



UNITED FOOD HOLDINGS LIMITED
聯合食品控股有限公司

Building Our Core Strengths

ANNUAL REPORT 2018/2019



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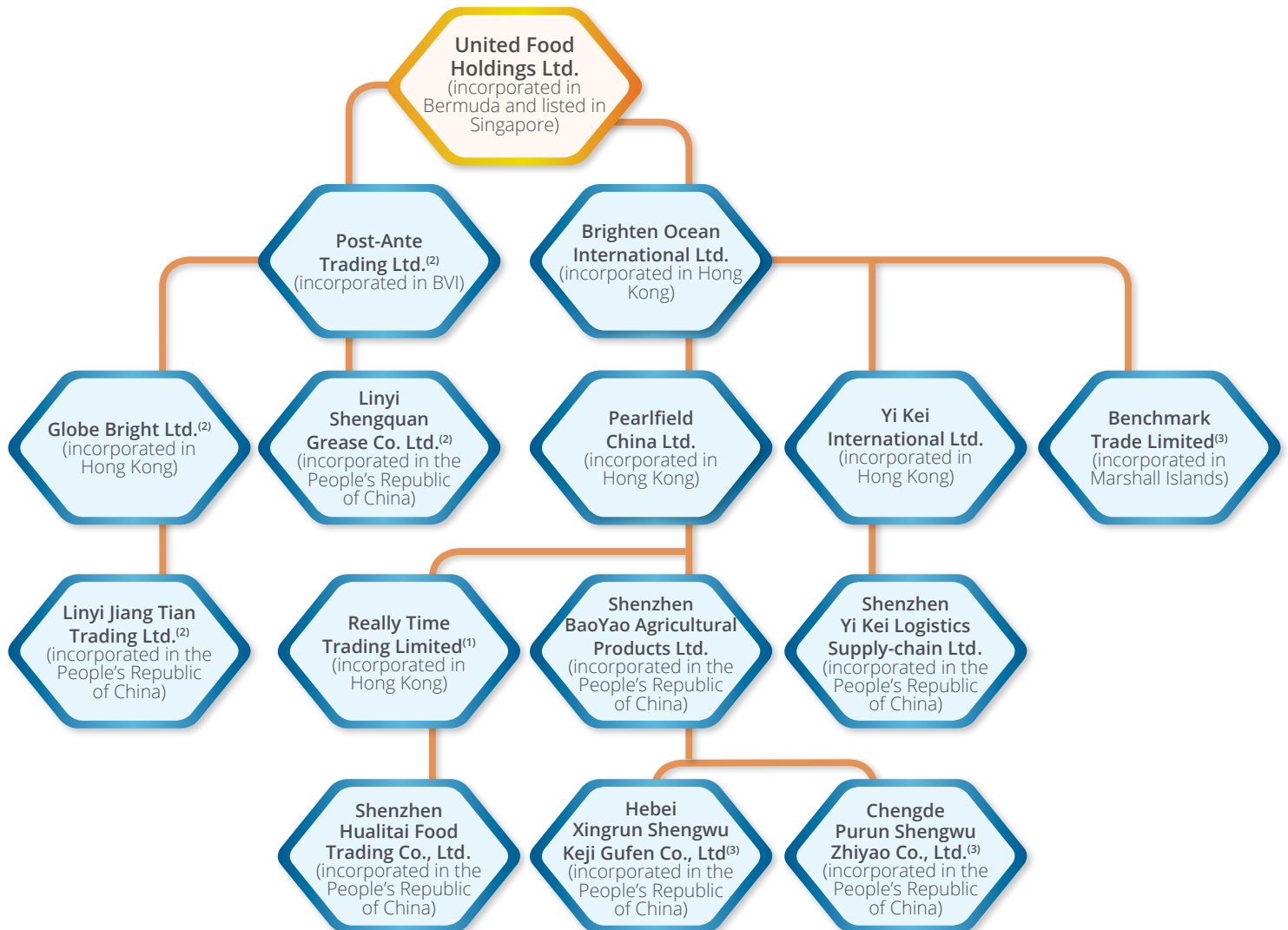
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OUR CORE BUSINESS

United Food Holdings Limited (the "Company") was incorporated in Bermuda on 14 August 2000 and its shares were listed on the Main Board of the Singapore Exchange Securities Trading Limited on 26 March 2001.



The organisation chart of the Company and its subsidiaries (the "Group") is shown as follows:



(1) The Group acquired 80% of the entire issued and paid-up share capital of Really Time Trading Limited.

(2) The Group had obtained shareholders' approval to dispose of its entire interests in the issued and paid-up share capital of Post-Ante Trading Limited and its subsidiaries on 29 March 2018 and the disposal was completed on 10 May 2018.

(3) The Group acquired 80% of the entire issued and paid-up share capital of Benchmark Traded Limited, Hebei Xingrun Shengwu Keji Gufen Co., Ltd. and Chengde Purun Shengwu Zhiyao Co., Ltd. in end of September 2018.

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

On behalf of the Board of Directors ("the Board") of United Food Holdings Limited (the "Company" or together with its subsidiaries, the "Group"), I am pleased to present to you, the Annual Report together with the Audited Financial Statements of the Group and the Company for the financial year period from 1 January 2018 to 31 March 2019 ("FP2019").

PERFORMANCE REVIEW

Revenue from continuing operations

The Group recorded revenue of RMB86.4 million for the fifteen months ended 31 March 2019 mainly from its Trading segment through Really Time Trading Limited.

The revenue from the newly acquired subsidiaries, Chengde Purun Shengwu Zhiyao Co., Ltd. ("CDPR") and Hebei Xingrun Shengwu Keji Gufen Co., Ltd. ("HBXR")/Benchmark Trade Limited ("Benchmark") (the "Acquisition") was RMB0.24 million and RMB0.002 million respectively for FP2019, and representing about 6 months of operations since the acquisition was completed in September 2018.

Revenue from CDPR which is in the animal feed/traditional medicine were affected by the African swine fever as a majority of the products were sold to the poultry industry. Revenue from HBXR/Benchmark which produces and sells L-Ascorbyl Palmitate or anti-oxidant was affected by the lack of supply of natural gas from the local government during winter period. In addition, some of the essential equipment was under upgrading and affected the production capacity.

Revenue from discontinued operations

The Group's investments in Post-Ante Trading Limited, Globe Bright Limited, Linyi Shengquan Grease Co. Ltd and Linyi Jiang Tian Trading Limited related to the soybean processing, feed production and pig rearing operating segments were classified as assets held for sale on 31 December 2017 as the Group had received approval at the Special General Meeting on 29 March 2018 to dispose of the operations (the "disposal of subsidiaries"). The disposal of subsidiaries was completed on 10 May 2018.

The Group recorded a net profit of RMB62.1 million arising mainly from gain from bargain purchase derived from the acquisition of HBXR,

CDPR and Benchmark, gain on disposal of subsidiaries and fair value changes in contingent consideration as a result of the Acquisition.

In FP2019, the Group has completed its corporate exercises undertook during the year. I wish to assure shareholders that the Board is mindful of the need to optimize the Group's return on shareholders' funds.

MAJOR DEVELOPMENT

The acquisition of CDPR, HBXR and Benchmark was completed in end September 2018.

The Company has on 5 July 2019 announced a proposed share placement for issuance of a total of 30,001,263 new ordinary shares with a total net proceeds of RMB11.9 million for general working capital to undertake business development activities, pursue acquisition and joint venture opportunities as and when they arise.

OUTLOOK

With the trade war tension between China and US which led to the volatility of the global economy coupled with the Government's promise to tackle environmental issues through the implementation of sustainable policies to curb industrial pollution, the Group expects a more challenging year ahead.

Notwithstanding, the Group will focus on sourcing new customers and venturing into other means of new income stream for its L-Ascorbyl Palmitate license. It will also continue to look for strategic acquisition to build breadth and depth in the business, as well as focus on organic growth of the current business operations.

IN APPRECIATION

On behalf of the Group, I would like to express my sincere thanks to our employees for their hard work and dedication, to our Directors for their contributions and support, to our business partners for their trust in the Group, and to our shareholders for sharing our vision.

We look forward to your continued support in future.

Song Yanan
Non-Executive Chairman

致各位股东

谨代表联合食品控股有限公司全体董事会成员，本人很荣幸向你们提交这份涵盖财政期从2018年1月1日至2019年3月31日的公司年报和集团的审计报告。

业绩回顾

持续经营业务所贡献的收入

本集团截止2019年3月31日，总计15个月共录得贸易总营业收入人民币8,640万元，主要是由购入本集团的华利泰贸易有限公司的贸易分块市场所产生的。

新收购的子公司，分别为承德普润生物制药有限公司（承德普润）和河北兴润生物科技股份有限公司（河北兴润）/Benchmark Trade Limited (Benchmark)于2018年9月完成收购。并运营至今6个月，2019年度总营业收入分别为24万元以及2千元。

因受到非洲猪瘟的影响，承德普润所售的相关动物饲料营运收益受到冲击。

此外，因当地政府在冬天对天然气紧缺供应，而导致河北兴润和Benchmark生产及出售L-抗坏血酸或抗氧化剂的运营收益受到影响。除此之外，基本设施正在进行升级中也因此影响生产能力。

非持续经营业务所产生的收入

集团旗下的子公司Post-Ante Trading Limited、Globe Bright Limited、Linyi Shengquan Grease Co., Ltd 和 Linyi Jiang Tian Trading Limited 及其长期亏损的大豆生产、饲料生产及养殖等项目于2017年12月31日已被列入为持有待售流动资产并在2018年3月29日通过特别股东大会上得到股东许可将以上子公司出售。以上子公司于2018年5月10日完成出售。

本集团净收入为人民币6,209万，主要包括有通过双方的多次商议以低于市场价值收购承德普润，河北兴润，Benchmark部分，以及以高出估价额度出售子公司而产生部分并同时包含由于股票市场价格波动而导致的应付票券公允价值变动形成部分。

在2019年度，本集团在经营活动合理化及经营拓展方面取得非常有意义的进展，我向股东保证，董事会深刻意识到为股东提升资本回报率作为我们的基本使命。

重要进展

子公司承德普润，河北兴润BENCHMARK于2018年9月底完成收购。

本集团已于2019年7月5日公布发行30,001,263新股，合计净筹集资金为人民币1,190万，已提升集团营运资金和未来扩充业务的能力。

展望

随着中美贸易战的紧张局势将导致了全球经济受到波动以及加上政府对于环境污染所执行的方针和政策更加严峻，这些因素千让集团在未来充满挑战。

虽然如此，集团积极寻找新的客户群和开发新的市场例如L-抗坏血酸专利，来为企业的业务注入新的收益来源。

集团也会继续寻找战略和购的机会，以求拓宽集团的产业深度和业务广度，及有组织性的发展现有业务。

铭谢

藉此机会，本人亦感谢全体员工过去为公司作出的努力和付出，各董事的贡献和支持，各商业伙伴的信任和 各股东的意见。

我祈望未来各位继续支持我们。

宋亞南
非執行主席

FINANCIAL HIGHLIGHTS

	[^] FP2019 RMB'000	2017 RMB'000	Change %
REVENUE*	86,430	34,932	147.4
GROSS PROFIT*	6,635	1,469	351.7
PROFIT/(LOSS) FROM OPERATIONS*	80,118	(2,678)	N/A
PROFIT/(LOSS) BEFORE TAX*	80,118	(2,678)	N/A
PROFIT/(LOSS) AFTER TAX*	79,191	(3,071)	N/A
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	62,402	(68,804)	N/A
SHAREHOLDERS' FUND	248,563	185,098	34.3
TOTAL ASSETS	363,713	225,370	61.4
TOTAL LIABILITIES	84,509	38,994	116.7

Profitability			Change %
GROSS MARGIN*	+7.7%	+4.2%	83.3
OPERATING MARGIN*	+92.7%	-7.7%	N/A
RETURN ON REVENUE	+72.2%	-197.0%	N/A
RETURN ON AVERAGE EQUITY	+28.8%	-35.5%	N/A
RETURN ON AVERAGE ASSETS	+21.2%	-30.9%	N/A

Per Share Data (Notes)			Change %
A. NET ASSETS* (RMB)	1.57	1.17	34.2
B. PROFIT/(LOSS)* (RMB)	0.50	(0.03)	N/A
C. GROSS DIVIDEND (RMB)	0.00	0.00	-

[^] Financial Period from 1 January 2018 to 31 March 2019

* Continuing Operations

Notes:

- The net assets per share was calculated on 157,901,384 shares (2017: 157,901,384).
- The basic loss per share was calculated based on the average 157,901,384 shares (2017: 138,342,412).
- No dividend was declared and proposed in FP2019 and FY2017

FIVE YEARS FINANCIAL SUMMARY

The results, assets and capital and reserves of the Group for the last five financial years are as follows:

YEAR ENDED 31 MARCH

Condensed Consolidated Statements of Profit or Loss (RMB'000)

	FP2019	FY2017	FY2016	FY2015	FY2014
REVENUE*	122,900	168,872	265,744	2,211,658	5,129,869
NET PROFIT / (LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	62,402	(68,804)	(229,263)	(974,221)	25,563

* For comparative purpose, the revenue from continuing operations has been combined with the revenue from discontinued operations.

Condensed Consolidated Statements of Financial Position (RMB'000)

	FP2019	FY2017	FY2016	FY2015	FY2014
PROPERTY, PLANT AND EQUIPMENT	20,148	43,303	68,557	146,274	330,033
LAND USE RIGHTS	11,010	20,430	36,087	43,806	52,482
NET CURRENT ASSETS	178,126	134,775	114,818	241,699	1,028,213
CAPITAL AND RESERVES	248,563	185,098	202,253	431,779	1,410,728

* For comparative purpose, the property plant and equipment, and land use right from continuing operations has been combined with the property plant and equipment, and land use right from discontinued operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a revenue of RMB86.4 million for 15-month for the financial period from 1 January 2018 to 31 March 2019 ("FP2019") compared to RMB34.9 million for 12-month for the financial year ended 31 December 2017 ("FY2017").

The Group recorded a net profit of RMB62.1 million in FP2019, compared to a net loss of RMB68.8 million in FY2017. The profit in FP2019 arising mainly from (i) gain from bargain purchase derived from the acquisition of Chengde Purun Shengwu Zhiyao Co., Ltd. ("CDPR"), Hebei Xingrun Shengwu Keji Gufen Co., Ltd ("HBXR") and Benchmark Trade Limited ("Benchmark") (the "Acquisition"), (ii) gain on disposal of subsidiaries, Post-Ante Trading Limited, Globe Bright Limited, Linyi Shengquan Grease Co. Ltd and Linyi Jiang Tian Trading Limited related to the soybean processing, feed production and pig rearing operating segments and (iii) fair value changes in contingent consideration as a result of the Acquisition.

1. REVENUE

Revenue from Continuing Operations

The Group recorded revenue of RMB86.4 million in FP2019 mainly contributed by the Group's trading segment through Really Time Trading Limited.

Revenue from Discontinued Operations

The Group's investments in Post-Ante Trading Limited, Globe Bright Limited, Linyi Shengquan Grease Co., Ltd and Linyi Jiang Tian Trading Limited related to the soybean processing, feed production and pig rearing operating segments were classified as assets held for sale as at 31 December 2017 as the Group has received approval at the Special General Meeting ("SGM") held on 29 March 2018 to dispose of the operations (the "disposal of subsidiaries"). The disposal of subsidiaries was completed on 10 May 2018.

Soybean Processing

The Group's Soybean Processing Segment did not have any revenue in FP2019 and FY2017 since its suspension on 5 July 2015.

Animal Feed Production

The Group's Feed Production Segment recorded RMB36.5 million in FP2019 compared to RMB133.9 million in FY2017.

2. GROSS PROFIT

Gross Profit from Continuing Operations

The Group recorded a gross profit margin of 7.7% for the continuing operations in FP2019 which was mainly contributed by trading segment.

MANAGEMENT

DISCUSSION AND ANALYSIS

Gross Profit from Discontinued Operations

The Group recorded a gross loss margin of 13.4% for the discontinued operations in FP2019 which was contributed by feed production segment compared to a gross profit margin of 1.1% in FY2017. The gross loss was mainly due to the decrease in selling prices of our animal feed products and increase in cost of goods sold of those products in FP2019.

3. OTHER INCOME

The Group recorded an income of RMB94.2 million in FP2019 mainly derived from (i) gain from bargain purchase derived from the Acquisition, (ii) gain on disposal of subsidiaries and (iii) fair value changes in contingent consideration as a result of the Acquisition. A breakdown of other income was as follows :

	15 Months ended 31 March 2019 RMB'000	12 Months ended 31 December 2017 RMB'000
GAIN FROM BARGAIN PURCHASE	39,762	-
GAIN ON DISPOSAL OF SUBSIDIARIES	27,178	-
CHANGES IN FAIR VALUE OF CONTINGENT CONSIDERATION	26,951	-
OTHERS	347	10
	94,238	10

4. ADMINISTRATIVE EXPENSES

Administrative expenses increased to RMB19.8 million or 377.0% in FP2019 compared to RMB4.2 million in FY2017 mainly due to the increase expenses incurred with the consolidation of the administrative expenses of newly acquired subsidiaries, CDPR and HBXR/Benchmark. The Acquisition was completed in the end of September 2018.

5. PROPERTY, PLANT AND EQUIPMENT ("PPE"), LAND USE RIGHTS, INTANGIBLE ASSETS-PATENTS

The increase in PPE, land use rights and intangible assets-patents was due to the Acquisition which was approved by the shareholders at the SGM held on 20 July 2018 and completed in end September 2018. The fair value of the PPE, land use rights, intangible assets-patents from the Acquisition was determined by the Company's independent professional valuer, Ascent Partners Valuation Service Limited as part of the purchase price allocation exercise.

6. TRADE RECEIVABLES

Trade receivables was mainly the trade receivables the Group's trading segment.

MANAGEMENT DISCUSSION AND ANALYSIS

7. OTHER RECEIVABLES

Other receivables include refundable deposits paid to the vendors of two potential acquisition projects amounting to RMB25 million (paid in FP2019) and RMB35 million, which will become part of the consideration after the completion of the acquisitions and/or refundable after the cancellation of the acquisitions. The potential acquisition projects have business operations which are similar in scope to the Group.

8. TRADE AND OTHER PAYABLES

The increase in trade and other payables was mainly due to the increase in other payables from subsidiaries of the Acquisition. Included in other payables was a cash purchase consideration from the Acquisition of RMB10 million which have yet paid as at 31 March 2019. Trade and other payables as at 31 December 2017 have been restated by combining the amount due to shareholders to trade and other payables due to an error in classifying the amount due to third parties as an amount due to shareholder. No third balance sheet has been prepared as the amount re-classed was significant.

9. CONTINGENT CONSIDERATION

Contingent consideration arose from the Acquisition which was completed in September 2018. The contingent consideration comprises the convertible bond to be issued which is contingent on the profit guarantee of the vendors. The contingent consideration is classified as financial liability measured at fair value, changes in fair value is recognised in profit and loss. The change in fair value for FP2019 was as follows :

	RMB'000
FAIR VALUE AT DATE OF ACQUISITION ON 30 SEPTEMBER 2018	44,470
FAIR VALUE AT YEAR END ON 31 MARCH 2019	(17,519)
CHANGE IN FAIR VALUE ON CONTINGENT CONSIDERATION	26,951

10. CASH FLOW STATEMENT

Net cash flow of RMB6.5 million was generated in FP2019, in which net cash of RMB4.6 million was used in operating activities, net cash of RMB11.6 million was generated from investing activities, and net cash of RMB0.6 million was used in financing activities.

11. EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The businesses of the Group were mainly conducted in Renminbi ("RMB") except for the payment of certain expenses in United States dollars, Singapore dollars and Hong Kong dollars. The reporting currency of the Group is RMB. The Directors are of the view that RMB is relatively stable against the relevant currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging by means of derivative instruments is therefore not necessary.

BOARD OF DIRECTORS

SONG YANAN

NON-EXECUTIVE CHAIRMAN

Ms Song Yanan ("Ms Song") was appointed as a Non-Executive Director on 11 July 2016 and as Non-Executive Chairman of the Board on 15 August 2016, respectively and re-elected on 28 April 2017. Ms Song has over 18 years of industry experience, including investment and management in supermarket chain and high-end consumer products. Ms Song has been working at Renrenle Commercial Group Limited, as the manager for acquisition and Chief Executive Office Secretariat from 1999 to 2003 and as a personal assistant to the Chairman of the Board since 2003. Ms Song holds a Degree of Executive Master of Science in Logistics and Supply Chain Management awarded jointly from Tsinghua University and The Chinese University of Hong Kong.

