

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

PROPOSED ACQUISITION BY THE COMPANY OF ALL THE ISSUED AND PAID UP SHARE CAPITAL IN MMJV PTE. LTD.

1. INTRODUCTION

The Board of Directors (the “**Board**”) of China Hongxing Sports Limited (the “**Company**”) wishes to announce that the Company has on 25 March 2019 entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Mining and Minerals Industries Holding Pte. Ltd. (the “**Vendor**”), pursuant to which the Company shall acquire (the “**Proposed Transaction**”) all of the issued and paid-up share capital in MMJV Pte. Ltd. (the “**Target Company**”).

The Proposed Transaction if undertaken and completed, is expected to result in a reverse takeover of the Company under Rule 1015 of the Listing Rules of the SGX-ST and will be subject to the approval of the Shareholders.

2. INFORMATION RELATING TO THE VENDOR AND THE TARGET COMPANY

2.1 The Vendor

The Vendor is an investment holding company and holds 100% of the issued and paid-up share capital of the Target Company and Mining and Minerals Investment Holding Pte. Ltd. (“**MMIHPL**”).

2.2 The Target Company

The Target Company is a Singapore company incorporated on 22 March 2019.

The Target Company will be the holding company of two (2) joint venture companies (the “**JVs**”) which shall be incorporated within three (3) months from the date of the Sale and Purchase Agreement (the “**Incorporation Date**”). Each of the JVs will respectively own the following gold mine concessions (the “**Gold Mine Concessions**”) located in the Philippines:

- (a) the gold mine project comprising 3619.10 hectares located in the towns of Cordon and Diadi in the provinces of Isabela and Nueva Vizcaya, Philippines (“**Project 1**”) pursuant to the joint venture agreement dated 19 December 2018 between KC Development Phils., Inc. and MMIHPL (“**JVA1**”); and
- (b) with the gold mine project comprising 761.4009 hectares located in the province of Misamis Oriental, Philippines (“**Project 2**”), pursuant to the joint venture agreement dated 6 March 2019 between Wolfland Resources Inc, and MMIHPL (“**JVA2**”),

(JVA1 and JVA2, collectively the “**JV Agreements**”). It is a condition precedent in the Sale and Purchase Agreement that the rights, title and obligations of MMIHPL in and to the respective JV Agreements be novated to the Target Company pursuant to Deed of Novation 1 (as defined

below) and Deed of Novation 2 (as defined below).

3. RATIONALE FOR THE PROPOSED TRANSACTION

- 3.1 As announced by the Company on 25 May 2018, following the disposal of the entire issued and paid-up capital of Profitstart Group Limited, the Company has ceased to have any ongoing operating business and is deemed to be a cash company as defined under Rule 1018 of the Listing Rules of the SGX-ST as the Company's assets currently consist substantially of cash.
- 3.2 Accordingly, the Proposed Transaction would allow the Company to apply to the SGX-ST for an extension of time and removal of its cash company status pursuant to Rule 1018(2) of the Listing Rules of the SGX-ST. The Board therefore believes that the Proposed Transaction will provide an opportunity for the Company to remain listed and to acquire a new business that has potential for growth.

4. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

Based on the Sale and Purchase Agreement, the principal terms of the Proposed Transaction are as follows:

4.1 Sale and Purchase

Subject to and on the terms and conditions of the Sale and Purchase Agreement, the Vendor shall sell to the Company, and the Company shall acquire from the Vendor the entire share capital of the Target Company (the "**Sale Shares**") free and clear of all encumbrances and together with all rights, title and interest attaching thereto as at the date falling no later than seven (7) business days after the later of the satisfaction or waiver of the conditions precedents or such other later date as the Vendor and the Company may agree in writing (the "**Completion Date**"), including the right to receive all dividends and other distributions declared, paid or made thereon thereafter.

4.2 Consideration, Consideration Shares and Issue Price

Based on the Proposed Transaction Bases (as defined below) and subject only to the Agreed Adjustments (as defined in the Sale and Purchase Agreement), the consideration payable by the Company to the Vendor for the Target Company (the "**Consideration**") shall be the lower of:

- (a) S\$100 million; and
- (b) the valuation set out in the Independent Qualified Person's Valuation Report less the discount rate (the "**Discount Rate**") which shall be at a reasonable rate to be mutually agreed between the parties prior to the Completion Date.

