Resolution and the Proposed Listing Transfer.

### **BY ORDER OF THE BOARD**

Dukang Distillers Holdings Limited

Ho Hin Yip  
Toh Li Ping, Angela  
Company Secretaries  
31 March 2021

### **IMPORTANT: PLEASE READ NOTES CAREFULLY**

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## NOTICE OF SPECIAL GENERAL MEETING

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### Explanatory Notes:

- (i) The information relating to Mr. Hu Chao, Mr. Zhao Chichun, Mr. Tan Siok Sing, Mr. Ho Teck Cheong and Mr. Chia Seng Hee, as required under Rule 720(6) of the Listing Manual of the SGX-ST is set out in the Appendix to the Notice of Special General Meeting.

The Ordinary Resolutions 5, 6, 7, 8, 9 and 10 proposed above are to seek approval from the shareholders via a two-tier voting process for each of Mr. Tan Siok Sing, Mr. Ho Teck Cheong and Mr. Chia Seng Hee to continue in office as a director of the Company for a three-year term, with effect from the passing of these resolutions proposed at the SGM, until the conclusion of the third annual general meeting of the Company following the passing of these resolutions. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual (which takes effect on 1 January 2022), a director will not be independent if he has been a director for an aggregate period of more than nine (9) years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer. For the purpose of the resolution referred to in (B), the directors and the chief executive officer of the issuer, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions may remain in force until the earlier of the following: (X) the retirement or resignation of the director; or (Y) the conclusion of the third annual general meeting of the issuer following the passing of the resolutions. In accordance with Rule 210(5)(d)(iii), the Directors and the Chief Executive Officer of the Company and their respective associates (as defined in the Listing Manual) will not vote on Ordinary Resolutions 6, 8 and 10 and will not accept appointment as proxies to vote on such resolutions unless specific instructions as to voting are given.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time in order to maintain the stability of the Board, and the Board expects to replace two (2) incumbent Independent Directors with new Independent Directors within five (5) months from completion.

The Nominating Committee of the Board of Directors of the Company and the Board have determined that each of Mr. Tan Siok Sing, Mr. Ho Teck Cheong and Mr. Chia Seng Hee remain objective and independent minded in Board deliberations. Their vast experience enable them to provide the Board and the various committees of the Board of Directors of the Company on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service do not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interests of the Company. Additionally, each of Mr. Tan Siok Sing, Mr. Ho Teck Cheong and Mr. Chia Seng Hee fulfil the definition of independent directors of the Listing Manual and the Code of Corporate Governance 2018. More importantly, the Board trusts that each of Mr. Tan Siok Sing, Mr. Ho Teck Cheong and Mr. Chia Seng Hee is able to continue to discharge his duties independently with integrity and competence and that it would be most effective to draw on the appropriate competencies and diversity of experience from the longer serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required.

- (ii) The Ordinary Resolution 11 proposed above, if passed, will empower the Directors from the date on which the transfer of the Company from Main Board to the Catalist becoming effective until the date of the next annual general meeting, to allot and issue Shares and convertible securities in the Company. The aggregate number of Shares and convertible securities, which the Directors may allot and issue under this Ordinary Resolution 11 shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing this Ordinary Resolution 11. For allotment and issue of Shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares). This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting.

### Notes:

#### 1. Physical Meeting with Alternative Arrangements

The SGM will be held at Minto Room, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 ("**Physical Meeting**") pursuant to the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period and checklist jointly issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020 and last updated on 1 October 2020 ("**Joint Issued Checklist**"), which is based on the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Shareholders and investors holding Shares in the Company through the Supplementary Retirement Scheme ("**SRS**") ("**SRS investors**") may attend the Physical Meeting subject to a limit of attendees. Please refer to Note 3 below for further details on the Physical Meeting.

Arrangements have been put in place to allow Shareholders and SRS investors to participate in the SGM via the live audio-visual webcast and live audio-only stream of such proceedings ("**Live Webcast**") and raising questions via an online chat box function during the Live Webcast. Those who wish to participate in this manner will have to pre-register.

Arrangements have also been put in place to permit Shareholders and SRS investors to submit their questions ahead of the SGM.