WU XIAORAN

EXECUTIVE DIRECTOR

Mr Wu Xiaoran ("Mr Wu") was appointed as Executive Director on 11 July 2016 and re-elected on 28 April 2017. He is responsible for financial management of the Group. Mr Wu was an auditor in Mazars Beijing. He then joined a private equity, investment advisory firm in Canada and Hong Kong for 7 years. Mr Wu has over 20 years of financial, shipping and auditing experiences in China, North America and Europe. Mr Wu holds a Post-graduate Certificate in law from the South China Agriculture University and a Master of Business Administration from Université de Paris 1 Pantheon Sorbonne, France.

LING CHUNG YEE ROY

LEAD INDEPENDENT DIRECTOR

Prof Ling Chung Yee Roy ("Prof Ling") was appointed as the Lead Independent Director of the Company on 20 November 2015 and re-elected on 30 May 2018. He was an investment banker with more than 20 years of experience. Prof Ling is currently a Managing Director at RL Capital Management and RL Academy. Concurrently, he also serves as an Independent Board Director at several listed companies across Asia; Vingroup JSC, Amplefield Ltd, Debao Property Development Ltd, Ace Achieve Infocom Ltd and Ley Choon Group Holdings Limited. He is an Adjunct Professor in Finance at the EDHEC Business School, and a Consultant for RHT Strategic Advisory and RHT Academy. Before joining RL Capital, Prof Ling held senior investment banking positions with JPMorgan, Lehman Brothers, Goldman Sachs and Salomon Smith Barney. He held past directorships at Singapore listed companies, Pine Capital Group Ltd, Arion Entertainment Singapore Ltd, Chaswood Resources Holdings Ltd, China Flexible Packaging Holdings Ltd and ChinaSing Investment Holdings Ltd.

Prof Ling was a former Board Director of the CFA Society of Japan. He was honored as the Real Estate Executive of the Year by Singapore Business Review in 2016, and as one of the 20 Rising Stars in Real Estate by Institutional Investor in 2008. Prof Ling graduated from INSEAD with a Global EMBA and from the National University of Singapore with a Bachelor Degree in Business Administration.

BOARD OF DIRECTORS

CHNG HEE KOK

INDEPENDENT DIRECTOR

Mr Chng Hee Kok was appointed as an Independent Director of the Company on 23 October 2015 and re-elected on 28 April 2017. Mr Chng is Chairman of SGX Mainboard listed Ellipsiz Ltd. He holds independent directorships at listed companies which include Samudera Shipping Line Ltd, Full Apex Holdings Ltd, Luxking Group Holdings Ltd, Chaswood Resources Holdings Ltd and The Place Holdings Limited. Previously, Mr Chng was the Chief Executive Officer of Yeo Hiap Seng Ltd, Scotts Holdings Ltd, Hartawan Holdings Ltd and HG Metals Manufacturing Ltd. He was a Member of Parliament of Singapore from 1984 to 2001 and held past directorships at Public Utilities Board, Sentosa Development Corporation, Singapore Institute of Directors and Singapore listed companies, LH Group Ltd, Pacific Century Regional Development Ltd, ChinaSing Investment Holding Ltd, China Flexible Packaging Holding Ltd, Hartawan Holdings Ltd and Infinio Group Limited.

Mr Chng graduated from University of Singapore with a Bachelor of Engineering (Mechanical), First Class Honours degree and was awarded Institute of Engineers Singapore Gold Medal and Mobil Silver Medal. He also holds a Master of Business Administration degree from the National University of Singapore, and completed the Program for Executive Development at IMD – Lausanne Switzerland.

JOHN NG

INDEPENDENT DIRECTOR

Mr John Ng ("Mr Ng") was appointed as an Independent Director of the Company on 28 April 2017 and re-elected on 30 May 2018. He is currently the Vice President of Amasse Capital Limited, a company listed in Hong Kong. He had previously held executive positions on a number of listed companies in Canada. Mr Ng has extensive international corporate governance and corporate strategic development experience. Mr Ng graduated from Trent University in Canada with an Honours of Economics degree and also holds the Executive Masters of Business Administration degree from Shanghai Jiao Tong University. He is also a Corporate Advisory (Type 6) license holder in Hong Kong and has over 15 years of experience between Asia and North America.

LIU YANG

CHIEF MARKETING OFFICER

Mr Liu Yang was appointed the Group's Chief Marketing Officer on 29 September 2017. Before joining the Group, he served as Head of Global Procurement for 7 years in Guangzhou Pharmaceutical Holdings Limited which ranked No.1 among the top 100 pharmaceutical companies in China and where he was responsible for global business development and procurement in distribution unit. He also had 10 years' solid management experience in Fortune 500 multinational corporation and listed companies in China and Hong Kong. Mr Liu holds an Executive Master Degree from The Chinese University of Hong Kong and a Diploma from the Chartered Institute of Purchasing and Supply in United Kingdom. He was also awarded Certified Professional in Supply Management by the Institute for Supply Management in United States.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Song Yanan, Non-Executive Chairman
Wu Xiaoran, Executive Director
Ling Chung Yee Roy, Lead Independent Director
Chng Hee Kok, Independent Director
John Ng, Independent Director

MANAGEMENT TEAM

Wu Xiaoran, Finance Director
Liu Yang, Chief Marketing Officer

NOMINATING COMMITTEE

Ling Chung Yee Roy, Chairman
Chng Hee Kok
John Ng

REMUNERATION COMMITTEE

John Ng, Chairman
Ling Chung Yee Roy
Chng Hee Kok

AUDIT COMMITTEE

Chng Hee Kok, Chairman
Ling Chung Yee Roy
John Ng

COMPANY SECRETARIES

Yoo Loo Ping
Chiang Wai Ming

ASSISTANT COMPANY SECRETARY

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Fax: [65] 6337 2197
Audit Partner-in-charge:
Chang Fook Kay
(with effect from financial year ended 31 March 2019)

INVESTOR RELATIONS

United Food Holdings Limited
Laurent Wu, Finance Director
Email: finance@unitedfoodholdings.com

The Board of Directors (the “Board”) and management of United Food Holdings Limited strive to maintain high standards of corporate governance to ensure greater transparency and to protect the interests of its shareholders. The Board’s commitment to good corporate governance practices is essential for Directors to discharge their corporate and fiduciary responsibilities and fundamental in the enhancement of long-term shareholders’ value.

The new Code of Corporate Governance 2018 was issued on 6 August 2018 (the “Revised Code”), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the Revised Code is not updated into the Company’s corporate governance for the financial period from 1 January 2018 to 31 March 2019 (“FP2019”).

The Board has taken steps to align the Group’s governance framework with the recommendations of the Code of Corporate Governance 2012 (“the Code”), where they are applicable, relevant and practicable to the Group for FP2019.

(A) Board Matters

Board’s Conduct of its Affairs

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.*

The Board is responsible for the overall performance of the Group. It sets the Group’s strategic direction and vision and directs the Group’s overall strategy, policies, business plans, as well as, stewardship and allocation of the Group’s resources.

The principal functions of the Board include, but are not limited to the following:

- Reviewing and approving board policies, strategies and financial objectives for the Group and monitoring the performance of management;
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, including financial, operational and compliance risk areas identified by the Audit Committee that needed to be strengthened for assessment and the Audit Committee’s recommendations on actions to be taken to address and monitor the areas of concern;
- Approving major funding proposals, investment and divestment proposals including merger and acquisition transactions and timely announcements of material transactions;
- Approving quarterly and full year results announcements;
- Recommending the declaration of dividends;
- Approving all appointments/re-appointments/re-elections of Directors and appointment of key management personnel;
- Setting of the Group’s value and standards, and ensuring that obligation to shareholders and others are understood and met; and
- Assuming responsibility for corporate governance.

The Board’s approval is required for matters, inter alia, corporate restructuring, mergers and acquisitions, investments and divestments, acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptance of bank facilities, the Group’s quarterly and full year’s results and interested person transactions.

The Board is supported by Board Committees including, the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures. All committees are chaired by an Independent Director. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Further details of the scope and functions of the various Board Committees are set out in this Annual Report.

The Board has scheduled 4 meetings a year to coincide with the announcements of the Group's quarterly and full year results. Additional meetings are convened as and when they are deemed necessary to address significant transactions or issues that may arise in between the scheduled meetings. Due to the change of financial year end from 31 December to 31 March, there were 5 AC and Board meetings held in FP2019.

Where a physical Board meeting is not possible, the Company's Bye-laws provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in meetings to communicate with each other simultaneously.

Directors may request for further explanation, briefing or discussion on any aspect of the Group's operations or business from the management. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

Directors' attendances at Board and Board Committee meetings in FP2019, as well as the frequency of such meetings, are set out below:

	Board Meetings	AC Meetings	RC Meeting	NC Meeting
Total meetings held during FP2019	5	5	1	1
Ms Song Yanan	4	4 ⁽¹⁾	0	0
Mr Wu Xiaorun	5	5 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾
Mr Chng Hee Kok	5	5	1	1
Prof Ling Chung Yee Roy	5	5	1	1
Mr John Ng	5	5	1	1

Note:

(1) Attendance at meetings on a "By Invitation" basis.

The Group encourages Directors to receive regular training and updates on relevant laws and regulations and to participate in conferences, seminars or any training programme to equip themselves with the relevant knowledge to discharge their responsibilities in an effective and efficient manner.

Newly appointed Directors receive orientation and training, if necessary, to familiarize themselves with the Group's business activities, strategic direction and the regulatory environment in which the Group operates in, as well as their statutory and other duties and responsibilities as Directors. Directors would also be provided with extensive background information on the Group's history, industry-specific knowledge, mission, and values. Directors are also given the opportunity to visit the Group's operational facilities and to interact with management to gain a better insight of the Group's business operations.

Newly appointed Directors will also be given letters explaining the terms of their appointment as well as their duties and obligations.

The Board is updated on amendments/requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), and other statutory and regulatory requirements and key changes in financial reporting standards from time to time.

Board Composition and Guidance

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board comprises 5 members, three of whom are independent.

Non-Executive Director:

Ms Song Yanan (Chairman)

Executive Director:

Mr Wu Xiaoran

Independent Directors:

Mr Chng Hee Kok

Prof Ling Chung Yee Roy

Mr John Ng

The Board comprises Directors from diverse business, industry, management, financial and legal aspects. The Directors bring with them a wide spectrum of skills, experience, expertise and objective perspective to effectively lead and direct the Group. The diversity of the Directors' experience allows meaningful exchange of ideas and views in the development of the Group's strategy and performance. The profiles of the Directors are set out on pages 9 and 10 of this Annual Report.

The Board comprises a majority of Independent Directors. The Independent Directors offer alternative views to the Group's business and corporate activities and bring objective judgment to bear on business activities as well as, transactions involving conflicts of interest and other complexities.

The Directors have given due consideration to the size and composition of the Board. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective and informed decision-making. The Board considers the present Board size appropriate and effective, taking into the account the size, scope and nature of the Group's operations.

The NC also reviews the independence of each Director annually with reference to the guidelines set out in the Code, and the NC has also considered the annual review of Director's independence, review of the Board and Board committee meeting minutes for incidents or records of how Independent Directors actively sought explanation, self-assessment checklist and peer-review questionnaires. The Board will then, in turn, determine the independence of Directors, taking into account the evaluation by the NC. The NC with the concurrence of the Board is of the view that no individual or small group of individuals dominates the Board's decision-making process.

Non-Executive and Independent Directors contribute to the Board process by monitoring and reviewing management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive and Independent Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and hold informal meetings without the presence of management.

Chairman and Chief Executive Officer

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Ms Song Yanan is the Group's Non-Executive Chairman. Mr Wu Xiaoran, the Executive Director, effectively functions as the Chief Executive Officer ("CEO"). They are not related to each other and each performs separate functions to ensure an appropriate balance of power and authority and greater capacity of the Board for independent decision.

The Chairman is responsible for the implementation of corporate policies and effective working of the Board. She ensures that Board meetings are held when necessary, encouraging constructive discussion and sharing of views among Board members.

The Executive Director is mainly responsible for the financial and operational performance of the Group, including reviewing and charting the Group's corporate directions and strategies, financial planning and related investment activities. He ensures that corporate policies are properly complied with and works closely with the Chairman to review corporate and other business issues. He also ensures the quality and timeliness of the flow of information between management and the Board.

This division of responsibilities ensures that there are checks and balances on their individual power and authority within the Group.

Prof Ling Chung Yee Roy was appointed as the Lead Independent Director on 20 November 2015 to represent the views of Independent Directors and to facilitate a two-way flow of information between shareholders, the Chairman and the Board. He will be available to shareholders in the event their concerns are not resolved through the Chairman, Executive Director or the Chief Financial Officer, or for which contact is inappropriate.

Board Membership

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

The NC is regulated by a set of written terms of reference and consisted of 3 members, all of whom are Independent Directors. Members of the NC are:

Prof Ling Chung Yee Roy (Chairman, Lead Independent Director)
Mr Chng Hee Kok
Mr John Ng

The NC Chairman is not associated in any manner with any substantial shareholder of the Company.

The principal functions of the NC are as follows:

- reviewing and recommending to the Board the structure, size and composition of the Board and Board Committees;
- identifying candidates and reviewing all nominations for the appointment to the Board and Board committees, having regard to the mix of skills and experience which the Directors should bring to the Board and submission of such nominations to the Board for consideration;
- reviewing and determining annually, the independence of Directors, bearing in mind the circumstances set forth in the Code and any other salient factors;

- considering and making recommendations to the Board on all Board appointments/re-appointments, including nomination of Directors retiring by rotation, having regard to the Directors' contribution and performance;
- reviewing and evaluating whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations;
- deciding how the Board's performance may be evaluated and proposing objective performance criteria for the Board's approval; assessing the effectiveness of the Board and Board Committees;
- reviewing succession plans, in particular, the Chairman and CEO and
- overseeing the induction, orientation and training for any new and existing Directors.

The NC had adopted a process for the selection and appointment of new Directors which provides the procedure for identification of potential candidates' skills, knowledge, experience and assessment of candidates' suitability.

The curriculum vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC, inter alia, his/her qualifications, business and related experience, commitment, ability to contribute to the Board, such other qualities and attributes that may be required by the Board, before making its recommendation to the Board.

The NC meets at least once a year.

In accordance with the provisions of the Company's Bye-Laws, one-third of the Directors is to retire from the office by rotation and submit themselves for re-nomination and re-election at every AGM. Each Director is also requested to retire at least once in every three years. New Directors, who are appointed during the financial year, will submit themselves for re-election at the next Annual General Meeting ("AGM").

Pursuant to Bye-law 86(1) of the Company's Bye-laws, Mr Wu Xiaoran and Mr Chng Hee Kok will be retiring at the forthcoming AGM. Mr Wu Xiaoran and Mr Chng Hee Kok have signified their consents to remain in office.

The NC having considered the attendance and participation of Mr Wu Xiaoran and Mr Chng Hee Kok at the Board and Board Committee meetings, in particular, their contribution to the business and operations of the Group, has nominated Mr Wu Xiaoran and Mr Chng Hee Kok for re-election at the forthcoming AGM.

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberations in respect of his re-election as Director.

The task of assessing the independence of the Directors is delegated to the NC. The NC reviews the independence of each Director annually, and as and when circumstances require.

Annually, each Independent Director is required to complete a Director's Independence Checklist (the "Checklist") to confirm his independence. The Checklist is drawn up based on the guidelines provided in the Code. Thereafter, the NC reviews the Checklist completed by each Independent Director, assess the independence of the Independent Directors and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that Prof Ling Chung Yee Roy, Mr Chng Hee Kok and Mr John Ng are independent.

There is no Independent Director who has served the Board for more than nine years from the date of his appointment.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. The Board, with the concurrence of the NC, having considered the confirmations received from Prof Ling Chung Yee Roy, Mr Chng Hee Kok and Mr John Ng, is of the view that their multiple board representations do not hinder them from carrying out their duties as Directors of the Company. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The NC is of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each company vary, thus one should not be presumptuous as time commitment cannot be objectively determined in all situations.

There is no alternate Director on the Board.

Board Performance

Principle 5: *There should be a formal assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each Director to the effectiveness of the Board.*

The Board has, through the NC, adopted a process to evaluate the effectiveness of the Board and its Board Committees. No individual Director assessment is conducted as the NC is mindful that each member of the Board contributes in different ways to the effectiveness of the Board. As part of this process, Directors would complete Board and Board Committees performance evaluation questionnaires and the findings would be analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board and Board Committees. The Board and Board Committees evaluation covers amongst others, the size and composition of the Board and Board Committees, access to information, Board and Board Committees processes and accountability in relation to discharging the principle responsibilities of the respective Board and Board Committees and standards of conducts of Board members.

Based on the NC's review, the NC is generally satisfied with the Board and Board Committees evaluation results for FP2019, which indicated areas for improvement with no significant problems being identified.

Access to Information

Principle 6: *In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

The Board is furnished with detailed information concerning the Group to enable them to be fully apprised of conditions and other factors affecting the Group's operations and to understand the decisions and actions of management. All Directors have unrestricted access to the Group's management and information. From time to time, Independent Directors meet with management and conduct ad-hoc discussions on the Group's business and operational matters. Management staff are invited to attend Board Meetings, as and when appropriate, to provide additional insight to matters raised, and to respond to any queries that the Board members may have.

Management provides Board members with detailed Board papers containing complete and timely information before each meeting. Such Board papers and any other relevant documents are circulated to all Board members before the meetings. Management provides periodic financial and corporate information, performance of the individual divisions within each business segment and management proposals to enable the Directors to make informed decisions on issues to be considered at Board meetings.

The Company Secretary attends the Board and Board Committee meetings and is responsible for keeping the Board updated on any relevant regulatory changes. The Company Secretary also ensures that established procedures, all relevant rules, and regulations that are applicable to the Group are complied with.

The appointment and the removal of the Company Secretary shall be reviewed by the Board.

The Board has separate and independent access to management and the Company Secretary at all times. Directors are aware that they may seek independent legal and other professional advice at the Company's expense, as and when necessary.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.*

The RC consists of 3 members, all of whom are independent. Members of the RC are:

Mr John Ng (Chairman)
Prof Ling Chung Yee Roy
Mr Chng Hee Kok

The RC meets at least once annually.

The principal functions of the RC are as follows:

- recommend to the Board a framework of remuneration for the Board and key management personnel of the Group with the aim of building a capable and committed Board and management team through competitive compensation which is sufficient to attract, retain and motivate key management personnel of the required caliber to run the Group effectively;
- determine specific remuneration packages and terms of employment for the Executive Director and key management personnel, including renewal of service agreements;
- review and recommend Directors' fees for Non-Executive Directors, taking into account factors such as their effort and time spent, and their responsibilities; and
- review whether the Executive Director and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time. If required, the RC will seek expert advice inside or outside the Company on the remuneration of all Directors.

The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and benefits-in-kind. The remuneration packages take into consideration the long-term interests of the Group, industry standards, and ensure that the interests of the Executive Directors are aligned with that of shareholders.

The RC has access to external expert advice in the field of executive compensation where required.

Level and Mix of Remuneration

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company; and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

As part of its responsibilities, the RC reviews the remuneration of each of the Directors and key management personnel's remuneration packages annually and makes recommendations to the Board for approval. The RC ensures that their remuneration commensurate with their performance, giving due regard to the financial and commercial performance and business needs of the Group and the performance of the individual Director.

The RC is of the view that the current remuneration of the Non-Executive Directors is appropriate, taking into account factors such as effort and time spent and responsibilities of the Directors. Other than the Directors' fees, the Non-Executive Directors do not receive any other forms of remuneration from the Company.

The RC had recommended to the Board an amount of S\$47,500 as Directors' fees for the financial period from 1 January 2019 to 31 March 2019 and an amount of S\$190,000 as Directors' fees for the financial year ending 31 March 2020 respectively. The Board will table this at the forthcoming AGM for shareholders' approval. No Director or a member of the RC is involved in deciding his own remuneration.

DISCLOSURE ON REMUNERATION

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The following table sets out the Directors' Remuneration for FP2019:

Name of Directors	Salary	Fees	Bonus	Total
Mr Wu Xiaoran	HKD750,000	-	-	HKD750,000
Ms Song Yanan	-	SGD12,500*	-	SGD12,500*
Prof Ling Chung Yee Roy	-	SGD75,000*	-	SGD75,000*
Mr Chng Hee Kok	-	SGD75,000*	-	SGD75,000*
Mr John Ng	-	SGD75,000*	-	SGD75,000*

* The Directors' fees of S\$47,500 are subject to shareholders' approval at the forthcoming AGM.

The Executive Director's Service Agreement was for an initial period of 3 years and is renewable for successive periods of one year each. The Service Agreement can be terminated by not less than 3 months' notice by either party or such shorter period as may be mutually agreed between the parties.