The Consideration shall be satisfied by way of allotment and issuance of such number of new ordinary shares in the capital of the Company (the "**Consideration Shares**") at an issue price of S\$0.00357 per Consideration Share ("**Issue Price**") amounting to the Consideration, to the Vendor (or such other entity that the Vendor may nominate). Such Consideration Shares shall be issued (i) be free and clear of all Encumbrances and together with all rights, title and interest attaching thereto as at Completion Date and date of Post-Completion Placement Completion

(as applicable); and (ii) rank *pari passu* in all respects with the ordinary shares in the capital of the Company (the “**CHSL Shares**”) then existing.

4.3 Valuation of Target Company

Pursuant to Rule 1015(3) of the Listing Rules of the SGX-ST, the Target Company will be subject to a valuation report on the gold mine concession areas of the JVs conducted by a qualified person in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2015 Edition) (“**VALMIN Code**”), prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientist and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Institute of Australia and representatives from the Australian finance sector (“**Independent Qualified Person’s Valuation Report**”).

4.4 Proposed Transaction Bases

With respect to the Proposed Transaction, the parties agree and acknowledge that (“**Proposed Transaction Bases**”) the number of Consideration Shares has been agreed based on the Issue Price of S\$0.00357 per Consideration Share, on the basis that the Issue Price has been agreed based on the following formula:

$$\frac{\text{S\$10 million}}{\text{Existing CHSL Shares}}$$

where, “**Existing CHSL Shares**” refers to the number of CHSL Shares as at the date of this Agreement, being 2,800,000,000 CHSL Shares;

4.5 Consolidation Adjustments

The Company shall undertake a consolidation of every 100 CHSL Shares into one (1) consolidated CHSL Share (“**Consolidated CHSL Share**”) (or such other ratio as the Parties may agree in writing) which shall take effect on or before Completion (“**Proposed Share Consolidation**”). For the avoidance of doubt, the Consideration Shares and Issue Price are computed without having taken into account the completion of the Proposed Share Consolidation. Assuming that the Proposed Share Consolidation is completed on or before the Completion, the Consideration payable by the Company to the Vendor for the Sale Shares shall remain at the lower of (a) S\$100 million and (b) the valuation set out in the Independent Qualified Person’s Valuation Report less the Discount Rate, but shall be satisfied by way of allotment and issuance of such number of new CHSL Shares (“**Consolidated MMJV Consideration Shares**”) at an issue price of S\$0.357 per Consolidated Consideration Share (“**Consolidated Issue Price**”) amounting to the Consideration, to the Vendor (or such other entity as the Vendor may nominate) (“**Consolidation Adjustments**”).

4.6 Supplemental Agreements

The Company may, prior to Completion, take reasonable steps to procure other assets to be held by the Target Company to be included to the Proposed Transaction. Such other assets shall be valued as per an independent qualified person’s valuation report less a reasonable

discount to be mutually agreed between the parties. In such event, parties agree to enter into such supplemental agreement as necessary.

5. CONDITIONS PRECEDENT TO COMPLETION

The Completion of the Proposed Transaction shall be conditional upon the following key Conditions Precedents being fulfilled (or waived in accordance with the Sale and Purchase Agreement) on or before the date falling 12 months from the date of the Sale and Purchase Agreement or such other date as the Company and the Vendor may agree in writing (the “**Long-Stop Date**”) as relevant:

5.1 Satisfactory Due Diligence on JVs

The Company being satisfied with its due diligence investigations into the financial, legal, tax and business of the JVs, including being satisfied that:

- (a) The relevant JVs has the exclusive rights to explore, develop and mine for gold in the project land area(s) of the JVs;
- (b) The Vendor has the sole legal and beneficial ownership of MMIHPL and the Target Company and pending the execution of the relevant Deed of Novation novating all of MMIHPL's rights, title and obligations in and to the respective JV Agreements to the Target Company, MMIHPL has the legal and beneficial ownership of the relevant shareholdings in the JVs; and
- (c) The relevant JV has the required exclusive rights, title or interests in the key operating licences as set out in the Sale and Purchase Agreement,

provided that the Company shall not deem the outcome of such due diligence unsatisfactory without reasonable cause and without first giving the Vendor a period of at least ten (10) business days to remedy any default in respect thereof.