**There will not be real-time remote electronic voting at the Physical Meeting and all Shareholders and SRS Investors attending the Physical Meeting in person, or participating in the SGM via the Live Webcast, will be required to appoint the Chairman of the SGM as their proxy to cast their votes on their behalf. Please see Note 6 below for further information on by voting by proxy.**

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## NOTICE OF SPECIAL GENERAL MEETING

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### 2. Pre-registration Requirements (applicable to all Shareholders and SRS Investors)

All Shareholders and SRS investors who wish to attend the Physical Meeting or participate in the SGM proceedings via a Live Webcast are required to pre-register at the Company's website at the following URL <https://events.rajahtann.com/DukangSGM> which will be available from 5 April 2021 till 3 May 2021, 2.30 p.m. ("**Registration Cut-Off Time**") to enable the Company to verify their status as Shareholders.

Shareholders and SRS investors who have pre-registered by the Registration Cut-Off Time but fail to receive any confirmation email in relation to the Physical Meeting or successfully the Live Webcast on 5 May 2021 should immediately contact Rajah & Tann Singapore LLP at [dukung.sgm2021@rajahtann.com](mailto:dukung.sgm2021@rajahtann.com), with the following details included: (a) the full name of the shareholder; and (b) his/her/its identification/registration number.

### 3. Details of the Physical Meeting

**Due to the current COVID-19 restriction orders in Singapore, the Company is not permitted to accommodate more than 20 attendees at the Physical Meeting. There will not be real-time remote electronic voting at the Physical Meeting.**

This limit for in-person attendees at the Physical Meeting may be subject to change taking into account any regulations, directives, measures or guidelines that may be issued by any government and regulatory agency in light of the COVID-19 situation from time to time. Due to the limit on the number of attendees who can attend the SGM in person, no observers will be allowed.

Pre-registration for in-person attendance is on a "first come first served" basis. Once the limit on the number of attendees who can attend the SGM in person is reached, this will be indicated on the pre-registration website and Shareholders/SRS investors will not be able to pre-register their attendance. Shareholders/SRS investors who are not able to pre-register their attendance are encouraged to register to participate via the Live Webcast.

All persons attending the Physical Meeting will be required to undergo a temperature check and sign a health declaration form (which may also be used for the purposes of contact tracing, if required) and any person who has a fever or is exhibiting flu-like symptoms will be declined entry to the Physical Meeting.

Shareholders, SRS investors and other attendees who are feeling unwell on the date of the SGM are advised not to attend the Physical Meeting. Shareholders and other attendees are also advised to arrive at the SGM venue at least 15 minutes prior to the time of the SGM given that the abovementioned measures may cause delay in the registration process.

Notwithstanding that up to 20 Shareholders and SRS investors are permitted to attend the Physical Meeting, Shareholders and SRS Investors are strongly encouraged to participate in the SGM proceedings online via the Live Webcast.

To reduce contact, save for bottled water, no gift vouchers, food and beverages will be provided at the SGM.

**Successful authenticated Shareholders and SRS investors:** Following the verification by the Company, authenticated Shareholders and SRS investors who are successful in the pre-registration for the Physical Meeting will by 5 May 2021 receive:

- (a) a confirmation email for the Physical Meeting containing details as well as instructions on attending the Physical Meeting ("**Confirmation Email for Physical Meeting**"); and
- (b) a confirmation email containing unique link as well as instructions on how to access the Live Webcast of the SGM proceedings and submit questions during the SGM via the online chat box ("**Confirmation Email for Electronic Participation**"). This can be used to participate in the SGM proceedings via the Live Webcast in the event the Shareholder or SRS investor (who was successfully authenticated) is unable to attend the Physical Meeting for unforeseen reasons. Please refer to Note 4 below for further details on participating in the SGM proceedings via the Live Webcast.

Shareholders and SRS investors who have received the Confirmation Email for Physical Meeting will be required to bring their original NRIC/Passport for registration on the day of the SGM. Shareholders and SRS investors who did not receive the Confirmation Email for Physical Meeting will not be allowed entry into the Physical Meeting.

**Unsuccessful authenticated Shareholders and SRS investors:** Following the verification by the Company, authenticated Shareholders and SRS investors who are unsuccessful in the pre-registration for the Physical Meeting due to, *inter alia*, excess demand will by 2.30 p.m. on 5 May 2021 receive the Confirmation Email for Electronic Participation.

