CIRCULAR DATED 5 JULY 2018

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

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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

Your attention is drawn to Section 6 of this Circular in respect of actions to be taken if you wish to attend and vote at the Special General Meeting.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

UNITED FOOD HOLDINGS LIMITED

聯合食品控股有限公司

(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration Number: 28925)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED ACQUISITION OF 80% SHAREHOLDING INTERESTS IN THE TARGET COMPANIES (AS DEFINED HEREIN) AS A MAJOR TRANSACTION

Financial Adviser to the Company

Crowe Horwath Capital Pte Ltd
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200721675G)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	18 July 2018 at 10.00 a.m.
Date and time of Special General Meeting	:	20 July 2018 at 10.00 a.m.
Place of Special General Meeting	:	Room 502, Level 5 RELC International Hotel 30 Orange Grove Road Singapore 258352

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In this Circular, the following words and phrases shall have the meanings set out against them unless the context otherwise requires:

"**Adjusted Net Profit**"	:	The aggregate net profit of the Target Companies, after tax and extraordinary items, but including exceptional items as ascertained from the relevant completion accounts of the Target Companies, subject to the terms and conditions of the SPA
"**AIP**"	:	Approval in-principle
"**Benchmark**"	:	Benchmark Trade Limited
"**Benchmark SHA**"	:	The shareholders' agreement dated 5 October 2017 entered into between Brighten Ocean International Ltd., Vendor C and Benchmark
"**Bermuda Companies Act**"	:	The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
"**Board**"	:	The board of Directors of the Company as at the date of this Circular
"**Bondholder**"	:	The holder of the Bonds
"**Bonds**"	:	The zero per cent. convertible bonds to be issued to Vendor C by the Company pursuant to the SPA, convertible at a Conversion Price of S$0.45 with a Conversion Period of 12 months commencing on the first day of FY2021
"**Bond Conditions**"	:	The terms and conditions of the Bonds, details of which are set out in Section 2.6.2 and Appendix B of this Circular
"**Bond Subscription Date**"	:	Each of the First Bond Subscription Date, the Second Bond Subscription Date and the Third Bond Subscription Date
"**Business Day**"	:	A day (excluding Saturdays, Sundays and public holidays in Singapore) on which banks are open for normal banking business in Singapore
"**Cash Consideration**"	:	The cash amount of RMB10,000,000 payable by the Purchasers to the Vendors, details of which are set out in Section 2.6.1 of this Circular
"**CDP**"	:	The Central Depository (Pte) Limited
"**CDPR**"	:	Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司)
"**Circular**"	:	This Circular to Shareholders dated 5 July 2018
"**Collaboration Agreement**"	:	The collaboration agreement dated 1 January 2017 between the ultimate beneficial owners of Vendors A and B, Xue Aiping (薛爱平) and Zhang Weiliang (张伟亮), and Vendor C, setting out their joint efforts and their intention to be presumed as parties acting in concert in relation to the sale of their Sale Shares in the Target Companies

"**Company**"	:	United Food Holdings Limited
"**Competitor**"	:	Any Person who is in the principal business of agribusiness and food industry or any Person who is in competition with the main business of the Group
"**Completion**"	:	Completion of the Proposed Acquisition
"**Completion Date**"	:	The date of Completion of the Proposed Acquisition
"**Conditions Precedent**"	:	The conditions specified in Section 2.6.5 of this Circular, and "**Condition Precedent**" means any one of them
"**Controlling Shareholder**"	:	A person who: (a) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company
"**Conversion Period**"	:	The 12 month period commencing on the first day of FY2021
"**Conversion Price**"	:	The conversion price of S$0.45 per Conversion Share
"**Conversion Shares**"	:	The Shares arising from the conversion of the Bonds
"**Deposit**"	:	The refundable cash deposit of RMB25,000,000 payable by the Purchasers to the Vendors, details of which are set out in Section 2.6.1 of this Circular
"**Directors**"	:	The directors of the Company as at the date of this Circular
"**Disposal**"	:	The disposal of 200 ordinary shares, representing 100% of the issued and paid-up share capital of Post-Ante Trading Limited, a wholly owned Subsidiary of the Company, on 10 May 2018, pursuant to the announcements released by the Company on 17 October 2017, 16 November 2017, 24 November 2017, 14 March 2018, 29 March 2018, 27 April 2018 and 10 May 2018
"**Enlarged Issued Share Capital**"	:	The enlarged issued and paid-up share capital of the Company comprising 196,477,691 Shares assuming the full conversion of the Bonds in the principal amount of RMB85,000,000 into 38,576,307 Conversion Shares
"**Existing Issued Share Capital**"	:	The existing issued and paid-up share capital of the Company comprising of 157,901,384 Shares
"**External Auditor**"	:	Teamway & Partners
"**External Auditor Letter**"	:	Opinion letter dated 5 July 2018 issued by the External Auditor to the Company in relation to the Profit Warranty, which is set out in Appendix D of this Circular
"**Financial Adviser**"	:	Crowe Horwath Capital Pte Ltd