5.2 Satisfactory Due Diligence of the Company

The Vendor being satisfied with its due diligence investigations into the financial, legal, tax and business of the Company, provided that the Vendor shall not deem the outcome of such due diligence unsatisfactory without reasonable cause and without first giving the Company a period of at least ten (10) business days to remedy any default in respect thereof.

5.3 No Winding-Up

No order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of the Company, or for the appointment of any liquidator (provisional or otherwise), judicial manager, administrator, receiver, receiver and manager, custodian or similar official in respect of the Company or any part of its property, assets and/or undertaking.

5.4 Proposed Share Consolidation

The completion of the Proposed Share Consolidation on or before the Completion Date for the purpose of complying with Rule 1015(3)(d) of the SGX-ST Listing Manual.

5.5 Opinion from an independent financial adviser

The issuance of an opinion from an independent financial adviser acceptable to the SGX-ST to the Company recommending the directors of the Company to recommend to Shareholders to vote in favour of the Whitewash Resolution.

5.6 Company Shareholders' approval

The resolutions of the Shareholders having been obtained at the CHSL EGM for the entry into, implementation and completion of, the transactions contemplated in the Sale and Purchase Agreement, including in particular:

- (a) the Proposed Transaction;
- (b) the Post-Completion Placement;
- (c) the allotment and issuance of the Consideration Shares;
- (d) in respect of the independent Shareholders, their approval of the Whitewash Resolution, and such waiver not having been revoked prior to the Completion Date;
- (e) the Proposed Share Consolidation;
- (f) the appointment of nominees of the Vendor as new directors of the Company to be effective upon Completion; and
- (g) any additional terms as may be agreed in writing between the Vendor and the Company.

5.7 Regulatory Approvals

All necessary consents, approvals and waivers from all relevant government bodies, stock exchanges and other regulatory authorities for or in connection with the Proposed Transaction having been obtained by the Target Company or the Company (as relevant), including without limitation:

- (a) approval of the SGX-ST in respect of the Proposed Acquisition, being a reverse takeover under Rule 1015 of the Listing Manual of the SGX-ST, and if such consents or approvals are granted or obtained are subject to any conditions, such conditions being reasonably acceptable to the Vendor and the Company, (provided that the Vendor shall not deem any conditions of SGX-ST unacceptable unless the Vendor have exhausted all reasonable commercial endeavours to comply with such conditions, but provided always that the Vendor shall not be required to take any action which may result in the JVs being in breach of their respective obligations under any existing contractual arrangements in relation to the JVs);
- (b) the in-principle approval of the SGX-ST being obtained by the Company in relation to the listing and quotation of the Consideration Shares;

- (c) the Securities Industry Council of Singapore (“**SIC**”) having granted the Vendor and its concert parties (and such grant remaining in full force and effect), a waiver of their obligation to make a general offer under Rule 14 of the Singapore Code on Takeovers and Mergers (“**Takeover Code**”) for CHSL Shares not owned or controlled by the Vendor or its concert parties, and from having to comply with the requirements of Rule 14 of the Takeover Code, subject to the passing of a Whitewash Resolution and such other conditions that the SIC may impose which are reasonably acceptable to the Vendor and the Company (provided that the Vendor shall not deem any conditions of SIC unacceptable unless the Vendor have exhausted all reasonable commercial endeavours to comply with the directions or requirements of SIC, but provided always that the Vendor shall not be required to take any action which may result in the JVs being in breach of their respective obligations under existing contractual arrangements in relation to the Vendor or the JVs).

5.8 Third Party Consents

All approvals and consents as may be necessary from any third party (including any shareholder of the JVs) in respect of the transactions contemplated in the Sale and Purchase Agreement, being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and the Vendor.

5.9 Legal Opinion from Philippines Counsel

A legal opinion from a Philippines lawyer confirming that the JVs have all rights, title and interest to undertaking mining and exploration activities in the project land area(s) of the JVs.

5.10 Operational Approval

All necessary approvals, consents, licenses and/or waivers from the relevant regulatory authorities required for the JVs to conduct mining operations have been obtained and complied with, and such approvals, consents, licenses and/or waivers continuing to be in force and effect and not having been withdrawn, suspended, amended or revoked.