### 4. Details of Participation in SGM proceedings via Live Webcast

Shareholders and SRS investors participating in the SGM proceedings via Live Webcast will be able to watch and/or listen to the SGM proceedings through a live audio-visual webcast or live audio-only stream via their mobile phones, tablets or computers, and raise questions as set out in the next note.

### 5. Submission of questions prior to SGM and opportunity to raise questions during SGM

Shareholders and SRS investors who wish to ask questions should note the following:

- (a) if attending the Physical Meeting, Shareholders and SRS investors will be able to raise questions at the Physical Meeting;
- (b) if participating in the SGM proceedings via Live Webcast, Shareholders and SRS investors will be able to ask questions at the SGM live during the live audio-visual webcast via the online chat box function; and

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## NOTICE OF SPECIAL GENERAL MEETING

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- (c) Shareholders and SRS investors are also **strongly encouraged** to submit questions related to the resolutions to be tabled for approval at the SGM to the Chairman of the SGM, in advance of the SGM.

In order for Shareholders and SRS investors to submit questions in advance of the SGM, the questions must be submitted in the following manner by 3 May 2021, 2.30 p.m.:

- (i) in physical copy by depositing the same at the office of the Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or
- (ii) via email to [dukang0sgm2021@boardroomlimited.com](mailto:dukang0sgm2021@boardroomlimited.com).

Shareholders and SRS investors who submit questions via email must provide the following information for authentication:

- (1) the Shareholder's full name;
- (2) the Shareholder's address; and
- (3) the manner in which the Shareholder holds Shares in the Company (e.g., via CDP or SRS).

If the questions are deposited in physical copy at the above address or via email, and in either case not accompanied by the completed and executed proxy form, the following details must be included with the submitted questions for verification purposes, failing which the submission will be treated as invalid: (i) the member's full name; and (ii) his/her/its identification or registration number.

The Company will endeavour to address all questions submitted in advance of the SGM, prior to or during the SGM, and the Company will publish the responses to those questions which are not addressing during the SGM, on the Company's website and on SGXNET prior to the SGM. The Company will publish the minutes of the SGM on the Company's website and on SGXNET, and the minutes will include the responses to the questions which are addressed during the SGM.

### 6. Voting by Proxy only

- (a) In view of the current COVID-19 situation and pursuant to the Joint Issued Checklist, voting at the SGM may only be carried out by proxy and only the Chairman of the SGM may be appointed as proxy.
- (b) If a Shareholder (whether individual or corporate) who is not a Depositor wishes to exercise his/her/its voting rights at the SGM, he/she/it must appoint the Chairman of the SGM as his/her/its proxy to vote on his/her/its behalf at the SGM, and must complete and sign the proxy form despatched to Shareholders who are not Depositors (the "**Shareholder Proxy Form**") and deposit the duly completed Shareholder Proxy Form at the office of the Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623, no later than 2.30 p.m. on 4 May 2021 (being not less than 48 hours before the time fixed for the SGM).
- The Shareholder Proxy Form must be submitted by depositing a physical copy at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623 no later than 2.30 p.m. on 4 May 2021, and failing which, the Proxy Form will not be treated as valid.
- (c) A Depositor (whether individual or corporate) registered and holding Shares through the CDP who wishes to exercise his/her/its voting rights at the SGM, must complete, sign and return the proxy form which is despatched together with this Circular to Depositors (the "Depositor Proxy Form") completed by CDP in accordance with the instructions printed thereon and deposit the duly completed Depositor Proxy Form at the office of the Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623, no later than 2.30 p.m. on 4 May 2021 (being not less than 48 hours before the time fixed for the SGM).
- (d) In the case of Depositors whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form lodged if they are not shown to have Shares entered against their names in the Depository Register (as defined in Part IIIA of the Securities and Futures Act, Chapter 289 of Singapore), as at 48 hours before the time appointed for holding this SGM as certified by The Central Depository (Pte) Limited to the Company.
- (e) The Company shall be entitled to reject the Depositor Proxy Form or the Shareholder Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the Depositor or Shareholder are not ascertainable from the instructions of the Depositor or Shareholder specified in the Depositor Proxy Form or the Shareholder Proxy Form (as the case may be).
- (f) The completion and return of the Depositor Proxy Form or the Shareholder Proxy Form will not prevent a Depositor or a Shareholder from attending and voting in person at the Physical Meeting if he/she wishes to do so, in place of his/her proxy, subject to the prevailing laws and regulations in Singapore in relation to COVID-19-related control and safe distancing measures and the limitations set out in Note 3 above.
- (g) The Chairman of the SGM, as proxy, need not be a member of the Company.
- (h) The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

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## NOTICE OF SPECIAL GENERAL MEETING

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- (i) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the SGM.
- (j) In the absence of specific voting directions for any resolutions set out in the Shareholder Proxy Form and Depositor Proxy Form (as the case may be), the appointment of the Chairman as proxy for that resolution will be treated as invalid.