"**Financial Adviser Letter**"	:	Opinion letter dated 5 July 2018 issued by the Financial Adviser to the Company in relation to the Proposed Acquisition, which is set out in Appendix C of this Circular
"**First Bond Subscription Date**"	:	The date falling at the end not more than 120 days from the FYE of FY2018
"**FY**"	:	Financial year ended 31 December
"**FYE**"	:	Financial year end
"**FY2017**"	:	Financial year ended 31 December 2017
"**FY2018**"	:	Financial year ended 31 December 2018
"**FY2019**"	:	Financial year ended 31 December 2019
"**FY2020**"	:	Financial year ended 31 December 2020
"**FY2021**"	:	Financial year ended 31 December 2021
"**GEIPM**"	:	Golden Ever International Property Management Limited
"**GMP**"	:	Good Manufacturing Practice in short, specification for pharmaceutical manufacturing quality management
"**Group**"	:	The Company and its Subsidiaries
"**HBXR**"	:	Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司)
"**Independent Valuer**"	:	Ascent Partners Valuation Service Pte Ltd
"**L-AP**"	:	L-Ascorbyl Palmitate (C-22H38O7)
"**Latest Practicable Date**"	:	25 June 2018, being the latest practicable date prior to the printing of this Circular
"**Listing Manual**"	:	The Listing Manual of the SGX-ST as amended, modified or supplemented from time to time
"**Longstop Date**"	:	The date falling sixty days from the date of the passing at a duly convened special general meeting of the Company of such resolutions as may be necessary to approve, implement and effect the purchase of the Sale Shares and the allotment and issuance of the Conversion Shares, or such other date as the Purchasers, the Vendors and the Company may mutually agree in writing
"**LPS**"	:	Loss per Share
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities
"**Memorandum**"	:	The memorandum of association of the Company
"**Moratorium Period**"	:	Has the meaning ascribed to it in Section 2.10 of this Circular
"**NAV**"	:	Net asset value

"**NTA**"	:	Net tangible assets
"**Patent**"	:	The enzymatic synthesis production method used to produce L-AP registered as a patent by HBXR under patent application number ZL 200810235854.2 with the SIPO
"**Patent Licence Agreement**"	:	The patent licence agreement dated 5 August 2017 entered into between HBXR and Benchmark, details of which are set out in Section 2.2.2 of this Circular
"**Person**"	:	A natural person, firm, partnership, joint venture, company, organisation, association, trust, government or governmental sub-division or agency, or any other entity, whether acting in an individual, fiduciary or other capacity
"**PRC**"	:	People's Republic of China
"**Profit Warranty**"	:	Has the meaning ascribed to it in Section 2.6.3 of this Circular
"**Proposed Acquisition**"	:	The proposed acquisition of (i) 80% equity interests in HBXR, (ii) 80% equity interests in CDPR, and (iii) 25,641,026 ordinary shares representing 80% of the issued and paid-up share capital of Benchmark by the Purchasers
"**Purchasers**"	:	Shenzhen Baoyao Agricultural Products Ltd. and Brighten Ocean International Ltd., and each and any of them is a "**Purchaser**"
"**Purchase Consideration**"	:	The aggregate purchase consideration of RMB120,000,000 payable by the Purchasers for the Proposed Acquisition, details of which are set out in Section 2.6.1 of this Circular
"**Register of Members**"	:	The principal register of members and where applicable, any branch register of members, of the Company kept pursuant to the Bermuda Companies Act
"**Sale Shares**"	:	Collectively means (i) 80% equity interests in HBXR, (ii) 80% equity interests in CDPR, and (iii) 25,641,026 ordinary shares representing 80% of the issued and paid-up share capital of Benchmark
"**Second Bond Subscription Date**"	:	The date falling at the end not more than 120 days from the FYE of FY2019
"**SFA**"	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
"**SGM**"	:	The special general meeting of the Company to be held on 20 July 2018 at 10.00 a.m. at Room 502, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352, notice of which is set out on pages N-1 to N-3 of this Circular
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	Registered holders of the Shares
"**Shares**"	:	Fully-paid ordinary shares in the capital of the Company