5.11 No Changes in Share Capital

Save in respect of the Proposed Share Consolidation, or such transactions as otherwise contemplated in the Sale and Purchase Agreement, for the period between the date of this announcement and Completion, the Company not allotting or issuing, or agreeing to allot or issue, any share or loan capital, and there being no change in the share capital of the Company.

5.12 Listing Status on SGX-ST

The Company remaining listed on the SGX-ST, and the CHSL Shares not being delisted.

5.13 Voting Undertakings

The execution by Mr. Denis Wu, Mr. Wu Rongguang and Mr. Wu Han Jie (collectively, the “**Wu Family**” and each an “**Undertaking Shareholder**”) of an irrevocable letter of undertaking (“**CHSL Shareholders’ Undertaking**”), within 60 days from the date of this announcement.

5.14 No Prescribed Occurrences

No Prescribed Occurrence (as defined in the Sale and Purchase Agreement) having occurred in relation to the Company other than as required or contemplated by the Sale and Purchase Agreement between the date of this announcement and completion of the Proposed Transaction (“**Completion**”), both dates inclusive.

5.15 No illegality

No relevant authority taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:

- (a) make the transactions contemplated in the Sale and Purchase Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;
- (b) render the Company unable to purchase all or any of the Sale Shares or issue all or any of the Consideration Shares in the manner set out in the Sale and Purchase Agreement; and/or
- (c) render the Vendor unable to dispose of all or any of its Sale Shares or receive the Consideration Shares in the manner set out in the Sale and Purchase Agreement.

5.16 Target Company Disclosure Letter

The Vendor delivering to the Company a letter in relation to the disclosures and qualifications to the representations, warranties and undertakings of the Vendor as set out in the Sale and Purchase Agreement (the “**Target Company Disclosure Letter**”) on the date of the signing of the Sale and Purchase Agreement (and as supplemented in writing not less than fifteen (15) business days prior to the date of SGX Stage 1 Submission) and an updated Target Company Disclosure Letter.

5.17 No business operations

The Company having no business operations, no outstanding liabilities (including contingent liabilities save for accrued director’s fees) as at Completion and no material adverse deterioration in the monthly cash and bank balances of the Company prior to Completion, save for ongoing professional fees incurred and staff salaries payable in the ordinary course of business, payments necessary for the compliance with the laws of Singapore and Bermuda, payments related to the Proposed Transaction and such other transactions as contemplated in the Sale and Purchase Agreement, continuing listing fees payable to the SGX-ST and payments for other incidentals.

5.18 Incorporation of the JVs

The JVs to be incorporated by the Incorporation Date, or such later date as the Vendor and the Company may agree.

5.19 Deeds of Novation

The Vendor obtaining the following:

- (a) the duly executed deed of novation between MMIHPL and KC Development Phils., Inc, and the Target Company novating all of MMIHPL's rights, title and obligations in and to JVA1 to the Target Company (the "**Deed of Novation 1**"); and
- (b) the duly executed deed of novation between MMIHPL and Wolfland Resources Inc. and the Target Company novating all of MMIHPL's rights, title and obligations in and to JVA2 to the Target Company (the "**Deed of Novation 2**").

6. NO MATERIAL CHANGES TO BUSINESS

Save as otherwise contemplated in the Sale and Purchase Agreement or consented in writing by the Company, the Vendor and the Target Company shall procure that during the period commencing from the date of the Sale and Purchase Agreement and ending on the Completion Date:

- (a) Each JV shall, from its Incorporation Date, carry on its business in the ordinary and usual course in substantially the same manner as previously conducted, and unless conducted in the ordinary course of business or save as agreed with the Company, each JV shall not, whether in a single transaction or in a series of transactions:
 - (i) enter into any contract or commitment (or make a bid or offer which may lead to a contract or commitment) having a value or involving expenditure in excess of S\$1,000,000 (the "**MMJV Material Threshold**"), or which is of a long-term or unusual nature, or which could involve an obligation of a material nature in excess of the MMJV Material Threshold, or which may result in any material change in the nature or scope of the operations of the JVs in excess of the MMJV Material Threshold;
 - (ii) agree to any variation of any existing contract to which any JV is a party and which may have a material effect upon the nature or scope of the operations of the JVs in excess of the MMJV Material Threshold; or
 - (iii) dispose of, or agree to dispose of, any business or any asset having a value in excess of the MMJV Material Threshold;
- (b) No member of any JV shall do or allow to be done any act or omission that would constitute, a breach of any representations or warranties if the representations and warranties were to be repeated on the Completion Date by reference to the facts and circumstances then existing;
- (c) Prompt disclosure is made to the Company of all relevant information which comes to the notice or possession of the Vendor or any JV in relation to any fact or matter (whether existing on or before the date of the Sale and Purchase Agreement or arising afterwards) which may constitute a breach of any representations or warranties in any material respect;
- (d) No dividend or other distribution shall be declared, paid or made by the Vendor;