Notwithstanding Guideline 9.1 of the Code, there was only 1 key management personnel during FP2019. The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the key management personnel due to competitiveness of the industry for key talent. As such, the Board has deviated from complying with the recommendation. The Board only partially complies with the recommendation by providing below a breakdown showing the level and mix of remuneration of the key management personnel in bands of S\$250,000 for FP2019.

Name of Key Management Personnel	Designation	Salary %	Bonus %	Other Benefits %	Total %
Below SGD250,000 per annum					
Liu Yang	Chief Marketing Officer	100	-	-	100

The Company does not have any long-term incentive schemes.

There were no employees of the Group who are immediate family members of a Director of the CEO, and whose remuneration exceeds SGD50,000 during FP2019.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

In presenting the annual audited financial statements, quarterly and full-year results announcements to shareholders, the Board aims to provide shareholders with detailed analysis, explanation and assessment of the Group's financial position and prospects. Management also recognizes the importance of providing the Board with relevant information on a timely basis in order that Directors may effectively discharge their duties. As and when circumstances arise, the Board can request management to provide any necessary explanation and/or information on the management accounts of the Group.

Management provides appropriately detailed management accounts of the Group's performance on a quarterly basis to the Board to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

In line with the listing requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statement for its full year results announcement.

Risk Management and Internal Controls

Principle 11: *The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

The Board is of the view that the Group's risk management process and system of internal controls are designed to manage, rather than to eliminate, the risk of failure to achieve the Group's strategic objectives. Action plans to manage the risks are continually being monitored and refined. The Board acknowledges that it is responsible for the overall internal controls framework to safeguard shareholders' interests and the Group's business and assets, but recognizes that no cost effective internal controls system will preclude all errors and irregularities. Such system however could only provide reasonable but not absolute assurance against material misstatement or loss.

The internal controls system stipulates a series of procedures and policies, which the Board believes, plays an important role in assisting the Board and management with respect to risk management.

Management regularly reviews the Group's Company's business and operational activities to identify areas of significant financial, operational and compliance risks. Steps have been taken to document the operational procedures to minimize the identified risks in various areas. Any significant matters are reported to the AC and Board.

As required under the Code, the Board had received written assurances from the Non-Executive Chairman and Finance Director of the Company:

- (a) that the financial records have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances; and
- (b) regarding the effectiveness and adequacy of the Company's risk management and internal control systems.

Based on the Group's framework of management control, the internal control policies and procedures established and maintained by the Group, the regular audits, monitoring and reviews performed by the internal and external auditors and review of the Risk Management Assessment Framework, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management are adequate and effective to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment as at 31 March 2019.

Audit Committee

Principle 12: *The Board should establish an AC with written terms of reference which clearly set out its authority and duties.*

The AC comprises all Independent Directors. The members of the AC are as follows:

Mr Chng Hee Kok (Chairman)
Prof Ling Chung Yee Roy
Mr John Ng

The Board is of the opinion that the AC Chairman and members of the AC are appropriate qualified, with the necessary accounting, financial, business management and corporate experience to discharge their responsibilities.

The AC meets at least four times a year and as and when deemed appropriate to carry out its functions.

The AC works under clear defined terms of reference adopted by the Board. The principal functions of the AC are to:

- review with management the Group's general policies, procedures and controls in relation to management accounting, financial reporting, risk management and ethics;
- review the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls;
- review significant financial reporting issues and judgments to ensure the integrity of the financial statements;
- review any formal announcement relating to the Group's financial performance;
- review the independence and objectivity of the external auditors, their audit plans and the related audit findings;
- review the external auditors' management letter and management's responses;
- review the assistance provided by management to the external auditors;
- review the nature and extent of non-audit services performed by the external auditors;
- review the adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its duties;
- review the effectiveness of the Group's internal audit function;
- recommend the re-appointment of the external auditors; approve the compensation of the external auditors, and review of the scope and results of the audit and its cost-effectiveness;

- review the internal audit plan and the Group's internal accounting controls system as well as the internal audit reports and where necessary ensure that appropriate actions have been taken to implement the recommendations made;
- review legal and regulatory matters that may have a material impact on the financial statements;
- review the Group's transactions with related parties and interested persons and situations where a conflict of interest may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- review arrangements by which staff of the Group may in confidence, raise concerns about possible improprieties in financial reporting or, other matters.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and cooperation by management and full discretion to invite any Director or Executive Officer to attend its meetings and reasonable resources to enable it to discharge its functions properly. The AC also generally undertakes such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, as amended.

For FP2019, the AC had:

- (i) held five meetings to review the quarterly and full year results;
- (ii) reviewed the annual audit plans, including the nature and scope of the internal and external audits before commencement of these audits;
- (iii) reviewed and approved the consolidated audited financial statements;
- (iv) reviewed the interested person transactions;
- (v) reviewed and discussed the reports of the internal auditors and external auditors and consider the effectiveness of responses/actions taken by management on the audit recommendations and observations;
- (vi) reviewed the adequacy and effectiveness of the Group's internal audit function;
- (vii) met with the internal and external auditors without the presence of management and had established that both the internal and external auditors have had the full co-operation of management in carrying out the audit for FP2019. Both the internal and external auditors had also confirmed that no restrictions were placed on the scope of their audits; and
- (viii) undertaken a review of all audit and non-audit services provided by the external auditors to ensure that the nature and provision of such services would not affect the independence and objectivity of the external auditors. It was noted that audit fees amounted to SGD200,000 for the audit of the Company and its subsidiaries in FP2019. No non-audit services were rendered by the auditors in FP2019.

The AC is of the view that the external auditors are independent. The external auditors have affirmed their independence in this respect.

The external auditors of the Company and its significant subsidiaries are Foo Kon Tan LLP. The Company has complied with Rules 712 and 715 of the Listing Manual. The AC was satisfied that the resources and experience of Foo Kon Tan LLP, the audit engagement partner and the team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. Therefore, the AC recommended to the Board that Foo Kon Tan LLP be re-appointed as the external auditors. The Board accepted the recommendation and has proposed a resolution to shareholders for the re-appointment of Foo Kon Tan LLP. The Group's subsidiaries are disclosed under Note 8 of the Notes to the Financial Statements on pages 79 and 80 of this Annual Report.

The AC has full access to resources to enable it to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements and to discharge its functions fully. During FP2019, the external auditors have provided updates on accounting standards and issues at the AC meetings.

The Company has in place a “Whistle-Blowing” Programme, whereby employees of the Group and any other party may, in confidence, raise concerns about possible corporate and financial improprieties and other reporting matters to the Independent Directors. A whistle-blowing feedback channel is posted on the Company’s website. There were no whistle blowing incidents reported in FP2019.

Internal Controls/Internal Audit

Principle 13: *The Group should establish an internal audit function that is adequately resourced and independent of the activities it audits.*

The Group has an in-house internal audit function based at the Group’s headquarters in Luanping county, China. The in-house internal audit department is responsible for the review of the effectiveness of the Group’s internal controls system and procedures and reports directly to the AC Chairman on internal audit matters.

The AC had reviewed the internal audit findings prepared by the Group’s in-house internal audit department. During the year, the Group’s in-house internal audit department adopted a risk-based auditing approach that focused on material internal controls, including financial, operational, information technology and compliance controls as well as risk management procedures. Any material non-compliance and weakness in internal controls and recommendation for improvements are reported to the AC. The FP2019 Internal Audit Report was submitted to the AC with relevant audit findings and recommendations. The AC also had reviewed the effectiveness of actions taken by management on the recommendations made by the internal audit team.

The AC is satisfied that the Group’s internal audit function is adequately resourced. The internal audit team has an on-going training programme to equip the staff with relevant knowledge and experience.

(D) Shareholders Rights and Responsibilities

Shareholder Rights/Communication with Shareholders/Conduct of Shareholder Meetings

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders’ rights, and continually review and update such governance arrangements.*

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company*

The Group recognizes the importance of maintaining a constructive and effective communication channel with all shareholders, stakeholders, investors and the public in general.

The Group does not practise selective disclosure. In line with continuous disclosure obligations of the SGX-ST's Listing Manual and the Bermuda Companies Act, the Board's policy is that all shareholders should be informed of all major developments that impact the Group. The Board embraces openness and transparency in the conduct of the Group's affairs. Information is communicated to shareholders on a timely basis through:-

- Annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report contains all relevant information about the Group, including future developments and other disclosures required by the Bermuda Companies Act and International Financial Reporting Standards ("IFRS");
- Quarterly and full-year results announcements containing a summary of the financial information and affairs of the Group for the period are disseminated through SGXNET and news releases;
- Notices of and explanatory notes for annual general meetings and special general meetings;
- Minutes of annual general meetings and special general meetings are also available to shareholders upon their request;
- Shareholders can access information on the Group's website www.unitedfood.com.sg, which provides, inter alia, corporate announcements, press releases, annual reports, and profile of the Group.

The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when the Group's financial performance improves. The Company has an internal investor relations function which focuses on facilitating communications with shareholders and analysts on a regular basis, attending to their queries or concerns and keeping them apprised of the Group's corporate developments and financial performance. During such interactions, the Company solicits and understands the views of shareholders and the investment community.

Shareholders are encouraged to attend the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM as the principal forum for dialogue with shareholders, and is for shareholders to voice their views, raise issues to and seek clarification from the Board or management regarding the Company and its operations. All shareholders of the Company will receive the Annual Report and Notice of AGM within the mandatory period. The Notice of AGM is also advertised in a local newspaper in Singapore.

The Chairmen of the AC, NC and RC attend AGMs to address questions at the AGM. The Company's external auditors are also invited to attend the AGM and are available to assist the Directors, in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

Dividend

The Group does not have a dividend policy. In considering the declaration of dividends, the Company will have to take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend has been declared for FP2019 due to the Group's loss position.

At the AGMs, the shareholders will be given an opportunity to voice their views and seek clarification from the Directors and members of the senior management.

In accordance with the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act.

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of the retiring Directors.

All votes of the shareholders at the shareholders' meeting will be taken by poll. Poll results will be announced via SGXnet of the SGX-ST and posted on the website of the Company after the meeting. Electronic poll voting may be efficient in terms of speed but may not be cost effective. In this respect, the Company did not adopt electronic poll voting.

(E) Interested Person Transactions

The Company does not have a mandate for transactions with Interested Persons.

(F) Material Contracts

There are no material contracts of the Company or its subsidiaries involving the interest of the CEO, Directors or Controlling Shareholders either still subsisting as at 31 March 2019 or if not then subsisting, entered into since the end of the previous financial year.

(G) Dealings In Securities

The Group has adopted an internal compliance code of conduct to provide guidance to the Group, its officers regarding dealings in the securities of the Company and the implications of insider trading.

Directors and key employees of the Group, who have access to price-sensitive and confidential information are not permitted to deal in securities of the Company during the periods at least 2 weeks and one month before the announcement of the Group's quarterly and full-year results respectively and ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group. Directors and employees are also not allowed to deal in the Company's securities on short-term considerations and during the two weeks before the announcement of the Company's financial statements for the first three quarters of its financial year and the one month before the announcement of the Company's full year financial results.

The Company confirmed that it has adhered to its policy for securities transactions for FP2019 pursuant to Rule 1207(19) of the Listing Manual.

(H) Risk Management Policies and Processes

The Board regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks as follows:

Environment Friendliness

The Group's production processes are fully in compliance with the local environmental protection and safety standards in the PRC.

Fire and Other Calamity That Will Disrupt Production

To prevent fire or other calamity that may disrupt the Group's production, the Group has implemented safety measures at all its production facilities and office buildings. The Group has established safety procedures and regular drills are conducted to ensure that employees familiarize themselves with the basic safety protocols. The Group has sufficient fire insurance coverage against possible losses in respect of damages to its property, inventory and plant & machinery.

Change in Political, Economic and Legal Environment in the PRC

As the PRC economy is undergoing various developments, the PRC government will continue to refine its legal system and various economic policies to maintain and encourage foreign investment. We anticipate that China will continue to be the source of all of our revenue. Any change in China's political, economic and social conditions, law, and regulations and policies or any significant decline in the condition of the Chinese economy could adversely affect consumer buying power, result in a decrease in the growth rate of food industry in China, and reduce demand for the products in our portfolio, which in turn would have a material adverse on our business, results of operations and financial conditions. The Group endeavors to adapt to the various changes and will seek formal consultation with the relevant legislative authorities to ensure that the Group is in compliance with the relevant rules and regulations.

The Group's financial risk and management is discussed under the Note 25 of the Notes to Financial Statements of the Annual Report.

(I) Use of Proceeds

As at the date of this Annual Report, the net proceeds from the Placement of 25,804,343 new ordinary shares which was completed on 22 August 2017 have been fully utilised and the details were as depicted in the table below:

Use of Net Proceeds	Amount allocated		Amount utilised	Balance of Net Proceeds utilised
	S\$	%	S\$	S\$
Exploration of investments, acquisitions, strategic alliances and/or joint ventures	7,014,486	70	7,014,486	0
General working capital	3,006,208	30	3,006,208	0

Additional Information on Directors seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Mr Wu Xiaoran and Mr Chng Hee Kok are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 29 July 2019 ("AGM") under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 12 July 2019 (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	Wu Xiaoran	Chng Hee Kok
Date of Appointment	11 July 2016	23 October 2015
Date of Last Re-Appointment	28 April 2017	28 April 2017
Age	43	71
Country of principal residence	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	Yes. He is responsible for the financial management of the Group.	No.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Director, Chairman of Audit Committee, Members of Nominating Committee and Remuneration Committee
Professional qualifications	Please refer to Director's Profile on page 9 of Annual Report.	Please refer to Director's Profile on page 10 of Annual Report.
Working experience and occupation(s) during the past 10 years	Please refer to Director's Profile on page 9 of Annual Report.	Please refer to Director's Profile on page 10 of Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	N.A.	N.A.
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Name of Director	Wu Xiaoran	Chng Hee Kok
Past (for the last 5 years)	N.A	1. China Flexible Packaging Holdings Ltd 2. ChinaSing Investment Holdings Ltd 3. LH Group Ltd 4. Pacific Century Regional Developments Ltd 5. EL Corp Ltd 6. Hartawan Holdings Ltd 7. Infinio Group Limited
Present	1. Shanghai He Yao Investment Management Co. Ltd.	1. Ellipsiz Ltd 2. Luxking Group Holdings Ltd 3. Full Apex Holdings Ltd 4. Samudera Shipping Line Ltd 5. Chaswood Resources Holdings Ltd 6. The Place Holdings Limited 7. Sino-America Tours Corporation Pte Ltd
The general statutory disclosures (items (a) to (k) of Appendix 7.4.1) of the Directors are as follows: There is no change in the information of Mr Wu Xiaoran as announced on 11 July 2016 and Mr Chng Hee Kok as announced on 23 October 2015.		
Prior Experience as a Director of a Listed Company on the Exchange		
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.

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FINANCIAL CALENDAR

FIRST QUARTER	11 MAY 2018
SECOND QUARTER AND HALF-YEAR	10 AUGUST 2018
THIRD QUARTER	9 NOVEMBER 2018
FOURTH QUARTER AND TWELVE MONTHS	13 FEBRUARY 2019
FIFTH QUARTER AND FIFTEEN MONTHS	29 MAY 2019
FINANCIAL YEAR END	31 MARCH 2019
DESPATCH OF ANNUAL REPORT TO SHAREHOLDERS	12 JULY 2019
ANNUAL GENERAL MEETING	29 JULY 2019

for the financial period ended 31 March 2019

The directors present their statement to the members together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the period from 1 January 2018 to 31 March 2019.

The Company changed its financial year end from 31 December to 31 March with effect from the current financial period commencing 31 March 2019. These financial statements are for the 15 months period ended 31 March 2019. The last audited financial statements were for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 44 to 113 are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Group for the period ended 31 March 2019 covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this report are:

Executive director:

Mr Wu Xiaoran

Non-executive director:

Ms Song Yanan (Chairman)

Independent Non-Executive Directors:

Prof Ling Chung Yee Roy

Mr Chng Hee Kok

Mr John Ng

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of the year, nor at any time during the year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

According to the Register of Directors' Shareholdings, the following directors, who held office as at the end of the year, had interests in shares of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
	As at 1.1.2018	As at 31.3.2019	As at 1.1.2018	As at 31.3.2019
Ordinary shares of the Company of HK\$0.10 each				
Song Yanan	-	-	44,223,680	44,223,680

DIRECTORS' **STATEMENT**

for the financial period ended 31 March 2019

Directors' interests in shares and debentures (Cont'd)

There were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2019.

Except as disclosed in this report, no director who held office at the end of the financial period had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial period.

Share options

There are presently no option schemes on unissued shares of the Company except as disclosed in Notes 7 and 8 relating to the issuance of a maximum aggregate of RMB 85 million of bonds that are convertible into shares of the Company subject to the terms and conditions of the share purchase agreement on the acquisition of new subsidiaries during the financial period ended 31 March 2019.

Audit committee

At the end of the financial period, the Audit Committee comprises the following members:

Mr Chng Hee Kok (Chairman)
Prof Ling Chung Yee Roy
Mr John Ng

Details of the Company's Audit Committee, Nominating Committee and Remuneration Committee are set out in the Corporate Governance Report.

Directors' contractual benefits

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within 1 year without payment other than statutory compensation.

Independent auditors

The auditors, Foo Kon Tan LLP, have indicated their willingness to accept re-appointment.

Material information

The details are set out in pages 13 to 27 of the Corporate Governance Report.

Interested person transactions

Except for the transactions disclosed in Note 23 to the financial statements, there were no interested person transactions during the financial period from 1 January 2018 to 31 March 2019. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

for the financial period ended 31 March 2019

Interested person transactions (Cont'd)

The AC will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST are complied with. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and Section 90 of the Companies Act 1981 of Bermuda, and for such internal control as management determines is necessary to enable the preparation of financial statement that are free from material statements, whether due to fraud or error.

On behalf of the Board of Directors

Song Yanan
Non-executive Chairman

Wu Xiaoran
Executive Director

Dated: 24 June 2019

INDEPENDENT

AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of United Food Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company present fairly, in all material respects, the financial position of the Group and the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Group for the period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

a) Discontinued operations and Disposal group classified as held for sale

As detailed in Notes 5 and 16 to the financial statements during the period ended 31 March 2019, we were denied access by the new owners to the financial information and management accounts of the Discontinued operations and Disposal group classified as held for sale that were disposed of in May 2018. Accordingly, due to limitation of audit scope, we were unable to carry out the procedures necessary to satisfy ourselves as to the extent of the loss of RMB 17.1 million on discontinued operations for the 5-month period prior to the disposition of the subsidiaries and the reported gain on disposal of subsidiaries to the sum of RMB 27.2 million arising from the disposal of the Disposal group classified as held for sale that has been included in the consolidated statement of profit or loss and comprehensive income of the Group for the 15-month period ended 31 March 2019.

b) Auditor's report on the financial statements for the financial year ended 31 December 2017

The auditor's report dated 8 May 2018 on the financial statements for the financial year ended 31 December 2017 contained a modified opinion because we were unable to obtain audit evidence on the occurrence and accuracy of payroll expenses for redundant employees of RMB 3.4 million incurred by a subsidiary of the Group for the year ended 31 December 2017. As the opening balances enter into the determination of the financial results of the Group for the current financial period ended 31 March 2019 and have an impact on the statement of financial position of the Group as at that date, we were unable to ascertain whether any adjustments were required to the opening balances or to the corresponding figures for the current financial period ended 31 March 2019.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Professional Conduct and Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT

AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence regarding the accuracy and completeness of the loss from discontinued operations of RMB 17.1 million and the gain on disposal of subsidiaries of RMB 27.2 million for the financial period ended 31 March 2019, and about the occurrence and accuracy of payroll expenses for redundant employees of RMB 3.4 million for the year ended 31 December 2017. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
1. <u>Acquisition-date fair value of patents</u> In connection with the acquisition of the Target Companies (Notes 8 and 11) and in accordance with IFRS 3 Business Combinations on the measurement of the assets acquired and liabilities assumed in a business combination, there exists patent rights with a fair value of RMB 148.6 million at the date of acquisition. Management with the assistance of an independent professional valuer has determined the acquisition-date fair value of the acquired patent rights based on the Multi-period Earnings Excess Method or income approach that involves the use of forecast and discounted cash flows and applying the following factors, among others: • One of the newly acquired patent involving the production of L-Ascorbyl Palmitate (L-AP) or antioxidant product is in its early stages of commencement in production and sales; • Sales and the associated cost are forecasted on the assumption that the production capacity will be operating at between 50% and 100% over the remaining life of the patents of 10 to 13 years; • Gross profit margin is estimated at between 45.51% to 78.07%; • The long-term growth rate beyond the 5-year forecast period was estimated at 2.61%; and • A discount rate of between 17.29% to 18.88% was used. A slight change in the key assumptions applied by the valuer such as a reduction in forecasted revenue can have a significant impact to the valuation at the date of acquisition. The determination of the acquisition-date fair value of the patents involves a significant degree of management judgment and estimation uncertainty.	We have performed the following: a) Ascertained the validity and legal status of the patent rights by engaging our own lawyer to perform the verification against supporting documentation such as the China National Intellectual Property Administration (formerly known as the State Intellectual Property Office of China); b) Held discussions with the valuers and challenged their key assumptions applied by comparing them against market comparable, historical data and available industry information; c) Evaluated the competency, capabilities and objectivity of management expert, obtained an understanding of the work of that expert; and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion; d) Engaged our auditor expert to review the appropriateness of the valuation methodologies, assumptions and reasonableness of certain key inputs used by management and the independent professional valuer in determining the acquisition-date fair value of the patents acquired; e) Evaluated whether the auditor's expert has the necessary competence, capability and objectivity for our purpose; f) Reviewed the sensitivity analysis over the assumptions and estimates performed by the valuers on the impact of a change(s) in the valuation variables such as the discount rate and/or the forecasted revenues that could reduce the recoverable amount (for impairment assessment) below the carrying amount of the patents at the reporting date; and g) Assessed the adequacy of disclosure in relation to the assumptions and estimates over the acquisition-date fair value of the patents acquired.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
1. <u>Acquisition-date fair value of patents</u> (Cont'd) In accordance with ISA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report, matters that are determined to be key audit matters in accordance with ISA 701 Communicating Key Audit Matters in the Independent Auditor's Report may also be, in the auditor's judgment, fundamental to users' understanding of the financial statements. Accordingly, we wish to draw further attention to the gain from bargain purchase of RMB 39.8 million that was recognised in these financial statements for the financial period ended 31 March 2019, the carrying amount of the patents of RMB 141.7 million and the impairment assessment carried out by management on these patents as at the reporting date of 31 March 2019 relating to the above-mentioned key audit matter: Significant Management Judgment and High Estimation Uncertainty: Gain from bargain purchase, carrying amount of the patents and impairment assessment As detailed in Note 8 to the financial statements, during the 15-month financial period ended 31 March 2019, the Group has acquired new subsidiaries for which a gain of RMB 39.8 million from bargain purchase has been recognised and recorded in the consolidated statement of profit or loss and other comprehensive income of the Group for the period then ended. Under IFRS 3 Business Combinations, the acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. One of the key determinants in deriving the gain from bargain purchase of RMB 39.8 million is the acquisition-date fair value of the patents which was estimated at RMB 148.6 million. The carrying amount of the patents at the reporting date at 31 March 2019 was RMB 141.7 million. The fair values of the patents at the date of acquisition were calculated using the Multi-Period Excess Earnings Method or income approach that involves the use of forecast and discounted cash flows.	