"**Share Disposal**"	:	Has the meaning ascribed to it in Section 2.10 of this Circular
"**Singapore Share Transfer Agent**"	:	Boardroom Corporate & Advisory Services Pte. Ltd.
"**SIPO**"	:	The State Intellectual Property Office of the PRC
"**SPA**"	:	The sale and purchase agreement dated 5 October 2017 entered into between the Purchasers, the Vendors and the Company as amended and supplemented by the supplemental agreement dated 26 June 2018
"**sq m**"	:	Square metres
"**Subsequent Events**"	:	Has the meaning ascribed to it in Section 2.2.3 of this Circular
"**Subsidiary**" or "**Subsidiaries**"	:	Shall have the meaning ascribed to it in the Bermuda Companies Act
"**Substantial Shareholder**"	:	A person who has an interest directly or indirectly in 5% or more of the total number of issued Shares in the Company
"**Target Companies**"	:	Collectively, HBXR, CDPR and Benchmark, and each and any of them a "**Target Company**"
"**Third Bond Subscription Date**"	:	The date falling at the end not more than 120 days from the FYE of FY2020
"**Total Adjusted Net Profit**"	:	The aggregate amount of the Adjusted Net Profit of the Target Companies for FY2018, FY2019 and FY2020
"**Valuation Report**"	:	The valuation report dated 5 July 2018 issued by the Independent Valuer in relation to the Sale Shares, which is set out in Appendix E of this Circular
"**Vendors**"	:	Collectively, Chengde Xingxinda Shengwu Keji Co., Ltd. (承德兴新达生物科技有限公司) ("**Vendor A**"), Chengde Pumeida Shengwu Keji Co., Ltd. (承德普美达生物科技有限公司) ("**Vendor B**") and Lin Zhongshi (林忠师) ("**Vendor C**") and each and any of them is a "**Vendor**"
"**WXHR**"	:	Wuxi Hongrui Shengwu Yiyao Keji Co., Ltd. (无锡宏瑞生物医药科技有限公司)
"**%**" or "**per cent.**"	:	Per centum or percentage
"**RMB**" or "**RMB cents**"	:	Renminbi dollars and cents, respectively
"**S$**" or "**cents**"	:	Singapore dollars and cents, respectively
"**US$**" or "**cents**"	:	United States dollars and cents, respectively

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Bermuda Companies Act, the SFA or the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Bermuda Companies Act, the SFA or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided herein.

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

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

UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration Number: 28925)

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)

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

5 July 2018

TO: THE SHAREHOLDERS OF UNITED FOOD HOLDINGS LIMITED

THE PROPOSED ACQUISITION OF THE TARGET COMPANIES (AS DEFINED HEREIN) AS A MAJOR TRANSACTION

Dear Sir/Madam

1 INTRODUCTION

The Board is convening the SGM to seek Shareholders' approval for the Proposed Acquisition.

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Proposed Acquisition to be tabled at the SGM and to seek Shareholders' approval for the resolutions relating to the same. The notice of the SGM is set out on pages N-1 to N-3 of this Circular.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

2 THE PROPOSED ACQUISITION

2.1 BACKGROUND

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 Chengde Xingxinda Shengwu Keji Co., Ltd. (承德兴新达生物科技有限公司) ("**Vendor A**"), Chengde Pumeida Shengwu Keji Co., Ltd. (承德普美达生物科技有限公司) ("**Vendor B**") and Lin Zhongshi (林忠师) ("**Vendor C**") (collectively, the "**Vendors**"), for the sale and purchase of (i) 80% equity interests in Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) ("**HBXR**"), (ii) 80% equity interests in Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) ("**CDPR**"), and (iii) 25,641,026 ordinary shares representing 80% of the issued and paid-up share capital of Benchmark Trade Limited ("**Benchmark**") (collectively, the "**Sale Shares**"). Subsequently, the Purchasers and the Vendors mutually agreed to vary and amend the terms of the SPA, by way of a supplemental agreement to the SPA entered into between the parties on 26 June 2018.

Pursuant to the terms of the SPA, Shenzhen Baoyao Agricultural Products Ltd. will purchase (i) 80% equity interests in HBXR and (ii) 80% equity interests in CDPR, from each of Vendor A and Vendor B, respectively, and Brighten Ocean International Ltd. will purchase 25,641,026 ordinary shares representing 80% of the issued and paid-up share capital of Benchmark from Vendor C.

The Purchasers will purchase the Sale Shares for an aggregate Purchase Consideration of RMB120,000,000 (equivalent to S$24,507,301 based on a foreign currency exchange rate of S$1: RMB4.8965 as 4 October 2017), to be satisfied by way of (i) a Deposit of RMB25,000,000, (ii) a Cash Consideration of RMB10,000,000 as at Completion Date and (iii) the issuance of up to an aggregate principal amount of RMB85,000,000 (equivalent to S$17,359,338 based on a foreign currency exchange rate of S$1: RMB4.8965 as at 4 October 2017) of Bonds. Please refer to Section 2.6.1 of this Circular for more details on the Purchase Consideration.