### 7. Relevant Intermediaries

Persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) (other than SRS investors), and who wish to participate in the SGM by (a) attending the Physical Meeting; (b) observing and/or listening to the SGM proceedings through live audio-visual webcast or live audio-only stream; (c) submitting questions in advance of the SGM; (d) submitting questions during the SGM via the online chat box and/or (e) appointing the Chairman of the SGM as proxy to attend, speak and vote on their behalf at the SGM, should contact the relevant intermediary through which they hold such Shares as soon as possible in order to make the necessary arrangements for them to participate in the SGM.

In addition, SRS investors who wish to appoint the Chairman of the SGM as proxy should approach their respective SRS Operators to submit their votes by 26 April 2021, 2.30 p.m., being seven (7) working days before the date of the SGM.

### 8. Other Details

- (a) Any reference to a time of day is made by reference to Singapore time.
- (b) The Circular may be accessed at the Company's website at the URL <https://www.ddhlimited.com>.
- (c) Due to the COVID-19 situation in Singapore, the Company may be required to change the arrangements for the SGM at short notice. Shareholders should check the Company's website at the URL <https://www.ddhlimited.com> for the latest updates on the status of the SGM.

### **Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the SGM and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of (i) the processing and administration by the Company (or its agents) of proxy forms appointing the Chairman of the SGM as proxy for the SGM (including any adjournment thereof), (ii) the processing of the pre-registration for purposes of granting access to Shareholders (or their corporate representatives in the case of Shareholders which are legal entities) to the Physical Meeting or participation in the SGM via electronic means, and providing them with any technical assistance where necessary, (iii) addressing questions from Shareholders and SRS investors received before the SGM and if necessary, following up with the relevant Shareholders and SRS investors in relation to such questions, (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the SGM (including any adjournment thereof), and (v) in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of such warranty.

**APPENDIX TO NOTICE OF SPECIAL GENERAL MEETING  
ADDITIONAL INFORMATION ON THE PROPOSED DIRECTORS**

Pursuant to Rule 720(6) of the Listing Manual, the information related to (a) Mr. Hu Chao and Mr. Zhao Chichun (who is to be appointed for the first time under Ordinary Resolutions 3 and 4 as set out in the Notice of SGM); and (b) Mr. Tan Siok Sing, Mr. Ho Teck Cheong, and Mr. Chia Seng Hee (who is to be re-elected under Ordinary Resolutions 5, 6, 7, 8, 9 and 10 as set out in the Notice of SGM) as set out in Appendix 7.4.1 of the Listing Manual is set out below:

The information below is to be read in conjunction with the information disclosed in **Sections 9.6 to 9.9** of the Circular.