INDEPENDENT

AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
1. <u>Acquisition-date fair value of patents</u> (Cont'd) Significant Management Judgment and High Estimation Uncertainty: Gain from bargain purchase, carrying amount of the patents and impairment assessment (Cont'd) There is material uncertainty arising from the use of this method. This is mainly because one of the newly acquired patents involving the production of L-Ascorbyl Palmitate (L-AP) or antioxidant is in its early stages of commencement in production and sales with no proven track record. In addition, included in the forecast in arriving at the valuation of the patents at the acquisition date is the assumption that these patents are estimated to continue to produce and sell throughout the remaining life of the patents of between 10 to 13 years. Given the current market comparables, the forecast may be well challenged if there is an economic downturn or when the actual results do not occur as expected. The forecast involves the application of significant management judgement and accounting estimates. Although these forecasts are based on management's best knowledge of current events and actions in the foreseeable future, there may be a likelihood that actual results and future events may ultimately differ from those estimates, and the difference could be material. The extent of impairment on the patents has been considered by management by way of performing a sensitivity analysis. A 1% increase in the discount rate or a 5% decrease in the revenue forecast may not reduce the recoverable amount (for impairment assessment) below the carrying amount of the patents at the reporting date at 31 March 2019. Our opinion is not modified in respect of this matter. The disclosures in the financial statements are found in Notes 8, 10 and 11 to the accompanying financial statements.	

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
2. <u>Contingent consideration for acquisition of subsidiaries</u> By way of funding (purchase consideration) for the acquisition of the Target Companies (Note 8), the Group entered into a Bond instrument which is convertible into shares of the Company (subject to the terms and conditions of the sale and purchase agreement). The amount of Bonds to be issued depends on the amount of profits to be achieved by the vendors under the profit warranty given by the vendors to the Group and is calculated based on an agreed formula as: <i>Amount of Bonds to be issued is equal to [(Actual profits/RMB 25 million) x RMB 28.333 million Bonds] each year over the next 3 years subject to a maximum aggregate of RMB 85 million of Bonds.</i> The vendors of the Target Companies have provided a profit warranty of RMB 25 million each year over 3 years with a cumulative aggregate profit warranty of RMB 75 million. Management has accounted for the Bonds to be issued representing the balance purchase consideration of RMB 85 million as a contingent consideration classified as a financial liability under IFRS 3 Business Combinations. This is because the amount of Bonds to be issued varies or depends on the amount of profits that are generated by the Target Companies under the profit warranty given by the vendors. The contingent consideration was valued at RMB 44.5 million by the professional valuer at the date of acquisition based on the market approach using the Chaffe Put Option Model and taking into account the probability of meeting each performance target from the profit warranty given by the vendors and certain valuation variables such as the Discount for Lack of Marketability ("DLOM"). In the event that the performance obligation by the vendors of the Target Companies cannot be fulfilled, the purchase consideration by way of Bonds will be adjusted accordingly. The valuation of the contingent consideration was carried out by management with assistance from an independent professional valuer.	We have performed the following: a) Inspected the sale and purchase agreement for the understanding of the terms and conditions of the purchase consideration involving the Bonds to be issued; b) Evaluated the appropriateness of management's accounting treatment of the contingent consideration as a financial liability and the subsequent changes in the fair values of the contingent consideration against IFRS 3 Business Combinations and satisfied ourselves that subsequent changes in value for post-combination events and circumstances should not affect the measurement of the consideration transferred or goodwill on the acquisition date; c) Reviewed the forecasts assumptions and estimates made by management by comparing them against market comparable, historical data and available industry information and benchmarking the certain valuation data such as DLOM against independent data; d) Evaluated management's assessment of the sensitivity of the valuation to reasonably possible changes in assumptions and considered the disclosures provided by the Group in relation to its valuation; e) Evaluated the competency, capabilities and objectivity of management expert, obtained an understanding of the work of that expert; and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion; f) Engaged our auditor's expert to review the appropriateness of the valuation methodologies, assumptions and reasonableness of certain key inputs used by management and the independent professional valuer in determining the fair value of the contingent consideration at the date of acquisition and at the reporting year end date; and g) Evaluated whether the auditors' expert has the necessary competence, capability and objectivity for our purpose.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
2. <u>Contingent consideration for acquisition of subsidiaries</u> (Cont'd) At the reporting date at 31 March 2019, the professional valuer has estimated the contingent consideration at RMB 17.5 million. The change in the fair value of the contingent consideration of RMB 27.0 million was recognised in profit or loss for the financial period ended 31 March 2019. The most significant assumptions included in the valuation model relate to the determination of the forecasted profits to be achieved under the profit warranty given by the vendors and the estimation of the valuation variables such as the discount for lack of marketability. The determination of the Bond instrument to be issued as a contingent consideration classified as a financial liability and the valuation of the contingent consideration are considered to be a Key Audit Matter as it involves a significant degree of management judgment and estimation uncertainty. The disclosures in the financial statements are found in Notes 2(a)(v), 8, 21 and 28 to the accompanying financial statements.	
3. <u>Impairment of non-current assets</u> The Group's non-current assets comprise goodwill, land use rights, property, plant and equipment and patents amounting to RMB 185.6 million (2017: RMB 12.7 million) as at 31 March 2019. Management has performed an impairment assessment of these non-current assets and has concluded that based on its assessment, no impairment losses were required. The impairment testing performed on the Group's non-current assets is considered to be a Key Audit Matter due to the significant estimation uncertainty, subjective assumptions and the application of significant judgment by management. The disclosures in the financial statements are found in Notes 2(a)(ii), 9, 10 and 11 to the accompanying financial statements.	We have performed the following: a) Reviewed the appropriateness of the Cash Generating Units ("CGU") as defined by the management in accordance with IAS 36 Impairment of Assets; b) Reviewed the recoverable amount assessed based on the fair value less costs of disposal and value-in-use computations and management's key assumptions which included cash flow projections, gross profit margins, discount rates, production capacity and growth rates; c) Evaluated the competency, capabilities and objectivity of management expert, obtained an understanding of the work of that expert; and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion; d) Evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for our purposes;

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
3. <u>Impairment of non-current assets</u> (Cont'd)	e) Challenged the assumptions and methodologies used in determining the recoverable amounts by engaging our auditor expert in critically assessing the reasonableness of the inputs in the forecasted future cash flows by comparison to historical performance, reasonableness of management's plans in the near future, trend analysis and market expectations as appropriate; f) Assessed the annual growth rate and long-term growth rate applied within the model, including comparison to economic and external sources where applicable; g) Compared the recoverable amount of the respective CGUs' against the carrying amounts of the Group's non-current assets to determine if an impairment loss is required; h) Performed sensitivity analysis to determine whether any reasonably possible change in estimates would result in an impairment of the non-current assets; and i) Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of Section 90 of the Companies Act 1981 of Bermuda and IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT ||

AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Other matter

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

The engagement partner on the audit resulting in this independent auditor's report is Chang Fook Kay.

Foo Kon Tan LLP
Public Accountants
and Chartered Accountants

Singapore,

24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial period ended 31 March 2019

	Note	Period from 1 January 2018 to 31 March 2019 RMB'000	Year ended 31 December 2017 RMB'000
Continuing operations			
Revenue	3	86,430	34,932
Cost of sales		(79,795)	(33,463)
Gross profit		6,635	1,469
Other income	3	94,238	10
Selling and distribution costs		(251)	–
Administrative expenses		(19,827)	(4,157)
Finance expenses		(582)	–
Other expenses		(95)	–
Profit/(Loss) before taxation from continuing operations		80,118	(2,678)
Income tax expense	4	(927)	(393)
Profit/(Loss) for the period/year from continuing operations		79,191	(3,071)
Discontinued operations			
Loss for the period/year from discontinued operations	5	(17,100)	(65,343)
Profit/(Loss) for the period/year	6	62,091	(68,414)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		(883)	(1,202)
Reclassification adjustment of foreign currency translation difference upon disposal of foreign operations		1,857	–
Total comprehensive income/(loss) for the period/year		63,065	(69,616)
Profit/(Loss) attributable to:			
Equity holders of the Company			
Profit/(Loss) from continuing operations, net of tax		79,502	(3,461)
Loss from discontinued operations, net of tax	5	(17,100)	(65,343)
		62,402	(68,804)
Non-controlling interests			
(Loss)/Profit from continuing operations, net of tax	8	(311)	390
		62,091	(68,414)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		63,465	(70,080)
Non-controlling interests	8	(400)	464
		63,065	(69,616)
Basic earnings per share:			
- Profit/(Loss) for the period/year	7(a)	0.40	(0.50)
- Profit/(Loss) from continuing operations	7(a)	0.50	(0.03)
- Loss from discontinued operations	7(a)	(0.10)	(0.47)
Diluted earnings per share:			
- Profit/(Loss) for the period/year	7(b)	0.32	(0.50)
- Profit/(Loss) from continuing operations	7(b)	0.40	(0.03)
- Loss from discontinued operations	7(b)	(0.10)	(0.47)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

as at 31 March 2019

	Note	The Group		The Company	
		31 March 2019	31 December 2017 (Restated)	31 March 2019	31 December 2017
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Subsidiaries	8	–	–	9	9
Goodwill	9	12,742	12,742	–	–
Property, plant and equipment	10	20,148	3	–	–
Intangible assets	11	152,697	–	–	–
		185,587	12,745	9	9
Current assets					
Inventories	12	1,518	–	–	–
Trade and other receivables	13	102,776	71,802	15,109	106
Amounts due from subsidiaries	14	–	–	98,809	43,630
Cash and cash equivalents	15	73,832	62,973	226	1,006
		178,126	134,775	114,144	44,742
Disposal group classified as held for sale	16	–	77,850	–	–
		178,126	212,625	114,144	44,742
Total Assets		363,713	225,370	114,153	44,751
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	17	15,975	15,975	15,975	15,975
Reserves	18	232,588	169,123	83,362	14,106
Equity attributable to owners of the Company		248,563	185,098	99,337	30,081
Non-controlling interests	8	30,641	1,278	–	–
Total Equity		279,204	186,376	99,337	30,081
LIABILITIES					
Current liabilities					
Trade and other payables	19	49,879	25,468	898	1,131
Amounts due to subsidiaries	14	–	–	13,918	13,539
Borrowings	20	10,000	–	–	–
Contingent consideration for acquisition of subsidiaries	21	17,519	–	–	–
Current tax payable		919	598	–	–
		78,317	26,066	14,816	14,670
Disposal group classified as held for sale	16	–	12,928	–	–
		78,317	38,994	14,816	14,670
Non-current liabilities					
Deferred tax liabilities	22	6,192	–	–	–
Total Liabilities		84,509	38,994	14,816	14,670
Total Equity and Liabilities		363,713	225,370	114,153	44,751

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial period ended 31 March 2019

	← Attributable to owners of the Company →								
	Share capital	Share premium	Contributed surplus reserve	Statutory reserve	Capital redemption reserve	Accumulated losses	Exchange translation reserves	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	11,779	-	397,141	19,431	2,982	(229,263)	183	-	202,253
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Issue of shares	4,196	48,729	-	-	-	-	-	-	52,925
Acquisitions of subsidiaries	-	-	-	-	-	-	-	814	814
Total transactions with owners, recognised directly in equity	4,196	48,729	-	-	-	-	-	814	53,739
Total comprehensive loss for the year									
Loss for the year	-	-	-	-	-	(68,804)	-	390	(68,414)
Currency translation difference - net	-	-	-	-	-	-	(1,276)	74	(1,202)
Total comprehensive loss for the year	-	-	-	-	-	(68,804)	(1,276)	464	(69,616)
At 31 December 2017	15,975	48,729	397,141	19,431	2,982	(298,067)	(1,093)	1,278	186,376

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial period ended 31 March 2019

	← Attributable to owners of the Company →								
	Share capital	Share premium	Contributed surplus reserve	Statutory reserve	Capital redemption reserve	Accumulated losses	Exchange translation reserves	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	15,975	48,729	397,141	19,431	2,982	(298,067)	(1,093)	1,278	186,376
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Acquisitions of subsidiaries	-	-	-	-	-	-	-	29,763	29,763
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	29,763	29,763
Total comprehensive income for the period									
Profit/(Loss) for the period	-	-	-	-	-	62,402	-	(311)	62,091
Currency translation difference – net	-	-	-	-	-	-	1,063	(89)	974
Total comprehensive income for the period	-	-	-	-	-	62,402	1,063	(400)	63,065
Transfer from statutory reserve to accumulated losses upon disposal of subsidiaries	-	-	-	(19,431)	-	19,431	-	-	-
At 31 March 2019	15,975	48,729	397,141	-	2,982	(216,234)	(30)	30,641	279,204

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial period ended 31 March 2019

		Period from 1 January 2018 to 31 March 2019	Year ended 31 December 2017 (Restated)
	Note	RMB'000	RMB'000
Cash Flows from Operating Activities			
Profit/(loss) before taxation			
- from continuing operations		80,118	(2,678)
- from discontinued operations	5	(17,100)	(65,343)
Adjustments for:			
Depreciation of property, plant and equipment	10	1,001	13,332
Amortisation of land use rights and patents	11	7,046	6,638
Impairment loss on property, plant and equipment	10	-	11,925
Impairment loss on land use rights	11	-	9,019
Translation differences		1,046	(1,115)
Gain on disposal of subsidiaries	5	(27,178)	-
Gain from bargain purchase	8	(39,762)	-
Fair value changes on contingent consideration on acquisition of subsidiaries	21	(26,951)	-
Finance cost		582	-
Interest income	3	(372)	(10)
Cash flow used in operating activities before working capital changes		(21,570)	(28,232)
Change in inventories		(13)	5,568
Change in trade and other receivables		4,170	28,145
Change in trade and other payables		13,397	554
Cash (used in)/generated from operations		(4,016)	6,035
Interest received		-	10
Tax paid		(548)	-
Net cash (used in)/generated from operating activities		(4,564)	6,045
Cash Flows from Investing Activities			
Net cash from disposal of subsidiaries (Note A)	5	35,565	-
Net cash from acquisition of subsidiaries (Note B)	8	931	(15,849)
Deposit for potential business acquisitions	13	(25,000)	-
Purchase of property, plant and equipment		(226)	-
Interest received		372	-
Net cash generated from/(used in) investing activities		11,642	(15,849)
Cash Flows from Financing Activities			
Proceeds from issue of new shares		-	52,925
Finance cost		(582)	-
Net cash (used in)/generated from financing activities		(582)	52,925
Net changes in cash and cash equivalents		6,496	43,121
Effect of foreign exchange rate changes on balances of cash held in foreign currencies		(72)	(5)
Cash and cash equivalents at beginning of period/year		67,408	24,292
Cash and cash equivalents at end of period/year	15	73,832	67,408

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial period ended 31 March 2019

Note A: Net cash from disposal of subsidiaries (Note 5)

	Period from 1 January 2018 to 31 March 2019 RMB'000
Assets	
Property, plant and equipment	43,300
Land use rights	20,430
Inventories	9,685
Cash and cash equivalents	4,435
Assets classified as disposal group held for sale	77,850
Liabilities	
Trade and other payables	1,371
Provision	11,557
Liabilities classified as disposal group held for sale	12,928
Loss from discontinued operations	(17,100)
Gain on disposal of subsidiaries (Note 5)	27,178
Total consideration	75,000
Consideration received, satisfied in cash during the year ended 31 December 2017 (FY2017)	(20,000)
Consideration receivables (Note 13)	(15,000)
Consideration received during the year, satisfied in cash	40,000
Less: Cash and cash equivalents disposed of on de-consolidation	(4,435)
Net cash inflow from disposal of subsidiaries	35,565

Note B: Net cash from acquisition of subsidiaries (Note 8)

	Period from 1 January 2018 to 31 March 2019 RMB'000
Cash paid during the period	-
Less: Cash and bank balances in subsidiaries acquired	931
Net cash inflow on acquisition	931

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial period ended 31 March 2019

Note B: Net cash from acquisition of subsidiaries (Cont'd)

The Group acquired certain subsidiaries during the period ended 31 March 2019. The carrying values of assets and liabilities acquired were as follows:

	Period from 1 January 2018 to 31 March 2019 RMB'000
Net assets acquired	
Patents – intangible assets	148,643
Land use rights – intangible assets	11,100
Property, plant and equipment	20,920
Trade receivables	1,811
Prepayment, deposits and other receivables	1,233
Inventories	1,505
Cash and bank balances	931
Trade payables	(508)
Other payables, deposits received and accruals	(20,506)
Tax receivables	306
Borrowings	(10,000)
Deferred tax liabilities	(6,440)
	148,995
Less: Non-controlling Interest ("NCI")	(29,763)
Less: Gain from bargain purchase (Note 8)	(39,762)
Total consideration for the acquisition of subsidiaries	79,470

	Period from 1 January 2018 to 31 March 2019 RMB'000
Consideration for the acquisition of subsidiaries	
Cash paid (in FY2017 as deposits for potential acquisition)	25,000
Cash payable to the vendors (Note 19)	10,000
Contingent consideration (Note 21)	44,470
Total consideration	79,470

Note C: Reconciliation of liabilities arising from financing activities, excluding equity items

	As at 1 January 2018 RMB'000	Cash flows from addition/ (Repayment) of advances RMB'000	Non-cash changes Acquisition of subsidiaries RMB'000	Foreign exchange movement RMB'000	As at 31 March 2019 RMB'000
Borrowings	–	–	10,000	–	10,000
	–	–	10,000	–	10,000

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

1 General information

The Company changed its financial year end from 31 December to 31 March with effect from the financial period commencing 31 March 2019. These financial statements are for the 15 months period ended 31 March 2019. The last audited financial statements were for the financial year ended 31 December 2017 (12 months period).

The financial statements of United Food Holdings Limited (the "Company") and its subsidiaries (the "Group") for the period from 1 January 2018 to 31 March 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company was incorporated in Bermuda on 14 August 2000 with limited liability under the Companies Act 1981 of Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal places of business of the Group are located at Shenquan Village, Luozhuang District, Linyi City, Shangdong Province, the People's Republic of China.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 8 to these consolidated financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including interpretations promulgated by the International Financial Reporting Interpretations Committee ("IFRIC") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below.