- (e) No material debts and/or liabilities (including contingent liabilities) shall be incurred by the JVs, save for the debts and/or liabilities incurred in the ordinary course of business;
- (f) The liability of any JV under any guarantee, security or other financing liability in respect of the obligations of any other JV or other person existing as at the date of this Agreement shall not be increased or extended and no guarantees or other security shall be entered into by any JV other than in the ordinary course of business; and
- (g) No action shall be taken by any JV which is inconsistent with the Vendor's undertakings and obligations in the Sale and Purchase Agreement.

7. MORATORIUM UNDERTAKINGS

The Vendor and the Target Company jointly and severally undertake to comply with, or procure compliance with, all applicable moratorium requirements under the Listing Manual of the SGX-ST as may be required by SGX-ST to be imposed (if any) on the Consideration Shares.

8. RELATIVE FIGURES OF THE PROPOSED TRANSACTION

The relative figures of the Proposed Transaction computed on the bases set out in Rule 1006(a) to (d) of the Listing Manual of the SGX-ST are as follows:

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

Notes:

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

- (2) The aggregate value of the consideration given for the Proposed Transaction is S\$100 million (before adjustment), compared to the Company's market capitalisation of S\$322 million. The market capitalisation of the Company was computed based on the issued share capital of the Company of 2,800,000,000 Shares and the volume weighted average price of S\$0.115 per share on 21 February 2011 (being the last date on which the shares were traded prior to the date of the Sale and Purchase Agreement).
- (3) The 28,011,204,481 Consideration Shares (before share consolidation) to be issued and allotted at an issue price of S\$0.00357 per Consideration Share in satisfaction of the Consideration, based on the assumption that the Consideration is S\$100 million.
- (4) The basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.

9. WHITEWASH WAIVER

As the Vendor will own more than 30% of the enlarged voting share capital of the Company upon completion of the Proposed Transaction, the Vendor and its concert parties will be required, under Rule 14 of the Takeover Code, to make a general offer for the remaining CHSL Shares not owned or controlled by the Vendor and its concert parties at the highest price paid or agreed to be paid by any of them for the CHSL Shares in the preceding six (6) months.

It is a condition precedent of the Proposed Transaction that the SIC grants the Vendor and its concert parties, and does not revoke any such grant, a waiver of their obligation to make a general offer under Rule 14 of the Takeover Code for all CHSL Shares not already owned or controlled by them (the "**Whitewash Resolution**"), and that the Shareholders approve a resolution for the waiver of their right to receive such a mandatory offer from the Vendor and its concert parties at the extraordinary general meeting of the Company to be held for the purposes of approving the transactions contemplated in the Sale and Purchase Agreement (the "**CHSL EGM**").

10. POST-COMPLETION PLACEMENT

In order to meet the minimum free float requirements under Rule 210(1) of the Listing Manual of the SGX-ST ("**Minimum Public Float Requirements**") following Completion, the Vendor shall procure that the Company shall, and the Company shall, if necessary, use all reasonable endeavours to carry out a fully underwritten placement of CHSL Shares ("**Post-Completion Placement**") on the terms as may be agreed between the Company and the Vendor within one (1) month from the Completion Date or such period of time as may be permitted by SGX-ST in the event that Completion results in the Minimum Public Float Requirements not being met.

The places for the Post-Completion Placement may be institutional investors, retail investors, and or existing Shareholders (as long as such places are acceptable to the SGX-ST and the Vendor, for the purposes of fulfilling the Minimum Public Float Requirements).

11. PROPOSED SHARE CONSOLIDATION

In conjunction with the Proposed Transaction, the Company shall undertake a consolidation of every 100 CHSL Shares into one (1) consolidated CHSL Share (the "**Consolidated CHSL Share**") (or such other ratio as the Parties may agree in writing) which shall take effect on or before Completion. The purpose of the Proposed Share Consolidation is to allow the Company

to comply with the requirement of the Listing Manual of the SGX-ST for a minimum issue price of S\$0.0357 after the completion of the Proposed Transaction.

12. FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company is a newly incorporated company and has no material historical track record. Hence, the Company is unable to provide the financial effects of the Proposed Transaction.

It is a condition precedent in the Sale and Purchase Agreement that the rights, title and obligations of MMIHPL in and to the respective JV Agreements be novated to the Target Company pursuant to Deed of Novation 1 and Deed of Novation 2. Following such novations, the Target Company shall own the Gold Mine Concessions.

Please refer to paragraph 2 of this announcement for more information on the Gold Mine Concessions.

13. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The pro forma financial effects of the Proposed Transaction are set out below.

13.1 Bases and assumptions

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

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

- (a) the financial effects of the Proposed Transaction on the earnings and earnings per share of the Enlarged Group are computed assuming that the Proposed Transaction was completed on 1 January 2018;
- (b) the financial effects of the Proposed Transaction on Net Tangible Assets (“**NTA**”) of the Enlarged Group are computed assuming that the Proposed Transaction were completed on 31 December 2018;
- (c) the fair value adjustments on the net assets of the Group and positive or negative goodwill arising from the Proposed Transaction, if any, have not been considered for the purpose of computing the financial effects of the Proposed Transaction and will be determined on the date of completion of the Proposed Transaction when the shareholders of the Vendor have effectively obtained control of the Company. As the final goodwill will have to be determined at Completion and upon the full completion of a purchase price allocation exercise, the actual goodwill could be materially different from the aforementioned assumption. Any goodwill arising thereon from the Proposed Transaction will be accounted for in accordance with the accounting policies of the Company;

- (d) the Proposed Share Consolidation is deemed completed;
- (e) based on the above assumptions, and assuming the Consideration is S\$100 million, an aggregate of 280,112,044 Consolidated CHSL Shares were issued at the issue price of S\$0.357 per Consolidated CHSL Share on 31 December 2018 for the purpose of calculating the financial effects of the Proposed Transaction on the NTA per share of the Company and on 1 January 2018 for the purpose of calculating the financial effects of the Proposed Transaction on the earnings per share (“EPS”) or loss per share (“LPS”) of the Company;
- (f) effects of the Post-Completion Placement (if required) are disregarded for the purpose of illustration under this section; and
- (g) expenses in connection with the Proposed Transaction are disregarded for the purpose of calculating the financial effects.

13.2 Share Capital

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

Note:

(1) Translated at the rate of HKD to SGD of 5.7:1

13.3 Loss Per Share

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

Note:

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

13.4 Net Tangible Assets

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

Note:

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

14. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the directors of the Company (the “**Directors**”) or controlling Shareholders has any interest, direct or indirect, in the Proposed Transaction.

15. **FINANCIAL ADVISERS AND INDEPENDENT FINANCIAL ADVISER**

The Company is finalising the appointment of the financial adviser to the Company in respect of the Proposed Transaction and is targeting to finalise the appointment on or before 15 April 2019.

The Company will appoint an independent financial adviser to the independent directors of the Company in connection with the Whitewash Resolution in due course.

16. **FURTHER INFORMATION**

15.1 Circular

Subject to SGX-ST’s approval, a circular containing further information on the Proposed Transaction and such other transactions as contemplated in the Sale and Purchase Agreement, together with a notice of the CHSL EGM (the “**Circular**”), will be despatched by the Company to the Shareholders in due course.

15.2 Service Contracts

As at the date hereof, the Company and the Vendor have not agreed to any service contract being entered into in connection with the Proposed Transaction.

15.3 Documents for Inspection

A copy of the Sale and Purchase Agreement will be made available for inspection during normal business hours at 8 Robinson Road #13-00 ASO Building Singapore 048544 for three (3) months from the date of this announcement.

17. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their CHSL Shares as the Proposed Transaction is subject to numerous conditions and there is no certainty or assurance as at the date of this announcement that the Proposed Transaction will be completed. The Company will make the necessary announcements when there are further developments on the Proposed Transaction. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

18. RESPONSIBILITY STATEMENT

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

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

By Order of the Board
CHINA HONGXING SPORTS LIMITED

Alfred Cheong
Independent Director
25 March 2019