	<b>Hu Chao</b>	<b>Zhao Chichun ("David Zhao")</b>	<b>Tan Siok Sing (Calvin) ("Calvin Tan")</b>	<b>Ho Teck Cheong</b>	<b>Chia Seng Hee, Jack ("Jack Chia")</b>
Date of Appointment	Subject to the approval by shareholders, with effect from the date of SGM.	Subject to the approval by shareholders, with effect from the date of SGM.	26 June 2008	1 April 2011	26 June 2008
Date of last re-appointment (if applicable)	Not applicable	Not applicable	26 October 2018	30 October 2020	26 October 2018
Age	49	51	66	62	60
Country of principal residence	China	China	Singapore	Hong Kong	Singapore
The Board's comments on this appointment / re-election	The Board having considered (i) the recommendation of the Nominating Committee (" <b>NC</b> "); and (ii) Mr. Hu Chao's qualifications and experience, is of the view that Mr. Hu Chao has the requisite experience and capabilities to assume the responsibilities of Executive Director and Chief Executive Officer (" <b>CEO</b> ") of the Company.	The Board having considered (i) the recommendation of the NC; and (ii) Mr. David Zhao's qualifications and experience, is of the view that Mr. David Zhao has the requisite experience and capabilities to assume the responsibilities of Executive Director of the Company.	Please refer to pages Section 6 of the Circular for the NC's views on the re-election.  The Board supported the NC's recommendation.  Mr. Calvin Tan had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.	Please refer to pages Section 6 of the Circular for the NC's views on the re-election.  The Board supported the NC's recommendation.  Mr. Ho Teck Cheong had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.	Please refer to pages Section 6 of the Circular for the NC's views on the re-election.  The Board supported the NC's recommendation.  Mr. Jack Chia had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr. Hu Chao will be responsible for the overall business direction and strategy of the Company and its subsidiaries. Mr. Hu Chao shall also be the Legal Representative of Chibi Shenshan Xingnong Agriculture Technology Co., Ltd. (" <b>Xingnong Agriculture</b> ").	Executive. Mr. David Zhao will oversee the Company's sales and marketing functions, as well as investor relations, and shall be a Director of Xingnong Agriculture.	Non-Executive.	Non-Executive.	Non-Executive.

**APPENDIX TO NOTICE OF SPECIAL GENERAL MEETING  
ADDITIONAL INFORMATION ON THE PROPOSED DIRECTORS**

	<b>Hu Chao</b>	<b>Zhao Chichun ("David Zhao")</b>	<b>Tan Siok Sing (Calvin) ("Calvin Tan")</b>	<b>Ho Teck Cheong</b>	<b>Chia Seng Hee, Jack ("Jack Chia")</b>
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and CEO of the Company and Legal Representative of Xingnong Agriculture	Executive Director	Non-Executive Chairman and a member of the Audit Committee, Nominating Committee and Remuneration Committee.	Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.	Independent Director, Chairmen of the Nominating Committee and Remuneration Committee, and a member of the Audit Committee
Professional qualifications	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Hu Chao set out in <b>Section 9.6</b> of the Circular.	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Zhao Chichun set out in <b>Section 9.6</b> of the Circular.	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Calvin Tan set out in <b>Section 9.6</b> of the Circular.	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Ho Teck Cheong set out in <b>Section 9.6</b> of the Circular.	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Jack Chia set out in <b>Section 9.6</b> of the Circular.
Working experience and occupation(s) during the past 10 years					
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer – Yes / No	Yes	Yes	Yes	Yes	Yes
Other Principal Commitments*	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Hu Chao set out in <b>Section 9.6</b> of the Circular.	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Zhao Chichun set out in <b>Section 9.6</b> of the Circular.	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Calvin Tan set out in <b>Section 9.6</b> of the Circular.	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Ho Teck Cheong set out in <b>Section 9.6</b> of the Circular.	Please refer to the information on business and working experience, educational and professional qualifications of Mr. Jack Chia set out in <b>Section 9.6</b> of the Circular.



**APPENDIX TO NOTICE OF SPECIAL GENERAL MEETING  
ADDITIONAL INFORMATION ON THE PROPOSED DIRECTORS**

	<b>Hu Chao</b>	<b>Zhao Chichun ("David Zhao")</b>	<b>Tan Siok Sing (Calvin) ("Calvin Tan")</b>	<b>Ho Teck Cheong</b>	<b>Chia Seng Hee, Jack ("Jack Chia")</b>
Other Directorships for the past 5 years	Please refer to the disclosures in <b>Section 9.9</b> of the Circular.	Please refer to the disclosures in <b>Section 9.9</b> of the Circular.	Please refer to the disclosures in <b>Section 9.9</b> of the Circular.	Please refer to the disclosures in <b>Section 9.9</b> of the Circular.	Please refer to the disclosures in <b>Section 9.9</b> of the Circular.
Other Present Directorships	Disclosure applicable to appointment of Director only				
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Please refer to the disclosure on Mr. Hu Chao set out in <b>Section 9.6</b> of the Circular.	Please refer to the disclosure on Mr. Zhao Chichun set out in <b>Section 9.6</b> of the Circular.	Not applicable	Not applicable	Not applicable
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).					

Please refer to Section 9.13 for more information relating to the information on declaration items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the above Directors.

*\*The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*