The consolidated financial statements are presented in Renminbi (RMB) to the nearest thousand, RMB'000. The functional currency of the Company is Hong Kong dollars. All financial information has been presented in RMB, unless otherwise stated.

Although the Group recorded a net profit of RMB 62,091,000 (31 December 2017 – net loss of RMB 68,414,000) for the financial period ended 31 March 2019, it had a cash outflows from operating activities of RMB 4,564,000 (31 December 2017: cash inflows from operating activities of RMB 6,045,000) during the period ended 31 March 2019. This factor indicates the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue a going concern.

Notwithstanding the above, management believes that the Group will have sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the reporting date after taking into consideration the following:

- As at 31 March 2019, the Group has net current assets of RMB 99,809,000 (31 December 2017: RMB 108,709,000) and net assets of RMB 279,204,000 (31 December 2017: RMB 186,376,000), including cash and cash equivalents of RMB 73,832,000 (31 December 2017: RMB 67,408,000); and
- Cash flow forecast was prepared for the next 12 months after year end which showed that sufficient cash flows will be generated from operations to pay liabilities when they are due based on the assumptions made by management.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(a) Basis of preparation (Cont'd)

Key sources of estimates uncertainty and significant judgements

The preparation of the financial statements in conformity with IFRS requires the management to exercise judgements in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are detailed below:

Significant judgements made in applying accounting policies

(i) Determination of functional currency

The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. These financial statements are presented in RMB, which is the functional and presentational currency of most of the Group entities. Determination of functional currency involves significant judgement and other companies may make different judgements based on similar facts. The functional currency of each of the group entities is principally determined by the primary economic environment in which the respective entity operates.

The Group reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in profit or loss. It also impacts exchange gains and losses included in the profit or loss.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

(i) Useful lives and depreciation of property, plant and equipment (Note 10)

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Changes in the expected level of usage, maintenance programmes, and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment is disclosed in Note 10 to the financial statements. A 5% difference in the estimated useful lives of property, plant and equipment from management's estimates will have no significant impact on the Group's profit for the period ended 31 March 2019.

for the financial period ended 31 March 2019

2(a) Basis of preparation (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(ii) Impairment of non-current assets (Notes 9, 10 and 11)

Goodwill, property, plant and equipment, patents and land use rights are reviewed to determine whether there are any indications that the carrying value of these assets may not be recoverable and have suffered an impairment loss or indications that an impairment loss recognised in prior periods may no longer exist or may have decreased as at the end of the reporting period. If any such indication exists, the assets are tested for impairment. An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less costs of disposal and value-in-use. The recoverable amounts of goodwill and patents were based on value-in-use calculation. The recoverable amounts of the property, plant and equipment and land use rights were based on the fair value less costs of disposal.

These valuations were performed by an independent professional valuer. The determination of the recoverable amounts includes use of unobservable inputs. Factors such as changes in discount rates, the presence of competition, technical obsolescence and lower-than-anticipated product sales could lead to shorter useful lives or impairment. Due to the inherent valuation uncertainty, those estimated recoverable amounts may differ significantly from actual results, and those differences could be material.

Details of impairment tests of patents, goodwill, property, plant and equipment and land use rights are disclosed in Notes 9, 10 and 11.

(iii) Valuation of inventories (Note 12)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable values of inventories increase/decrease by 5% from management's estimates, the Group's profit for the period ended 31 March 2019 will decrease/increase by approximately RMB Nil (2017 – RMB Nil).

(iv) Allowance for expected credit losses of trade receivables (Note 13)

As at 31 March 2019, the Group's trade receivables amounted to RMB 14,655,000 (2017 – RMB Nil), arising from the Group's different revenue segments – trading, additives and animal feed and traditional medicine.

When measuring Expected Credit Loss ("ECL"), the Group uses reasonable and supportable forward-looking information, which is based on the assumptions for the future movement of different economic drivers and how these drivers will affect each other. An ECL allowance of RMB 3,092,000 (2017: RMB Nil) for trade receivables was recognised as at 31 March 2019.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into consideration cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(a) Basis of preparation (Cont'd)

Key sources of estimation uncertainty (Cont'd)

- (v) Fair value measurement of contingent consideration for acquisition of subsidiaries in a business combination (Notes 8 and 21)

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on the market approach using the Chaffe Put Option Model and taking into account the probability of meeting each performance target from the profit warranty given by the vendors. As part of the purchase price allocation for the acquisition of Chengde Purun Shengwu Zhiyao Co., Ltd., Hebei Xingrun Shengwu Keji Gufen Co., Ltd. and Benchmark Trade Limited, the Group identified an element of contingent consideration.

- (vi) Acquisition-date fair values of patents acquired – significant management judgment and high estimation uncertainty (Note 8)

As detailed in Note 8 to the accompanying financial statements, the Group acquired new subsidiaries and has accounted for them as a business combination using the acquisition method during the financial period ended 31 March 2019. Among the assets acquired are patents with an acquisition-date fair value of RMB 148.6 million. The carrying amount of the patents at the reporting date at 31 March 2019 was RMB 141.7 million. The acquisition-date fair value of the patents acquired in the business combinations was determined by management with the assistance of an independent professional valuer. The fair values of the patents at the date of acquisition were calculated using the Multi-Period Excess Earnings Method or income approach that involves the use of forecast and discounted cash flows and applying the following factors, among others:

- One of the newly acquired patent involving the production of L-Ascorbyl Palmitate (L-AP) or antioxidant product is in its early stages of commencement in production and sales with no proven track record;
- Sales and the associated cost are forecasted on the assumption that the production capacity will be operating at between 50% and 100% over the remaining life of the patents of 10 to 13 years;
- Gross profit margin is estimated at between 45.51% to 78.07%;
- The long-term growth rate beyond the 5-year forecast period was estimated at 2.61%; and
- A discount rate of between 17.29% to 18.88% was used.

There is material uncertainty arising from the use of this method. This is mainly because one of the newly acquired patents involving the production of L-Ascorbyl Palmitate (L-AP) or antioxidant is in its early stages of commencement in production and sales with no proven track record. In addition, included in the forecast in arriving at the valuation of these patents at the acquisition date is the assumption that these patents are estimated to continue to produce and sell throughout the remaining life of the patents of between 10 to 13 years.

Given the current market comparables, the forecast may be well challenged if there is an economic downturn. The forecast involves the application of significant management judgement and is subject to high estimation uncertainty. Although these forecasts are based on management's best knowledge of current events and actions in the foreseeable future, there may be a likelihood that actual results and future events may ultimately differ from those estimates, and the difference could be material.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(a) Basis of preparation (Cont'd)

Key sources of estimation uncertainty (Cont'd)

- (vi) Acquisition-date fair values of patents acquired – significant management judgment and high estimation uncertainty (Note 8) (Cont'd)

The extent of impairment on the patents has been considered by management by way of performing a sensitivity analysis. A 1% increase in the discount rate or a 5% decrease in the revenue forecast may not reduce the recoverable amount (for impairment assessment) below the carrying amount of the patents at the reporting date at 31 March 2019.

2(b) Interpretations and amendments to published standards effective in 2019

On 1 January 2018, the Group has applied the new and revised standards, amendments and interpretation of IFRS that are mandatory for application from that date. The adoption of the new and revised standards, amendments and interpretations of IFRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current period or prior financial year, except as follows:

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018

A. IFRS 9 Financial instruments

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted IFRS 9 from 1 January 2018.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. Accordingly, the information presented for the financial year ended 31 December 2017 is presented, as previously reported, under IAS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by IFRS 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of IFRS 9. Instead, disclosures under IFRS 7 *Financial Instruments: Disclosures* relating to items within the scope of IAS 39 are provided for the comparative period.

The accounting policies for financial instruments under IFRS 9 is as disclosed in Note 2(d).

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income ("FVOCI") – debt instrument, FVOCI – equity instrument; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. No reclassifications resulted from management's assessment.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)

A. IFRS 9 Financial instruments (Cont'd)

Classification and measurement of financial assets and financial liabilities (Cont'd)

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities. The contingent consideration payable for the business combinations that has occurred during the financial period ended 31 March 2019 has been classified as a financial liability at fair value through profit or loss and is subsequently measured at fair value with changes recognised in profit or loss.

The following table presents original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Group and Company	Original classification under IAS 39 (Up to financial year ended 31 December 2017)	New classification under IFRS 9 (Effective from 1 January 2018)
<u>Financial assets</u>		
Trade and other receivables	Loan and receivables	Amortised cost
Cash and bank balances	Loan and receivables	Amortised cost

Company	Original classification under IAS 39 (Up to financial year ended 31 December 2017)	New classification under IFRS 9 (Effective from 1 January 2018)
<u>Financial assets</u>		
Amounts due from subsidiaries	Loan and receivables	Amortised cost

Impairment of financial assets

The Group and the Company have the following financial assets subject to the expected credit loss impairment model under IFRS 9:

- Trade receivables recognised under IFRS 15; and
- Amounts due from subsidiaries.

The impairment methodology for each of these classes of financial assets under IFRS 9 is as disclosed in Note 2(d).

There is no additional impairment loss allowance under IFRS 9 as at 1 January 2018.

B. IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

for the financial period ended 31 March 2019

2(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)

B. IFRS 15 Revenue from Contracts with Customers (Cont'd)

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the Standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the Standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the Standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations. The Group has assessed and there was no impact on the financial statements on adoption of IFRS 15. Accordingly, the disclosure requirements of IFRS 15 on which line items in the financial statements are affected on adoption of IFRS 15 are not applicable.

2(c) IFRS not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. However, the Group has not early adopted the following new or amended standards in preparing these financial statements.

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatment	1 January 2019

Management does not anticipate that the adoption of the above new standards and amendments to standards in future periods will have a material impact to the financial statements in the period of their initial adoption.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (on balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(c) IFRS not yet effective

IFRS 16 Leases (Cont'd)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, more extensive disclosures are required by IFRS 16.

The Group does not have any non-cancellable operating lease commitments or finance leases. The application of IFRS 16 is not expected to have any significant impact on its consolidated financial statements.

2(d) Summary of significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

(i) Revenue from trading income

The Group purchases and sells food products in the marketplace. Revenue is recognised when the control of the goods has been transferred to the customer, which is when the customer obtains control of the goods.

(ii) Sales of additives

The Group manufactures and sells the additive (L-Ascorbyl Palmitate) in the marketplace. Revenue is recognised when the control of the goods has been transferred to the customer, which is when the customer obtains control of the goods.

(iii) Sales of animal feed and traditional medicine

The Group manufactures and sells the animal feed and traditional medicine in the marketplace. Revenue is recognised when the control of the goods has been transferred to the customer, which is when the customer obtains control of the goods.

(iv) Interest income

Interest income is recognised on a time apportion basis using the effective interest method.

2(d) Summary of significant accounting policies (Cont'd)

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Subsidiaries (Cont'd)

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

2(d) Summary of significant accounting policies (Cont'd)

Subsidiaries (Cont'd)

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Bargain purchase

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised in statement of profit or loss and other comprehensive income on a straight-line basis so as to write off the depreciable amounts of these assets over their estimated useful lives as follows:

Buildings	10 to 20 years
Leasehold improvements	5 to 10 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	5 years

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation

No depreciation is provided on construction-in-progress. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in statement of comprehensive income during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Gains and losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income on the date of retirement or disposal.

Depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

Patents

Patents acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 to 13 years, which is the shorter of their estimated useful lives and periods of contractual rights.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of the land use rights over the lease terms of 50 years.

Financial assets

The accounting for financial assets before 1 January 2018 is as follows:

Financial assets can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in statement of comprehensive income when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in "current assets", except for maturities greater than 12 months after the reporting date which are classified as "non-current assets".

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Loans and receivables (Cont'd)

Loans and receivables include trade and other receivables and cash and cash equivalents. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the statement of comprehensive income. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in statement of comprehensive income.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The accounting for financial assets from 1 January 2018 is as follows:

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

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.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and amount due from subsidiaries.

- Amortised cost: Debt instruments 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 instrument 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 interest income using the effective interest rate method.

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

At subsequent measurement (Cont'd)

(i) *Debt instruments (Cont'd)*

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income 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 OCI is reclassified from equity to profit or loss and presented in "other operating income or other expense". Interest income from these financial assets is recognised using the effective interest rate method and presented in "other operating income".
- FVTPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other operating income and other expense".

The accounting for financial assets from 1 January 2018 is as follows:

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets and debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the financial assets and debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the financial assets and debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than days past due.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

The Group consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. For the purpose of the consolidated statement of cash flows, pledged bank balances are excluded while bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on a first-in, first-out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices in the ordinary course of business less any estimated costs to be incurred to completion and disposal.

Assets and liabilities classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to consumable stocks, financial assets and deferred tax assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment once classified as held for sale are not depreciated.

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Assets and liabilities classified as held for sale (Cont'd)

If the criteria to classify as held for sale are no longer met, the assets, or disposal group, are remeasured at the lower of the carrying amount before the classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the assets or disposal group not been classified as held for sale, and the recoverable amount at the date of the subsequent decision not to sell.

Discontinued operation

A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. In profit or loss of the comparative period of the previous year, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in profit or loss. Consequently, certain comparative figures were re-presented to reflect the financial effect of excluding the "discontinued operation".

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties and contingent consideration for acquisition of subsidiaries.

Financial liabilities are recognised when the Group and the Company become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in statement of comprehensive income. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables and related party balances are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

Contingent consideration in the form of bonds payable, resulting from business combinations, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Employee benefits

(a) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(b) Retirement benefits

Pursuant to the relevant regulations of the government of the People's Republic of China (the "PRC"), the subsidiaries in Mainland China have each participated in a local municipal government retirement benefit scheme (the "Scheme"), pursuant to which the subsidiaries in Mainland China are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in Mainland China. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to statement of comprehensive income as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control of the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or the Company or a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and the 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 party and the other entity is an associate of the third entity.

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Related parties (Cont'd)

- (b) An entity is related to the Group and the Company if any of the following conditions applies: (Cont'd)
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (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 the 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 reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and members of management team are considered key management personnel.

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable statement of comprehensive income at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Income taxes (Cont'd)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories, subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flows evaluation. All assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case, it is charged to equity.

An impairment loss, except for goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss has been recognised. A reversal of impairment loss is recognised in profit or loss.

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in RMB, whereas the functional currency of the Company is Hong Kong dollars.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the statement of comprehensive income, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to statement of comprehensive income as part of the gain or loss on disposal of the foreign operation.

Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates at the dates of the transactions. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Group entities

The results and financial positions of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at average exchange rates.
- (iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

2(d) Summary of significant accounting policies (Cont'd)

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

All operating segments' operating results are reviewed regularly by the Group's directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Additional disclosures on operating segments are shown in Note 29 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the Group's directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise contingent consideration (Note 21).

3 Revenue and other income

		Period from 1 January 2018 to 31 March 2019	Year ended 31 December 2017
The Group	Note	RMB'000	RMB'000
<u>Revenue</u>			
Sales of food products ("Trading")		86,144	34,932
Sales of animal feed and traditional medicine		284	–
Sales of additives		2	–
Total		86,430	34,932
<u>Other income</u>			
Gain on disposal of subsidiary	5	27,178	–
Gain from bargain purchase	8	39,762	–
Fair value changes in contingent consideration	21	26,951	–
Others		347	10
Total		94,238	10

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

3 Revenue and other income (Cont'd)

	At point in time RMB'000	Over time RMB'000	Total RMB'000
Period from 1 January 2018 to 31 March 2019			
Sales of food products			
Hong Kong	86,144	–	86,144
Sales of animal feed and traditional medicine			
Mainland China	284	–	284
Sales of additives			
Mainland China	2	–	2
	<u>86,430</u>	<u>–</u>	<u>86,430</u>
Year ended 31 December 2017			
Sales of food products			
Hong Kong	34,932	–	34,932
	<u>34,932</u>	<u>–</u>	<u>34,932</u>

There is no unsatisfied performance obligation as at 31 March 2019 and 31 December 2017.

During the financial period ended 31 March 2019, the Group acquired an 80% interest in Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) ("CDPR") which is in the business of manufacture, development and sale of animal feed with traditional Chinese medicine extracts. (Refer to Note 8)

The Group also acquired an 80% interest in Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) and ("HBXR") and Benchmark Trade Limited ("BM") which are in the business of research, manufacture and sale of food and animal feed additives and cosmetics, and sale of medical equipment. The main product from HBXR is the production of an antioxidant, L-Ascorbyl Palmitate (C-22H38O7) ("L-AP"), which is widely used in various products such as edible oils, infant food products, cosmetics and feed additives for animal feed. L-AP is regularly used in the food industry as a natural preservative for edible oils, infant products, as well as high-fat foods such as nuts, potato chips, fried instant noodles, mayonnaise, margarine and fried snack foods. It is also used in the cosmetics industry as an ingredient in anti-aging and skin-lightening products. Pursuant to the Patent Licence Agreement with HBXR and Benchmark, HBXR granted Benchmark a licence to manufacture L-AP both inside and outside of the PRC, use of the know-how in connection with the Patent and to import and export products manufactured in connection with the Patent, for a period of 10 years.

CDPR, HBXR/BM are collectively in the agribusiness and animal feed operations in the PRC, and are involved in the development, manufacture and sale of animal feed and animal feed related products. These companies also conduct extensive research and development into bio-chemical related technologies, and the development, synthesis and sale of antioxidants.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

4 Income tax expense

The Group	Period from 1 January 2018 to 31 March 2019 RMB'000	Year ended 31 December 2017 RMB'000
Current tax expense		
Current year	1,175	393
Deferred tax expense		
Current year	(248)	–
	927	393

The Group	Period from 1 January 2018 to 31 March 2019 RMB'000	Year ended 31 December 2017 RMB'000
Loss before taxation from continuing operations	80,118	(2,678)
Loss before taxation from discontinued operations	(17,100)	(65,343)
Total loss before taxation	63,018	(68,021)
Reconciliation of effective tax rate		
Income tax using the PRC tax rate of 25% (2017: 25%)	15,755	(17,005)
Tax effect on non-deductible expenses	8,797	6,475
Non-taxable income	(23,470)	–
Effect of tax rates in foreign jurisdictions	(155)	(201)
Deferred tax assets not recognised	–	11,124
Income tax expense	927	393

Non-deductible expenses relate mainly to the loss from discontinued operations.

Non-taxable income relates mainly to the items of other income consisting of the gain on disposal of subsidiary, gain from bargain purchase and fair value changes in contingent consideration which are not taxable.

Deferred tax assets not recognised in prior year relate mainly to the tax losses of the Disposal group classified on held for sale which have been disposed of in May 2018.

5 Discontinued operations

The Group's investments in Post-Ante Trading Limited, Globe Bright Limited, Linyi Shengquan Grease Co., Ltd ("SQ Grease") ("Disposal group classified as held for sale") and Linyi Jiang Tian Trading Limited related to the soybean processing, feed production and pig rearing operating segments are classified as assets held for sale at 31 December 2017 as the Group has definitively committed on a plan to dispose of the operations.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

5 Discontinued operations (Cont'd)

The Disposal group classified as held for sale (Refer to Note 16) was disposed of in May 2018 and the results of the discontinued operations up to the date of disposal were as follows:

The Group	Period from 1 January 2018 to 31 March 2019 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	36,470	133,940
Cost of sales	(41,348)	(132,430)
Gross (loss)/profit	(4,878)	1,510
Other income	22	135
Selling and distribution expenses	(1,020)	(3,389)
Administrative expenses	(11,224)	(42,656)
Other expenses, net	-	(20,943)
Loss before taxation from discontinued operations	(17,100)	(65,343)
Income tax expense	-	-
Loss for the period/year from discontinued operations	(17,100)	(65,343)

The net cash flows incurred by discontinued operations are as follows:

The Group	Period from 1 January 2018 to 31 March 2019 RMB'000	Year ended 31 December 2017 RMB'000
Operating activities	(4,382)	(19,857)
Investing activities	-	-
Financing activities	-	-
Net cash outflow	(4,382)	(19,857)

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

5 Discontinued operations (Cont'd)

Gain on disposal of subsidiaries

	Period from 1 January 2018 to 31 March 2019 RMB'000
<u>Assets</u>	
Property, plant and equipment	43,300
Land use rights	20,430
Inventories	9,685
Cash and cash equivalents	4,435
Assets classified as disposal group held for sale	77,850
<u>Liabilities</u>	
Trade and other payables	1,371
Provision	11,557
Liabilities classified as disposal group held for sale	12,928
Loss from discontinued operations	(17,100)
Gain on disposal of subsidiaries	27,178
Total consideration	75,000

The purchaser to the Disposal group classified as held for sale did not grant access to their books and records for audit purposes.

6 Profit/(Loss) for the period/year

	Note	Period from 1 January 2018 to 31 March 2019 RMB'000	Year ended 31 December 2017 RMB'000
The Group			
Profit/(Loss) for the period/year has been arrived at after charging/(crediting):			
Audit fees paid to the auditor of the Company		992	865
Non-audit fees paid to the auditor of the Company		-	-
Cost of inventories sold		272	165,893
Directors' remuneration:			
- Fees		1,692	594
- Short-term employee benefits		-	186
		1,692	780
Depreciation of property, plant and equipment	10	1,001	13,332
Amortisation of land use rights	11	90	6,638
Amortisation of patents	11	6,956	-
Impairment loss on property, plant and equipment	10	-	11,925
Impairment loss on land use rights	11	-	9,019
Research costs		326	116
Write-off of inventories		145	-
Gain on disposal of subsidiary	5	(27,178)	-
Gain from bargain purchase	8	(39,762)	-
Fair value changes in contingent consideration	21	(26,951)	-

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

6 Profit/(Loss) for the period/year (Cont'd)

	Period from 1 January 2018 to 31 March 2019	Year ended 31 December 2017
The Group	RMB'000	RMB'000
Employee benefit expenses (excluding directors' remuneration):		
- Wages and salaries	2,363	11,814
- Contributions to defined contribution plan	313	2,613
- Research costs	-	90
	<u>2,676</u>	<u>14,517</u>
Employee benefit expenses are recorded as follows:		
- Cost of sales	84	2,271
- Selling and distribution expenses	884	1,679
- Administrative expenses	1,708	10,567
	<u>2,676</u>	<u>14,517</u>

7 Loss per share attributable to ordinary equity holders of the Company

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Period from 1 January 2018 to 31 March 2019	Year ended 31 December 2017
The Group	RMB'000	RMB'000
Profit/(Loss) attributable to ordinary shareholders of the Company (RMB'000)		
Profit/(Loss) for the year	62,401	(68,804)
Profit/(Loss) from continuing operations	79,502	(3,461)
Loss from discontinued operations	(17,100)	(65,343)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>157,901,384</u>	<u>138,342,412</u>
Basic earnings per share (RMB):		
Profit/(Loss) for the year	0.40	(0.50)
Profit/(Loss) from continuing operations	0.50	(0.03)
Loss from discontinued operations	<u>(0.10)</u>	<u>(0.47)</u>

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

7 Loss per share attributable to ordinary equity holders of the Company (Cont'd)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, i.e. contingent consideration (Note 21).

As disclosed in Note 8, the balance purchase price of RMB 85,000,000 in relation to the Acquisition is payable by way of the issuance of Bonds which are convertible subject to the terms of the sale and purchase agreement. The maximum number of shares of the Company that may be issued pursuant to the terms and conditions of the sale and purchase agreement (Refer to Note 8) is 38,576,307.

Diluted earnings per share for continuing operations and discontinued operations attributable to equity holders of the Company is calculated as follows:

	Period from 1 January 2018 to 31 March 2019 RMB'000	Year ended 31 December 2017 RMB'000
The Group		
Profit/(Loss) attributable to ordinary shareholders of the Company (RMB'000)		
Profit/(Loss) for the year	62,401	(68,804)
Profit/(Loss) from continuing operations	79,502	(3,461)
Loss from discontinued operations	(17,100)	(65,343)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	157,901,384	138,342,412
Adjustment for contingent consideration (Note 21)	38,576,307	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	196,477,691	138,342,412
Diluted earnings per share (RMB):		
Profit/(Loss) for the year	0.32	(0.50)
Profit/(Loss) from continuing operations	0.40	(0.03)
Loss from discontinued operations	(0.10)	(0.47)

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

8 Subsidiaries

	31 March 2019 RMB'000	31 December 2017 RMB'000
The Company		
Unquoted equity shares, at cost	223,747	223,747
Less: Impairment loss on net investment in subsidiaries	(223,738)	(223,738)
Net carrying value	9	9
Accumulated impairment losses		
At beginning and end of the period/year	223,738	223,738

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group		Principal activities
		31 Mar 2019 %	31 Dec 2017 %	
<u>Directly held by the Company</u>				
Post-Ante Trading Limited *	British Virgin Islands	–	100	Investment holding
Brighten Ocean International Limited ("Brighten Ocean")	Hong Kong	100	100	Investment holding
<u>Held by Post-Ante</u>				
Globe Bright Limited ("GBL")*	Hong Kong	–	100	Provision of administrative services
Linyi Shengquan Grease Co., Ltd *	PRC	–	100	Production and sale of soybean meal and soybean oil and feed production
<u>Held by Brighten Ocean</u>				
Yi Kei International Limited ("Yi Kei")	Hong Kong	100	100	Investment holding
Pearlfield China Limited ("Pearlfield")	Hong Kong	100	100	Investment holding
Benchmark Trade Limited ("Benchmark" or "BM")	Hong Kong	80	–	Trading of Additives
<u>Held by Pearlfield</u>				
Shenzhen Bao Yao Agricultural ProductsLimited ("SZBY")	PRC	100	100	Trading of agricultural products
Really Time Trading Limited ("RTTL")	Hong Kong	80	80	Trading of food products
<u>Held by RTTL</u>				
Shenzhen Hualitai Food Trading Co., Ltd	PRC	80	80	Trading of food products

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

8 Subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group		Principal activities
		31 Mar 2019 %	31 Dec 2017 %	
<u>Held by Yi Kei</u>				
Shenzhen Yi Kei Logistics Supply-chain Limited	PRC	100	100	Logistics services
<u>Held by GBL</u>				
Linyi Jiang Tian Trading Limited *	PRC	–	100	Trading of food products
<u>Held by SZBY</u>				
Hebei Xingrun Shengwu Keji Gufen Co., Ltd (“HBXR”)	PRC	80	–	Production and sale of animal feed and traditional medicine
Chengde Purun Shengwu Zhiyao Co., Ltd (“CDPR”)	PRC	80	–	Production and sale of additives
<u>Held by HBXR</u>				
Beijing Yirun Kemao Co., Ltd	PRC	76	–	Trading of additives

* Also known as the "Post-Ante" Group of companies which were disposed of in May 2018.

All subsidiaries of the Group except for the Post-Ante Group of entities that were disposed of in May 2018, as listed above, were audited by Foo Kon Tan LLP for consolidation purposes.

Acquisitions of subsidiaries during the financial period ended 31 March 2019

On 5 October 2017, the Board announced that the Company and two of the Company's wholly owned subsidiaries, Shenzhen Baoyao Agricultural Products Ltd. and Brighten Ocean International Ltd. (collectively, the "Purchasers"), had on 5 October 2017 entered into a sale and purchase agreement ("SPA") with Vendor A, Vendor B and Vendor C (collectively, the "Vendors"), for the sale and purchase of 80% equity interest in the following Target Companies:

- Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) ("CDPR")
- Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) ("HBXR"); and
- Benchmark Trade Limited ("Benchmark/BM")

(CDPR, HBXR and BM are collectively, known as the Target Companies)

The acquisition is in line with the Group's strategy to move further up the supply chain on animal food products that uses Chinese medicine for the preparation of drugs for the prevention and treatment of livestock and poultry and other viral infection and diseases and the potential investment gain from the patented production of the additive L-Ascorbyl Palmitate ("L-AP") or antioxidant. The main product from HBXR is the production of an antioxidant, L-AP (C-22H38O7), which is widely used in various products such as edible oils, infant food products, cosmetics and feed additives for animal feed.

8 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

The consideration was RMB 120,000,000 and was paid/payable in the following manner:

- A deposit of RMB 25,000,000;
- A cash consideration of RMB 10,000,000; and
- The balance purchase price of RMB 85,000,000 payable by way of the issuance of Bonds which are convertible subject to the terms of the SPA.

Out of the total purchase consideration of RMB 120 million, RMB 25 million was paid in cash during the year ended 31 December 2017, RMB 10 million is payable in cash to the vendors (Note 19) and the Bonds to be issued representing the balance purchase consideration is payable by way of RMB 85 million of Bonds to be issued. The Bonds are convertible into shares of the Company in accordance with the terms of the SPA.

The Bonds

The issue of S\$17,359,338 (equivalent to approximately RMB 85,000,000 based on a fixed foreign exchange rate of S\$1: RMB 4.8965 as at 4 October 2017) in aggregate principal amount of zero per cent. Convertible bonds (the "Bonds") by United Food Holdings Limited (the "Issuer"), is pursuant to the Sale and Purchase Agreement ("SPA") dated 5 October 2017 (as the same may from time to time be amended, modified or supplemented) (the "Agreement") between the Issuer, the purchasers and the vendors as referred to in the Agreement. The Bonds do not bear any interest. The Bondholder may convert any Bond into conversion shares at any time during the 12-month period commencing on the first day of FY2021.

The "Conversion Shares" means ordinary shares of the Issuer. The conversion price will be subject to adjustment such as share consolidation or rights issues etc as stipulated in the SPA. In the event there are outstanding Bonds that have not been converted into conversion shares within the conversion period, such Bonds shall automatically be converted into conversion shares at the expiration date of the conversion period. The Issuer shall not be permitted to redeem the Bonds. All Bonds which are converted by the Issuer in accordance with the conditions stipulated in the SPA will be cancelled.

As at 31 March 2019 and as of the date of the report, no Bonds have been issued.

Management has accounted for the Bonds to be issued representing the balance purchase consideration of RMB 85 million as a contingent consideration classified as a financial liability measured at fair value with changes in fair value recognised in profit or loss under IFRS 3 Business Combinations. This is because the amount of Bonds to be issued varies or depends on the amount of profits that are generated by the Target Companies under the profit warranty given by the vendors in the SPA.

The vendors of the Target Companies have provided a profit warranty of RMB 25 million each year over the next three financial years with a cumulative aggregate profit warranty of RMB 75 million. The amount of Bonds to be issued is calculated based on an agreed formula as: Amount of Bond to be issued is equal to [(Actual profits/RMB 25 million) x RMB 28.333 million Bonds] subject to a maximum aggregate number of RMB 85 million of Bonds.

The Acquisition was accounted for as a business combination using the acquisition method of accounting. Management has carried out a purchase price allocation exercise ("PPA") at the date of acquisition by using an independent professional valuer.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

8 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

Gain from bargain purchase

The Group measured the fair value of the separately recognisable identifiable assets acquired and the liabilities assumed as at the acquisition date. The purchase consideration was lower than the fair value of the net assets acquired. The difference or gain from bargain purchase of RMB 39.8 million was recognised in the consolidated profit or loss for the current financial period ended 31 March 2019.

The acquisition-date fair value of the patents acquired in the business combinations were determined by management with the assistance of an independent professional valuer. The fair values of the patents at the date of acquisition were calculated using the Multi-Period Excess Earnings Method or income approach that involves the use of forecast and discounted cash flows and applying the following factors, among others:

- One of the newly acquired patent involving the production of L-Ascorbyl Palmitate (L-AP) or antioxidant product is in its early stages of commencement in production and sales with no proven track record;
- Sales and the associated cost are forecasted on the assumption that the production capacity will be operating at between 50% and 100% over the remaining life of the patents of 10 to 13 years;
- Gross profit margin is estimated at between 45.51% to 78.07%;
- The long-term growth rate beyond the 5-year forecast period was estimated at 2.61%; and
- A discount rate of between 17.29% to 18.88% was used.

There is material uncertainty arising from the use of this method. This is mainly because one of the newly acquired patents involving the production of L-Ascorbyl Palmitate (L-AP) or antioxidant is in its early stages of commencement in production and sales with no proven track record. In addition, included in the forecast in arriving at the valuation of these patents at the acquisition date is the assumption that the patents are estimated to continue to produce and sell throughout the remaining life of the patents of between 10 to 13 years.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

8 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

Gain from bargain purchase

The gain from bargain purchase, fair value of consideration, fair value of identifiable assets acquired and liabilities assumed, and effect of cash flows are presented as follows:

The Group	2019 RMB'000
Net assets acquired (at date of acquisition, 30 September 2018)	
Patents	148,643
Land use rights	11,100
Property, plant and equipment	20,920
Trade receivables	1,811
Prepayment, deposits and other receivables	1,233
Inventories	1,505
Bank balances and cash	931
Trade payables	(508)
Other payables, deposits received and accruals	(20,506)
Tax receivables	306
Borrowings	(10,000)
Deferred tax liabilities	(6,440)
	<u>148,995</u>
Less: Non-controlling interest (NCI)	(29,763)
Less: Gain from bargain purchase	(39,762)
Total consideration for the acquisition of subsidiaries	<u>79,470</u>

Measurement of fair value

Consideration for the acquisition of subsidiaries

	2019 RMB'000
Cash paid (in FY2017 as deposits for potential acquisitions)	25,000
Cash payable to the vendors (Note 19)	10,000
Contingent consideration (Bonds to be issued) (Note 21)	44,470
Total consideration	<u>79,470</u>

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

8 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

Measurement of fair value (Cont'd)

Reason for the acquisition resulting in a gain from bargain purchase

The acquisition and the purchase consideration was arrived at arm's length on a willing-buyer-willing-seller basis negotiation between the Group and the vendors, and after taking into account, among other factors, a 25% discount to the valuation of the sale shares as derived from the valuation report, the profit warranty provided by the vendors, the estimated trading price-earnings multiples of comparable companies as the Target Companies, the payment terms of the purchase consideration in which the Bonds are subject to adjustment mechanisms (as set out in the SPA) and subject to the achievement of the profit warranty, and the rationale and benefits for the proposed Acquisition. In addition, the vendors had intended for Benchmark to be incorporated outside the PRC to facilitate the vendors' global expansion plans for the Target Companies, including the licence and export of L-AP or L-AP-based products both in and outside of the PRC, through an entity that the vendors deemed will be more acceptable in most foreign jurisdictions. The vendors believed that such an arrangement was the most tax efficient structure for the business and for the owners of the business.

The independent professional valuer appointed by management has applied the Chaffe Put Option Model in estimating the fair value of the Bonds to be issued representing the balance purchase consideration comprising the contingent consideration at RMB 44.5 million at the date of acquisition. The contingent consideration was arrived at after taking into account the probability of meeting each performance target from the profit warranty given by the vendors, the estimated discount for lack of marketability ("DLOM") and the estimated share price.

At the reporting date at 31 March 2019, the professional valuer has estimated the contingent consideration at RMB 17.5 million. The changes in the fair value of the contingent consideration have been recognised in profit or loss as follows:

Changes in fair value of contingent consideration

	2019 RMB'000
Contingent consideration at date of acquisition	44,470
Contingent consideration at reporting date	17,519
Changes in fair value of contingent consideration recognised in profit or loss	26,951

The contingent consideration is measured at fair value at each reporting date with changes recognised in profit or loss as the amount of Bonds to be issued varies or depends on the amount of profits that are generated by the Target Companies under the profit warranty given by the vendors in the SPA.

Financial assets and financial liabilities

The carrying amounts of the financial assets and financial liabilities approximated their fair values at the acquisition date.

Non-controlling interests

The Group has elected to measure the non-controlling interests at the non-controlling interests' proportionate share of the subsidiaries' net identifiable assets.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

8 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

Measurement of fair value (Cont'd)

Acquisition-related costs

Acquisition-related costs of consisting mainly of professional fees were recorded in the books of the Post-Ante Group of companies which were not considered to be material.

Revenue and profit contribution

For the six months ended 31 March 2019, the Target companies contributed revenue of RMB 286,000 and net loss of RMB 4,609,000 to the Group's results. If the acquisition had occurred on 1 January 2018, the consolidated revenue would have been RMB 87,847,000, and consolidated profit for the 15-month period ended 31 March 2019 would have been RMB 55,462,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition had occurred on 1 January 2018.

Acquisitions of subsidiaries in FY2017

On 22 August 2017, the Group acquired an 80% equity interest in Really Time Trading Limited and its subsidiary (the "RTTL Group") for a cash consideration of RMB16,000,000. The acquisition is in line with the Group's strategy to establish its business presence in trading of food products.

From the date of acquisition to 31 December 2017, the RTTL Group contributed revenue of RMB34,392,000 and net profit of RMB1,950,000 to the Group's results.

The fair value of identifiable assets acquired and liabilities assumed, and effect of cash flows are presented as follows:

The Group	2017 RMB'000
Trade and other receivables	24,543
Cash and bank balances	151
Trade and other payables	(20,407)
Current tax payable	(215)
Total identifiable net assets at fair value	4,072
Non-controlling interest	(814)
Goodwill (Note 9)	12,742
Total purchase consideration	16,000
Effect on cash flows of the Group	
Purchase consideration paid	16,000
Less: Cash and bank balances in subsidiaries acquired	(151)
Net cash outflow on acquisition	(15,849)

Measurement of fair value

Financial assets and financial liabilities

The carrying amounts of the financial assets and financial liabilities approximated their fair values at the acquisition date.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

8 Subsidiaries (Cont'd)

Acquisitions of subsidiaries in FY2017 (Cont'd)

Measurement of fair value (Cont'd)

Non-controlling interests

The Group has elected to measure the non-controlling interests at the non-controlling interests' proportionate share of the subsidiaries' net identifiable assets.

Acquisition-related costs

The Group incurred acquisition-related costs of RMB150,000 relating to professional fees. These costs have been included in other operating expenses in the Group's consolidated statement of comprehensive income.

Summarised financial information in respect of the Group's subsidiaries that have non-controlling interest

Set out below are the summarised financial information without adjusting for equity interest of NCIs in the subsidiaries represents amounts before inter-company eliminations.

	2019 RTTL Group RMB'000	2019 HBXR/BM RMB'000	2019 CDPR RMB'000	2017 RTTL Group RMB'000
Revenue	86,144	2	284	34,932
Profit/(Loss) for the year	3,751	(7,441)	(3,592)	1,950
Other comprehensive income ("OCI")	(445)	-	-	369
Total comprehensive income/(loss)	3,306	(7,441)	(3,592)	2,319
Attributable to NCI:				
Profit/(Loss) for the year	751	(344)	(718)	390
Other comprehensive income ("OCI")	(89)	-	-	74
Total comprehensive income/(loss) attributable to NCI	662	(344)	(718)	464
Non-current assets	2	113,457	59,386	3
Current assets	62,896	7,345	2,632	52,676
Current liabilities	(52,833)	(15,364)	(30,526)	(46,289)
Net assets	10,065	105,438	31,492	6,390
Net assets attributable to NCI:	2,013	21,088	6,298	1,278
Net cash (outflow)/inflow from operating activities	(40,170)	(496)	412	(1,220)
Net cash outflow from investing activities	-	(226)	-	(39,928)
Net cash inflow/(outflow) from financing activities	39,231	-	(582)	41,978
Net changes in cash and cash equivalents	(939)	(722)	(170)	830

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

9 Goodwill

	31 March 2019 RMB'000	31 December 2017 RMB'000
The Group		
Goodwill	12,742	12,742

Impairment test for goodwill

As at 31 March 2019, the carrying amount of goodwill is attributable to the food trading business constituting a cash-generating unit ("CGU"). The recoverable amount of the CGU was determined based on its value-in-use calculation, determined by discounting the projected five-year cash flows to be generated from the continuing use of the CGU at a pre-tax discount rate of 18.92% (2017: 18.83%). The terminal value growth rate used does not exceed the historical long-term growth rate of the market the CGU operates in.

Key assumptions used for value-in-use calculations:

	2019 %	2018 %
Growth rate ¹	2.90	2.93
Gross margin ²	7.73	14.66
Discount rate ³	18.92	18.83

1 Weighted average growth rate used to extrapolate cash flows beyond the budget period.

2 Budgeted average gross margin.

3 Pre-tax discount rate applied to the pre-tax cash flow projections.

These assumptions have been used for the analysis of each CGU. Management determines the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are those that are consistent with industry reports. The discount rates used pre-tax and reflect specific risks relating to the business segments.

As at 31 March 2019, the carrying amount of the CGU containing goodwill was lower than its recoverable amount.

The management believes that any reasonably possible change in the above key assumptions relating to growth rates and discount rates are not likely to cause the recoverable amounts of the CGU to be materially lower than its carrying amount.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

10 Property, plant and equipment

The Group	Buildings RMB'000	Leasehold Improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Cost</u>							
At 1 January 2017	471,036	74,271	541,658	769	5,369	-	1,093,103
Additions	-	-	-	3	-	-	3
Reclassified to assets held for sale (Note16)	(471,036)	(74,271)	(541,658)	(769)	(5,369)	-	(1,093,103)
At 31 December 2017	-	-	-	3	-	-	3
Additions	-	-	226	-	-	-	226
Acquisition of subsidiaries	13,500	-	6,947	32	-	441	20,920
At 31 March 2019	13,500	-	7,173	35	-	441	21,149
<u>Accumulated depreciation and impairment loss</u>							
At 1 January 2017	431,495	74,271	512,766	645	5,369	-	1,024,546
Depreciation for the year	8,651	-	4,635	46	-	-	13,332
Impairment loss	11,925	-	-	-	-	-	11,925
Reclassified to assets held for sale (Note16)	(452,071)	(74,271)	(517,401)	(691)	(5,369)	-	(1,049,803)
At 31 December 2017	-	-	-	-	-	-	-
Depreciation for the period	568	-	426	7	-	-	1,001
At 31 March 2019	568	-	426	7	-	-	1,001
<u>Net book value</u>							
At 31 March 2019	12,932	-	6,747	28	-	441	20,148
At 31 December 2017	-	-	-	3	-	-	3

Impairment tests for property, plant and equipment, patents and land use rights (Note 11)

During the financial period, management carried out a review of the recoverable amount of its property, plant and equipment, patents and land use rights (Note 11) attributable to the related CGUs. No impairment loss was recognised for the period ended 31 March 2019. In previous year, an impairment loss of RMB 11,925,000 and RMB 9,019,000, being the excess of the carrying amounts over the recoverable amounts, was recognised on property, plant and equipment and land use rights, respectively.

For the purpose of impairment testing assessment, the following are the cash generating units ("CGUs") as determined by the management:

CGUs	Entities
- Animal feed and traditional medicine segment	CDPR
- Additive segment	HBXR/BM
- Food trading products segment	RTTL

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

10 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, patents and land use rights (Cont'd)

The recoverable amounts of CGU are determined based on the higher of fair value less costs of disposal and value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth rates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Additive segment (HBXR/BM)

Key assumptions used for value-in-use calculations:

Additive segment	2019 %	2017 %
Growth rate ¹	2.61	N/a
Gross margin ²	75.77	N/a
Discount rate ³	20.61	N/a
Production capacity utilisation rates (over a 5-year forecast period)	75.00 – 100.00	N/a

- 1 Weighted average growth rate used to extrapolate cash flows beyond the budget period.
- 2 Budgeted average gross margin.
- 3 Pre-tax discount rate applied to the pre-tax cash flow projections.

These assumptions have been used for the analysis of each CGU. Management determines the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are those that are consistent with industry reports. The discount rates used pre-tax and reflect specific risks relating to the business segments.

The estimated recoverable amount of the CGU had exceeded its carrying amount and management has identified that a 1% increase in the discount rate or a 5% decrease in the revenue forecast may not reduce the recoverable amount (for impairment assessment) below the carrying amount of the property, plant and equipment and patent at the reporting date at 31 March 2019.

Animal feed and traditional medicine segment (CDPR)

Key assumptions used for value-in-use calculations:

Animal feed and traditional medicine segment	2019 %	2017 %
Growth rate ¹	2.61	N/a
Gross margin ²	46.23	N/a
Discount rate ³	17.75	N/a
Production capacity utilisation rates (over a 5-year forecast period)	50.00 – 100.00	N/a

- 1 Weighted average growth rate used to extrapolate cash flows beyond the budget period.
- 2 Budgeted average gross margin.
- 3 Pre-tax discount rate applied to the pre-tax cash flow projections.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

10 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, patents and land use rights (Cont'd)

Animal feed and traditional medicine segment (CDPR) (Cont'd)

These assumptions have been used for the analysis of each CGU. Management determines the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are those that are consistent with industry reports. The discount rates used pre-tax and reflect specific risks relating to the business segments.

The estimated recoverable amount of the CGU exceeded its carrying amount and management has identified that a 1% increase in the discount rate or a 5% decrease in the revenue forecast may not reduce the recoverable amount (for impairment assessment) below the carrying amount of the property, plant and equipment, patents and land use rights at the reporting date at 31 March 2019.

FY2017

In FY2017, the recoverable amount of the Group's buildings together with land use rights and plant and equipment was based on the CGU's fair value less costs to sell, as determined by an independent professional valuer with recognised and relevant professional qualifications and experience within the local market and the category of properties to be valued. The determination of fair values includes use of unobservable inputs.

The fair value less costs to sell of buildings together with land use rights (Level 3 valuation) was determined based on the market approach and cost approach. The market approach is based on sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of location, time, size and other relevant factors. The cost approach is based on an estimate of the cost of replacement with allowance for accrued depreciation as evidenced by observed condition or obsolescence present in the properties.

The fair value less cost to sell of plant and machinery (Level 3 valuation) was determined using the cost approach. The cost approach is based on the cost to reproduce or replace under new condition with current market prices for similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

11 Intangible assets

The Group	Land Use Rights RMB'000	Patents RMB'000	Total RMB'000
<u>Cost</u>			
At 1 January 2017	216,000	–	216,000
Reclassified to assets held for sale (Note 16)	(216,000)	–	(216,000)
At 31 December 2017	–	–	–
Additions	–	–	–
Acquisition of subsidiaries	11,100	148,643	159,743
At 31 March 2019	11,100	148,643	159,743
<u>Accumulated amortisation and impairment losses</u>			
At 1 January 2017	179,913	–	179,913
Amortisation for the year	6,638	–	6,638
Impairment loss	9,019	–	9,019
Reclassified to assets held for sale (Note 16)	(195,570)	–	(195,570)
At 31 December 2017	–	–	–
Amortisation for the period	90	6,956	7,046
At 31 March 2019	90	6,956	7,046
<u>Net book value</u>			
At 31 March 2019	11,010	141,687	152,697
At 31 December 2017	–	–	–

Patents relate to the following:

- Preparation of drugs for the prevention and treatment of livestock and poultry and other viral infection and diseases which are held by CDPR; and
- Production of the additive L-Ascorbyl Palmitate ("L-AP") or antioxidant which are held by HBXR/BM.

Impairment assessment of patents and land use rights – refer to Note 10.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

12 Inventories

	31 March 2019 RMB'000	31 December 2017 RMB'000
The Group		
At cost:		
Raw materials	1,266	-
Work-in-progress	42	-
Finished goods	210	-
	<u>1,518</u>	<u>-</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB 272,000 (2017: RMB Nil).

During the period ended 31 March 2019, inventories written off amounted to RMB 145,000 (2017: RMB Nil).

13 Trade and other receivables

	The Group		The Company	
	31 March 2019 RMB'000	31 December 2017 RMB'000	31 March 2019 RMB'000	31 December 2017 RMB'000
Trade receivables – external parties	17,747	11,695	-	-
Less: Expected credit loss allowance	(3,092)	-	-	-
Trade receivables – net	14,655	11,695	-	-
Other receivables (Note A)	17,253	107	15,109	106
Prepayment	387	-	-	-
Deposits* (Note B)	70,100	60,000	-	-
VAT receivable	381	-	-	-
	<u>102,776</u>	<u>71,802</u>	<u>15,109</u>	<u>106</u>

Note (A) Other receivables at 31 March 2019 include a RMB 15 million consideration receivable from the purchaser on the disposal of the Disposal group classified as held for sale. (Refer to Note 5 and Note A to the consolidated statement of cash flows).

Note (B) Deposits of RMB 70,100,000 at 31 March 2019 consists of deposits for potential business acquisitions of which RMB 25 million was paid during the period ended 31 March 2019 and RMB 35 million was paid in FY2017 and advances of RMB 10 million paid to supplier during the period ended 31 March 2019. Deposits of RMB 60,000,000 at 31 December 2017 consist of deposits paid for potential business acquisitions of RMB 25,000,000 and RMB 35,000,000 of which the former deposit of RMB 25,000,000 resulted in the acquisition of the Target Companies during the period ended 31 March 2019 (refer to Note 8)

Trade receivables are non-interest bearing and are generally on 0 to 90 (31 December 2017 - 0 and 90; 1 January 2017 - 0 and 90) days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

13 Trade and other receivables (Cont'd)

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	31 March 2019	31 December 2017	31 March 2019	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong dollar	14,030	11,802	109	106
Renminbi	88,746	60,000	15,000	–
	102,776	71,802	15,109	106

The ageing analysis of trade receivables is as follows:

	31 March 2019	31 December 2017
The Group	RMB'000	RMB'000
Not past due	2,623	–
Past due not more than 3 months	9,814	3,196
Past due more than 3 months but less than 6 months	2,218	5,530
Past due more than 6 months	–	2,969
	14,655	11,695

Further details of the Group's financial risk management of credit risk are disclosed in Note 25.

14 Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries, comprising mainly advances, are denominated in Hong Kong dollars, unsecured, non-interest bearing and repayable on demand.

Further details of the Group's financial risk management of credit risk are disclosed in Note 25.

15 Cash and cash equivalents

	The Group		The Company	
	31 March 2019	31 December 2017	31 March 2019	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	73,832	62,973	226	1,006

Renminbi is not freely convertible into foreign currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks that are authorised to conduct foreign exchange business. The remittance of these funds maintained with banks in the PRC by the Group out of the PRC is subject to currency exchange restrictions.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

15 Cash and cash equivalents (Cont'd)

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	31 March 2019 RMB'000	31 December 2017 RMB'000
The Group		
Continuing operations	73,832	62,973
Discontinued operations (Note 16)	–	4,435
	<u>73,832</u>	<u>67,408</u>

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	31 March 2019 RMB'000	31 December 2017 RMB'000	31 March 2019 RMB'000	31 December 2017 RMB'000
Hong Kong dollar	1,231	2,758	222	1,006
Renminbi	72,595	60,212	–	–
Others	6	3	4	–
	<u>73,832</u>	<u>62,973</u>	<u>226</u>	<u>1,006</u>

Further details of the Group's financial risk management of credit risk are disclosed in Note 25.

16 Disposal group classified as held for sale

On 24 November 2017, the Company announced that it had entered into an agreement to dispose of wholly-owned subsidiaries, comprising Post-Ante Trading Limited, Globe Bright Limited, Linyi Shengquan Grease Co., Ltd ("SQ Grease") and Linyi Jiang Tian Trading Limited (collectively the "Disposal Group"), to an unrelated party for consideration of RMB75,000,000. The transaction is expected to complete subsequent to year end subject to certain conditions, including regulatory approval and approval of the shareholders at the special general meeting.

The proposed disposal is consistent with the Group's long-term strategy to focus its activities on new businesses.

In compliance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, the assets and liabilities of the Disposal Group are classified as a disposal group held for sale on the consolidated balance sheet and its results are presented separately in the consolidated statement of profit and loss as "Discontinued Operations".

Assets held for sale are measured at the lower of carrying amount and fair value less costs of disposal. The fair value less costs to sell was determined by an independent firm of professional valuers based on the market approach and cost approach. The Group has recognised an impairment loss of RMB11,925,000 and RMB9,019,000 on the property, plant and equipment, and land use right, respectively in respect of the Disposal Group when reclassifying as assets held for sale as the expected fair value less costs of disposal is lower than the carrying amount.

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for the financial period ended 31 March 2019

16 Disposal group classified as held for sale (Cont'd)

As at 31 December 2017, the Disposal Group classified as held for sale comprise assets and liabilities as follows:

The Group	Note	31 December 2017 RMB'000
<u>Assets</u>		
Property, plant and equipment	10	43,300
Land use rights	11	20,430
Inventories		9,685
Cash and cash equivalents	15	4,435
Assets classified as disposal group held for sale		<u>77,850</u>
<u>Liabilities</u>		
Trade and other payables		1,371
Provision	21	11,557
Liabilities classified as disposal group held for sale		<u>12,928</u>

17 Share capital

The Group and The Company	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	RMB'000
Authorised:			
At 1 January 2017 and 31 December 2017 (par value of HK\$0.10 each) and at 31 March 2019 (par value of HK\$0.10 each)	5,000,000,000	500,000	450,760
Issued and fully paid-up ordinary shares:			
At 1 January 2017	110,080,868	11,008	11,779
Issue of shares	47,820,516	4,782	4,196
At 31 December 2017 and at 31 March 2019	157,901,384	15,790	15,975

18 Reserves

	The Group		The Company	
	31 March 2019 RMB'000	31 December 2017 RMB'000	31 March 2019 RMB'000	31 December 2017 RMB'000
Share premium	48,729	48,729	48,729	48,729
Contributed surplus reserve	397,141	397,141	397,141	397,141
Statutory reserve	–	19,431	–	–
Capital redemption reserve	2,982	2,982	2,982	2,982
Accumulated losses	(216,234)	(298,067)	(363,322)	(431,879)
Exchange translation reserve	(30)	(1,093)	(2,168)	(2,867)
	<u>232,588</u>	<u>169,123</u>	<u>83,362</u>	<u>14,106</u>

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

18 Reserves (Cont'd)

Share premium

The share premium account may be distributed in the form of fully paid bonus shares.

Contributed surplus reserve

Contributed surplus reserve represents the excess of the credit amount arising from the capital reduction over the amount utilised to offset against the Company's accumulated losses as at 31 December 2017. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of a company is available for distribution.

Statutory reserve

In accordance with the relevant PRC regulations, being the wholly-owned foreign investment enterprise established in Mainland China, is required to appropriate not less than 10% of its profit after tax to its statutory reserve, until the balance of the reserve reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against any of its accumulated losses. Statutory reserves from Linyi Shengquan Grease Co., Ltd were disposed of during the financial period.

There were no appropriations of the statutory reserve during the year (2017 - Nil).

Capital redemption reserve

Capital redemption reserve represents the nominal value of the Shares of the Company which was transferred from the Company's retained earnings upon repurchase and cancellation of Shares by the Company.

Exchange translation reserve

The exchange translation reserve comprises foreign exchange differences arising from the translation of the financial statements of Group entities whose functional currencies are different from that of the Group's presentation currency.

19 Trade and other payables

	The Group		The Company	
	31 March 2019	31 December 2017	31 March 2019	31 December 2017
		(Restated)		
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	9,767	3,628	–	–
Other payables (Note A)	27,490	20,688	74	72
Cash payable to the vendors (Note B) (Note 8)	10,000	–	–	–
Advances from customer (Note C)	1,800	–	–	–
Accruals	822	1,152	824	1,059
	49,879	25,468	898	1,131

Note (A) Other payables at 31 December 2017 include an RMB 20 million deposits received from the purchaser of the Disposal group classified as held for sale. Other payables at 31 March 2019 include amounts due to ex-shareholders of the Target Companies of RMB 15 million.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

19 Trade and other payables (Cont'd)

Note (B) Consists of RMB 10 million payable to the vendors for the acquisition of the Target companies (Refer to Note 8).

Note (C) The advances from customer relate to payments in advance for the purchase of L-AP or antioxidant products.

The other payables of RMB 20,367,000 as disclosed previously as at 31 December 2017 have been restated to RMB 20,688,000 in these financial statements to include amounts due to shareholders of RMB 321,000 that had been incorrectly disclosed as such due to an error. The consolidated balance sheet as at 1 January 2017 has not been presented as the restatement is not material.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	31 March 2019	31 December 2017 (Restated)	31 March 2019	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong dollar	39,546	4,835	898	1,131
Renminbi	10,333	20,633	–	–
	49,879	25,468	898	1,131

20 Borrowings

The bank loans of the Group are secured over land use right and buildings with carrying amount of RMB 11 million and RMB 9.2 million respectively as at 31 March 2019 (2017: RMB Nil). The loans are repayable within 12 months with 9% interest per annum.

21 Contingent consideration for acquisition of subsidiaries

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. As part of the purchase price allocation for the acquisition of the Target companies (Refer to Note 8), the Group identified an element of contingent consideration.

The independent professional valuer appointed by management has applied the Chaffe Put Option Model in estimating the fair value of the Bonds to be issued representing the balance purchase consideration comprising the contingent consideration at RMB 44.5 million at the date of acquisition. The contingent consideration was arrived at after taking into account the probability of meeting each performance target from the profit warranty given by the vendors, and certain valuation variables such as the discount for lack of marketability ("DLOM") and the estimated share price at the relevant dates of valuation.

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for the financial period ended 31 March 2019

21 Contingent consideration for acquisition of subsidiaries (Cont'd)

At the reporting date at 31 March 2019, the professional valuer has estimated the contingent consideration at RMB 17.5 million. The changes in the fair value of the contingent consideration have been recognised in profit or loss as follows:

<u>Changes in fair value of contingent consideration for acquisition of subsidiaries</u>	2019 RMB'000
Contingent consideration at date of acquisition	44,470
Contingent consideration at reporting date	17,519
Changes in fair value of contingent consideration recognised in profit or loss	<u>26,951</u>

The changes in the fair value of contingent consideration were primarily due to the effect of the change in DLOM and the estimated share price at the relevant valuation dates.

The contingent consideration is measured at fair value at each reporting date with changes recognised in profit or loss as the amount of Bonds to be issued varies or depends on the amount of profits that are generated by the Target Companies under the profit warranty given by the vendors in the SPA.

22 Deferred tax liabilities

Movements in deferred tax liabilities are as follows:

The Group	31 March 2019 RMB'000	31 December 2017 RMB'000
Deferred income tax liabilities		
Balance at beginning	–	–
Acquisition of subsidiary (Note 8)	6,440	–
Reversal of temporary differences (Note 4)	(248)	–
Balance at end	<u>6,192</u>	<u>–</u>

The deferred income tax liabilities balance was attributable to the differences between the fair values and book values of the leasehold land and building arising from the acquisition of the Target Companies at the date of acquisition (Refer to Note 8).

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 March 2019, deferred tax liabilities have not been recognised on undistributed profits of a subsidiary of RMB 1,233,000 (2017 – RMB 549,000) because the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

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for the financial period ended 31 March 2019

23 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, there were significant transactions which were carried out in the normal course of business on terms agreed between the parties as follows:

The Group	Note	31 March 2019 RMB'000	31 December 2017 RMB'000
<u>Related companies</u>			
Catering and accommodation expenses paid	(i)	–	300
Compensation of key management personnel:			
short-term employee benefits	(ii)	2,323	1,838
(i) The related company is owned by a nephew of Mr Wang Tingbao, a shareholder of the Company and former Executive Vice Chairman and Chief Executive Officer.			
(ii) Further details of directors' remuneration are included in Note 24 to the financial statements.			

24 Directors' remuneration

The number of directors of the Group whose remuneration falls within the following band is disclosed in compliance with Rule 1207(11) of Chapter 12 of the Listing Manual of the SGX-ST:

The Group	Executive/ non-executive directors	Independent non-executive directors	Total
2019			
Below S\$250,000 (equivalent to approximately RMB1,200,000)	2	3	5
2017			
Below S\$250,000 (equivalent to approximately RMB1,200,000)	2	3	5

25 Financial risk management

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change in the Group's exposure to these risks or the manner in which it manages and measures risks.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

25 Financial risk management (Cont'd)

Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables.

Financial assets that are neither past due nor impaired

Cash and bank balances are mainly deposits placed with reputable banks. Trade and other receivables and deposits that are neither past due nor impaired are with customers with a good collection track records with the Group.

Financial assets that are past due and/or impaired

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The Group performs ongoing credit evaluation of its customers' financial conditions and requires no collateral from its customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Group has developed and maintained the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- 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 the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

25 Financial risk management (Cont'd)

Credit risk (Cont'd)

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

The Group's and the Company's credit risk exposure in relation to trade receivables under IFRS 9 as at 31 March 2019 and 31 December 2017 are set out as follows:

2019	Current RMB'000	1-30 days RMB'000	31-60 days RMB'000	61-90 days RMB'000	> 90 days RMB'000	Total RMB'000
Gross trade receivables						
Animal feed and traditional medicine	-	73	59	12	1,490	1,634
Trading	2,914	1,224	5,722	3,894	2,359	16,113
	2,914	1,297	5,781	3,906	3,849	17,747
Less: Impairment loss						
Animal feed and traditional medicine	-	(16)	(59)	(12)	(923)	(1,010)
Trading	(291)	(122)	(572)	(389)	(708)	(2,082)
	(291)	(138)	(631)	(401)	(1,631)	(3,092)
Net trade receivables						
Animal feed and traditional medicine	-	57	-	-	567	624
Trading	2,623	1,102	5,150	3,505	1,651	14,031
	2,623	1,159	5,150	3,505	2,218	14,655

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

25 Financial risk management (Cont'd)

Credit risk (Cont'd)

2017	Current RMB'000	1-30 days RMB'000	31-60 days RMB'000	61-90 days RMB'000	> 90 days RMB'000	Total RMB'000
Trading						
Gross trade receivables	-	-	964	2,232	8,499	11,695
Less: Impairment loss	-	-	-	-	-	-
Net trade receivables	-	-	964	2,232	8,499	11,695

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. Other than as disclosed in Note 13 to the financial statements, management believes that no additional credit risk lies in the Group's trade and other receivables. Cash is held with reputable financial institutions of high credit ratings. Cash and bank balance and amount due from subsidiaries are subject to immaterial credit loss.

Significant concentration of credit risks

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total exposure. The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis.

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	The Group		The Company	
	31 March 2019	31 December 2017	31 March 2019	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
<u>By geographical areas</u>				
PRC	624	-	-	-
Hong Kong	14,031	11,695	-	-
	14,655	11,695	-	-

Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

25 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flow.

The Group	Carrying amount RMB'000	Total RMB'000	Less than one year RMB'000
At 31 March 2019			
Financial liabilities			
Trade and other payables	49,879	49,879	49,879
Contingent consideration	17,519	17,519	17,519
Borrowings	10,000	10,000	10,000
	<u>77,398</u>	<u>77,398</u>	<u>77,398</u>
At 31 December 2017			
Financial liabilities			
Trade and other payables	25,468	25,468	25,468
	<u>25,468</u>	<u>25,468</u>	<u>25,468</u>
The Company	Carrying amount RMB'000	Total RMB'000	Less than one year RMB'000
At 31 March 2019			
Financial liabilities			
Trade and other payables	898	898	898
Amounts due to subsidiaries	13,918	13,918	13,918
	<u>14,816</u>	<u>14,816</u>	<u>14,816</u>
At 31 December 2017			
Financial liabilities			
Trade and other payables	1,131	1,131	1,131
Amounts due to subsidiaries	13,539	13,539	13,539
	<u>14,670</u>	<u>14,670</u>	<u>14,670</u>

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are dominated in foreign currencies.

The Group is not exposed to foreign currency as its transactions are denominated in the respective functional currencies of the Group's entities.

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

26 Capital management

The Group's and the Company's objectives when managing capital are:

- (a) To safeguard the Group's and the Company's ability to continue as a going concern;
- (b) To support the Group's and the Company's stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Group and the Company manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements. However, the subsidiaries incorporated in the PRC are subject to currency exchange restrictions on the remittance of funds out of the PRC.

The Group and the Company monitor capital using Gearing Ratio, which is net debt divided by total equity. Net debt represents total liabilities less cash and cash equivalents.

	The Group		The Company	
	31 March 2019	31 December 2017	31 March 2019	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	84,509	26,066	14,816	14,670
Less: Cash and cash equivalents	(73,832)	(62,973)	(226)	(1,006)
Net (asset)/debt (A)	10,677	(36,907)	14,590	13,664
Total equity/(Deficit in total equity) (B)	279,204	186,376	99,337	30,081
Gearing ratio (times) (A)/(B)	0.04	*	0.1	0.5

* Not presented as the Group has net assets

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for the financial period ended 31 March 2019

27 Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

	31 March 2019 RMB'000	31 December 2017 RMB'000
The Group		
Financial assets		
Trade and other receivables, excluding prepayment and VAT receivables (Note 13)	102,008	71,802
Cash and cash equivalents (Note 15)	73,832	62,973
	<u>175,840</u>	<u>134,775</u>
Financial liabilities		
Trade and other payables (Note 19)	49,879	25,468
Borrowings (Note 20)	10,000	-
Contingent considerations (Note 21)	17,519	-
	<u>77,398</u>	<u>25,468</u>
	31 March 2019 RMB'000	31 December 2017 RMB'000
The Company		
Financial assets		
Trade and other receivables (Note 13)	15,109	106
Amounts due from subsidiaries (Note 14)	98,809	43,630
Cash and cash equivalents (Note 15)	226	1,006
	<u>114,144</u>	<u>44,742</u>
Financial liabilities		
Trade and other payables (Note 19)	898	1,131
Amounts due to subsidiaries (Note 14)	13,918	13,539
	<u>14,816</u>	<u>14,670</u>

Definition of fair value

IFRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and
- Level 3 : unobservable inputs for the asset or liability.

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for the financial period ended 31 March 2019

28 Fair value measurement

Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value as at 31 March 2019 and 31 December 2017:

The Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2017				
Property, plant and equipment presented within disposal group classified as held for sale (Note 16)	-	-	43,300	43,300
Land use rights presented within disposal group classified as held for sale (Note 16)	-	-	20,430	20,430

Valuation technique and significant unobservable inputs

Type	Carrying amount at 31 December 2017	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Buildings and land use rights	RMB 43,300,000	Market approach Cost approach	- price per square meter - adjustment factor - obsolescence factor	The estimated fair value would increase/ (decrease) if: - price per square meter was higher/ (lower) - adjustment factor was favourable/ (not favourable) - obsolescence was lower/ (higher)
Plant and equipment	RMB 20,430,000	Cost approach	- price trend indexes - obsolescence factor	The estimated fair value would increase/ (decrease) if: - price trend indexes were higher/ (lower) - obsolescence factor was lower/ (higher)

Fair value measurement of other financial assets and financial liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (trade and other receivables, cash and cash equivalents, balances with related parties, trade and other payables and provision) approximate their fair values because of the short period to maturity.

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for the financial period ended 31 March 2019

28 Fair value measurement (Cont'd)

Fair value measurement of contingent consideration

The fair values of contingent consideration related to the acquisition of the Target Companies is estimated using a market approach taking into account the probability of meeting each performance target from the profit warranty given by the vendors, certain valuation variables such as the discount for lack of marketability ("DLOM") and the estimated share price which involves significant judgements.

The following table shows the Levels within the hierarchy of the contingent consideration measured at fair value as at 31 March 2019:

The Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 March 2019				
Contingent consideration (Bonds to be issued)	-	-	(17,519)	(17,519)

For movements in the contingent consideration, refer to Note 21.

Valuation technique and significant unobservable inputs

The following table shows the Group's valuation technique used in measuring Level 3 fair values as well as the significant unobservable inputs used.

Type	Carrying amount at 31 March 2019	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration	RMB 17,519,000	Market approach	- Probability of meeting profit warranty of RMB 85 million - DLOM of 27.20%	The higher the probability that the profit warranty is met, the higher the value of the contingent consideration. The higher the DLOM, the lower the value of the contingent consideration.

Sensitivity analysis

For the fair values of contingent consideration, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

The Group	Profit or loss	
	Increase RMB'000	Decrease RMB'000
31 March 2019		
DLOM (3% movement (300 bps))	722	(722)

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for the financial period ended 31 March 2019

29 Operating segment information

For management reporting purposes, the Group is organised into reportable operating segments which are the Group's strategic business units.

A summary of the details of the operating segments is as follows:

- (a) The trading segment relates to the business of purchases and sales of food products.
- (b) The additives segment relates to the manufacture and sales of L-Ascorbyl palmitate or antioxidant; this segment was acquired during the period ended 31 March 2019.
- (c) The animal feed and traditional medicine segment relates to the manufacture and sales of animal feed and traditional medicine from traditional Chinese herbs; this segment was acquired during the period ended 31 March 2019.
- (e) The soybean processing segment relates to the manufacture and sales of soybean meal and soybean oil; this segment was disposed in May 2018.
- (f) The feed production segment manufactures and distributes animal feed, such as pig feed and chicken feed; this segment was disposed in May 2018.
- (g) Pig rearing segment was disposed in May 2018.
- (h) Others comprise mainly corporate office functions and investment in shares.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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for the financial period ended 31 March 2019

29 Segment information (Cont'd)

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group for the period ended 31 March 2019:

	CONTINUING OPERATIONS				DISCONTINUED OPERATIONS					
	Animal feed and traditional medicine					Soybean processing		Feed production		
	Trading	Additives		Others	Sub-total					Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue										
Net sales to external customers	86,144	2	284	-	86,430	-	-	-	-	86,430
Segment results (EBIDTA)	4,929	(1,514)	(890)	(8,041)	(5,516)	(9,762)	(6,921)	(417)	(17,100)	(22,616)
Bank interest income					372					372
Bank interest cost					(582)					(582)
Depreciation					(1,001)					(1,001)
Amortisation					(7,046)					(7,046)
Gain on disposal of subsidiary					27,178					27,178
Gain from bargain purchase					39,762					39,762
Fair value changes on contingent consideration					26,951					26,951
Loss before tax					80,118				(17,100)	63,018
Segment assets	62,856	120,782	62,000	44,243	289,881	-	-	-	-	289,881
Reconciliation:										
Corporate and unallocated Assets										73,832
Total assets										363,713
Segment liabilities	30,726	15,364	24,334	6,974	77,398	-	-	-	-	77,398
Reconciliation:										
Corporate and unallocated liabilities										7,111
Total liabilities										84,509

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for the financial period ended 31 March 2019

29 Segment information (Cont'd)

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group for the period ended 31 March 2019 (Cont'd):

	←----- CONTINUING OPERATIONS -----→				←----- DISCONTINUED OPERATIONS -----→			
	Animal feed and traditional medicine							
Trading	Additives	Others	Sub-total	Soybean processing	Feed production	Pig rearing	Sub-total	Consolidated
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other segment information:								
Depreciation of property, plant and equipment	-	20	981	-	1,001	-	-	1,001
Amortisation of land use rights and patents	-	5,907	1,139	-	7,046	-	-	7,046
Additions of property, plant and equipments	-	8,025	13,121	-	21,146	-	-	21,146
Additions of land use rights	-	-	11,100	-	11,100	-	-	11,100
Additions of patents	-	118,871	29,772	-	148,643	-	-	148,643

NOTES TO FINANCIAL STATEMENTS

for the financial period ended 31 March 2019

29 Segment information (Cont'd)

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group for the year ended 31 December 2017:

	←----- CONTINUING OPERATIONS -----→				←----- DISCONTINUED OPERATIONS -----→					
	Trading	Additives	Animal feed and traditional medicine	Others	Sub-total	Soybean processing	Feed production	Pig rearing	Sub-total	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue										
Net sales to external customers	34,932	-	-	-	34,932	-	133,940	-	133,940	168,872
Segment results										
Bank interest income	2,343	-	-	(5,031)	(2,688)	(58,117)	(6,058)	(1,168)	(65,343)	(68,031)
Loss before tax					10				-	10
					(2,678)				(65,343)	(68,021)
Segment assets	24,442	-	-	60,105	84,547	61,104	9,761	2,550	73,415	157,962
Reconciliation:										
Corporate and unallocated Assets										67,408
Total assets										225,370
Segment liabilities	3,896	-	-	21,572	25,468	43	1,328	11,557	12,928	38,396
Reconciliation:										
Corporate and unallocated liabilities										598
Total liabilities										38,994
Other segment information:										
Depreciation of property, plant and equipment	-	-	-	-	-	13,286	46	-	13,332	13,332
Amortisation of land use rights	-	-	-	-	-	5,470	-	1,168	6,638	6,638
Impairment loss on property, plant and equipment	-	-	-	-	-	11,925	-	-	11,925	11,925
Impairment loss on land use rights	-	-	-	-	-	9,019	-	-	9,019	9,019

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29 Segment information (Cont'd)

Reportable segments' assets are reconciled to total assets as follows:

	31 March 2019 RMB'000	31 December 2017 RMB'000
Segment assets	289,881	157,962
<u>Unallocated assets</u>		
Cash and bank balances	73,832	67,408
Total assets per consolidated financial statements	363,713	225,370

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 March 2019 RMB'000	31 December 2017 RMB'000
Segment liabilities	77,398	38,396
<u>Unallocated liabilities</u>		
Current tax payable	919	598
Deferred tax liabilities	6,192	-
Total liabilities per consolidated financial statements	84,509	38,994

Geographical information

The following table presents revenue and non-current assets information based on the Group's geographical segments for the period ended 31 March 2019 and 31 December 2017.

	Continued operations		Discontinued operations	
	31 March 2019 RMB'000	31 December 2017 RMB'000	31 March 2019 RMB'000	31 December 2017 RMB'000
Revenue				
Mainland China	286	-	36,470	133,940
Hong Kong	86,144	34,932	-	-
	86,430	34,932	36,470	133,940
	Continued operations		Discontinued operations	
	31 March 2019 RMB'000	31 December 2017 RMB'000	31 March 2019 RMB'000	31 December 2017 RMB'000
Non-current assets				
Mainland China	172,845	3	-	63,730
Hong Kong	12,742	12,742	-	-
	185,587	12,745	-	63,730

for the financial period ended 31 March 2019

29 Segment information (Cont'd)

Information about major customers

During the financial period ended 31 March 2019, sales to two customers made up more than 10% of the Group's total revenue. (2017 - 1).

30 Comparative information

The Company changed its financial year end from 31 December to 31 March with effect from the current financial period commencing 31 March 2019. These financial statements are for the 15 months period ended 31 March 2019. The last audited financial statements were for the financial year ended 31 December 2017 (12 months period). These financial statements are, therefore, not comparable.

31 Subsequent events

(a) Entry into SGX Watch list

On 4 June 2019, the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the Company that it will be placed on the Watch-list due to the Financial Entry Criteria and MTP Entry Criteria with effect from 6 June 2019. The Company has to comply with the Financial Exit Criteria and MTP Exit Criteria within 36 months from 6 June 2019, failing which, SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delisting the Company.

(b) Supplemental agreement on profit warranty with the vendors of the Target Companies

On 7 June 2019, the Group has entered into a supplemental agreement to the SPA (refer to Note 8) with the vendors of the Target Companies that (a) the change of the definition of the "FYE" from 31 December to 31 March, (b) each of the First Bond Subscription Date, Second Bond Subscription Date, and Third Bond Subscription Date to be the date falling not more than 120 days from the financial year end of FY2020, FY2021, and FY2022 respectively; and (c) the Vendors to jointly and severally represent, warrant and undertake to the Purchaser and the Company that the Adjusted Net Profit for each of FY2020, FY2021 and FY2022 will not be less than RMB 25,000,000.

STATISTICS OF SHAREHOLDINGS

As at 20 June 2019

No. of shares issued	:	157,901,384
Class of shares	:	Ordinary share
Voting rights	:	One vote per share
Treasury Shares and Shubsidary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	11	0.28	261	0.00
100 - 1,000	1,658	42.68	1,153,800	0.73
1,001 - 10,000	1,861	47.90	6,841,060	4.33
10,001 - 1,000,000	341	8.78	19,988,077	12.66
1,000,001 AND ABOVE	14	0.36	129,918,186	82.28
TOTAL	3,885	100.00	157,901,384	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	GOLDEN EVER INTERNATIONAL PROPERTY MANAGEMENT LIMITED	44,223,680	28.01
2	CHINESE GLORY INVESTMENTS LIMITED	22,012,442	13.94
3	PHILLIP SECURITIES PTE LTD	11,468,215	7.26
4	GU YULIN	10,000,000	6.33
5	LIU JUN	10,000,000	6.33
6	CHRISTINE MAK	9,110,513	5.77
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	8,132,600	5.15
8	TING CHENG-FA	5,804,343	3.68
9	CHAN WAI MAN	1,850,500	1.17
10	UOB KAY HIAN PRIVATE LIMITED	1,623,733	1.03
11	PING ZHI	1,600,400	1.01
12	FENG XIAO	1,404,000	0.89
13	LOKE YEE WOON	1,359,200	0.86
14	RAFFLES NOMINEES (PTE.) LIMITED	1,328,560	0.84
15	GOH BEE LAN	957,300	0.61
16	NG WONG WAI LAN	845,500	0.54
17	WANG HUICHANG	814,400	0.52
18	DBS NOMINEES (PRIVATE) LIMITED	778,800	0.49
19	WEI ZHENGWEI	731,000	0.46
20	TAN ENG CHUA EDWIN	642,900	0.41
	TOTAL	134,688,086	85.30

As at 20 June 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Golden Ever International Property Management Limited	44,223,680	28.01	–	–
Chinese Glory Investments Limited	22,012,442	13.94	–	–
Song Yanan ⁽¹⁾	–	–	44,223,680	28.01
David Yip Wai Sun ⁽²⁾	–	–	22,012,442	13.94
Wang Tingbao ⁽³⁾	–	–	22,212,464	14.07
Gu Yulin	10,000,000	6.33	–	–
Liu Jun	10,000,000	6.33	–	–
Christine Mak ⁽⁴⁾	9,110,513	5.77	42,000	0.026

Notes:

- (1) Song Yanan is deemed interested in the Shares of the Company held by Golden Ever International Property Management Limited by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore ("SFA").
- (2) David Yip Wai Sun is deemed to be interested in the Shares of the Company held by Chinese Glory Investments Limited by virtue of Section 4 of the SFA.
- (3) Wang Tingbao is deemed to be interested in the Shares of the Company held by the following:
 - (i) all the Shares held by Chinese Glory Investments Limited by virtue of Section 4 of the SFA;
 - (ii) 22 Shares held under UOB Kay Hian Pte Ltd; and
 - (iii) 200,000 Shares held under Phillip Securities (HK) Ltd.
- (4) Christine Mak is deemed to be interested in 42,000 Shares held under DBS Vickers (Hong Kong) Limited, as nominee of Ms Christine Mak.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information provided and to the best knowledge of the Directors, approximately 39.46% of the issued ordinary shares of the Company were held in the hands of the public as at 20 June 2019 and therefore Rule 723 of the Listing of Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **UNITED FOOD HOLDINGS LIMITED** (the "**Company**") will be held at Room 602, Level 6, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on Monday, 29 July 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial period from 1 January 2018 to 31 March 2019 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors who are retiring pursuant to Bye-laws 86(1) of the Company's Bye-laws:

Mr Wu Xiaoran	[Retiring under Bye-law 86(1)]	(Resolution 2)
[See explanatory note (i)]		
Mr Chng Hee Kok	[Retiring under Bye-law 86(1)]	(Resolution 3)
[See explanatory note (ii)]		

Mr Chng Hee Kok will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Mr Chng Hee Kok will be considered independent for the purpose of the Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").
3. To approve the payment of additional Directors' fees of S\$47,500 for the period from 1 January 2019 to 31 March 2019. **(Resolution 4)**
4. To approve the payment of Directors' fees of S\$190,000 for the year ending 31 March 2020, to be paid quarterly in arrears (2018: S\$190,000). **(Resolution 5)**
5. To re-appoint Foo Kon Tan LLP, Public Accountants and Chartered Accountants, Singapore as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a fee and on such terms to be agreed by the Directors of the Company. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

7. **Renewal of the General Issue Mandate**

"THAT authority be and is hereby given to the Directors to:

- (a) (i) allot and issue shares in the Company 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, 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 upon such terms and conditions for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force, provided that:
- (1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments, made or granted pursuant to this Ordinary Resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in capital of the Company (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such manner of calculation 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 total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of convertible securities;
 - (b) new shares arising from exercising shares options or vesting of share awards outstanding or subsisting at the time this Ordinary Resolution is passed; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
 - (3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws for the time being of the Company; and
 - (4) the authority conferred on the Directors of the Company pursuant to this Ordinary Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this Ordinary Resolution and expiring on the earliest of:
 - (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
 - (ii) the date on which share issues have been carried out to the full extent of the authority conferred in this Ordinary Resolution; or
 - (iii) the date on which the authority conferred in this Ordinary Resolution is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting."

[See Explanatory Note (iii)]

(Resolution 7)

By Order of the Board

Yoo Loo Ping
Chiang Wai Ming
Company Secretaries

Singapore, 12 July 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note to Resolutions to be passed –

- (i) Pursuant to Rule 720(6) of the Listing Manual, further information on Mr Wu Xiaoran is set out on Pages 28 and 29 of the Company's Annual Report.
- (ii) Mr Chng Hee Kok, if re-elected, will remain as Chairman of Audit Committee, a member of the Nominating Committee and Remuneration Committee of the Company. Mr Chng Hee Kok will be considered as an Independent Director of the Company. Pursuant to Rule 720(6) of the Listing Manual, further information on Mr Chng Hee Kok is set out on Pages 28 and 29 of the Company's Annual Report.
- (iii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an aggregate amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

Notes

1. A depositor holding Shares through The Central Depository (Pte) Limited ("**Depositor**") who is an individual and who wishes to attend the Annual General Meeting in person need not take any further action and can attend and vote at the Annual General Meeting as The Central Depository (Pte) Limited's proxy without the lodgement of any proxy form.
2. A Depositor who is an individual but is unable to attend the Annual General Meeting personally and wishes to appoint a nominee as The Central Depository (Pte) Limited's proxy to attend and vote on his behalf, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting. Similarly, a Depositor who is a corporation and who wishes to attend the Annual General Meeting must submit the Depositor Proxy Form for the appointment of nominee(s) to attend and vote at the Annual General Meeting on its behalf.
3. If a member with Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to appoint a proxy to attend and vote at the Annual General Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the meeting.
4. If a person who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to be represented at the meeting, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members.
5. If the member or Depositor is a corporation, the proxy form must be executed under seal or the hand of its duly authorised officer or attorney.
6. All proxy forms must be deposited at Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the meeting.
7. A proxy need not be a member.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be (i) consents to the collection, use and disclosure of the member or Depositor's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member or a Depositor discloses the personal data of the member or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member or Depositor 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 or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor's breach of warranty.



UNITED FOOD HOLDINGS LIMITED
聯合食品控股有限公司

BUSINESS OFFICE

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