2.2 INFORMATION ON THE TARGET COMPANIES

2.2.1 General Information

As at the Latest Practicable Date, the general incorporation details of the Target Companies are set out below:

Name	Principal Activities	Date of Incorporation	Place of Incorporation	Registered Capital
Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司)	Research, development and manufacture of animal feed with traditional Chinese medicine extracts[1]	21 December 2010	People's Republic of China	RMB24,490,000[4]
Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司)	Research, manufacture and sale of food and animal feed additives and cosmetics, and sale of medical equipment[2]	4 March 2015	People's Republic of China	RMB30,000,000[5]

Name	Principal Activities	Date of Incorporation	Place of Incorporation	Issued and Paid-up Share Capital
Benchmark Trade Limited	Investment Holding[3]	28 February 2017	Marshall Islands	US$32,051,282

Notes:

(1) CDPR started the production and sale of animal feed with traditional Chinese medicine extracts since December 2015.

(2) HBXR started the production and sale of L-AP since July 2017.

(3) Benchmark is an investment holding company. 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. Please refer to Section 2.2.2 of this Circular for more details.

(4) As at the Latest Practicable Date, CDPR has a registered capital of RMB24,490,000. Vendor B holds 80% of the total equity interests in CDPR, representing an issued capital of RMB19,592,000, of which RMB7,102,000 has been contributed and the remaining amount of RMB12,490,000 shall be contributed by 31 December 2030. Xue Aiping (薛爱平) holds 20% of the total equity interests in CDPR, representing an issued and paid-up capital of RMB4,898,000.

(5) As at the Latest Practicable Date, HBXR has a registered capital of RMB30,000,000. Vendor A holds 80% of the total equity interests in HBXR, representing an issued capital of RMB24,000,000, and the amount shall be contributed by 31 December 2035. WXHR holds 20% of the total equity interests in HBXR which is deemed to be fully paid-up, as part payment for the sale of the Patent to HBXR.

The Target Companies 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. The Target Companies also conduct extensive research and development into bio-chemical related technologies, and the development, synthesis and sale of antioxidants.

2.2.2 Information on the Target Companies

Information on CDPR

CDPR is located in Luanping County, Chengde City, Hebei Province, PRC, and is in the business of manufacture, development and sale of animal feed with traditional Chinese medicine extracts. CDPR has conducted extensive research and development on veterinary medicine and in particular, on traditional medicine extraction and the use of such extracts in animal feed. The veterinary industry in the PRC is regulated by the Chinese Central Government, which issued a regulation stipulating that all veterinary manufacturers should conform to the GMP production process. CDPR obtained the GMP certification from the Agricultural Department of the PRC in March 2014, for the production of pellets (with Chinese medicine extracts) and premix (with Chinese medicine extracts). CDPR also has a production licence for feed additives from the Animal Husbandry and Veterinary Bureau, Hebei Province, issued in December 2015.

CDPR owns a patent registered with the State Intellectual Property Office of the PRC ("**SIPO**") under patent application number ZL 201310461884.6 for the preparation process, technology and development of a special traditional Chinese medicine aimed at preventing diarrhoea in livestock and poultry, which expires on 29 September 2033.

As at the Latest Practicable Date, CDPR owned the following trademarks:

Trademark	Place of Registration	Class	Trademark No.	Expiry Date
PURUN 朴润	PRC	5(1)	11088611	6 November 2023
PURUN 朴润	PRC	31(2)	11089193	27 October 2023
PURUN 朴润	PRC	5(3)	11089127	27 October 2023
PURUN 朴润	PRC	1(4)	11088667	20 January 2024

Notes:

(1) Medicine, vaccine, biochemical drugs, medical lecithin, nutritional supplements, medical nutrition, medical nutrition drinks, air purification agents.

(2) Animal fattening agent, animal feed, animal consumption of yeast, distillation residue, pet food etc.

(3) Veterinary medicine, veterinary preparations, veterinary biological products, veterinary chemicals, veterinary enzyme preparations, livestock detergents, animal dietary supplements, animal protein supplements, human and animal trace elements, use in the destruction of harmful animals.

(4) Food preservative chemicals, food preserving chemicals, food industry enzymes, lecithin for food industry, enzymes for food industry, meat for industrial use, beer preservatives, protein (raw materials).

CDPR owns a land use right for 26,404 sq m located in Luanping County, Chengde City, Hebei Province, PRC, where its premix plant and warehouse, and HBXR's production facilities are located. As at the Latest Practicable Date, the annual production capacity, actual production volume and utilisation rates of CDPR's production facilities are set out below:

Production Capabilities	Production Capacity (tonnes)	Actual Production Volume (tonnes)	Utilisation Rate
Veterinary medicine preparation	100	20	20.00%
Extraction of traditional medicine	200	50	25.00%
Animal feed premix	8,000	500	6.25%

Information about HBXR and Benchmark

HBXR is located in Luanping County, Chengde City, Hebei Province, PRC. Through the Patent Licence Agreement dated 5 August 2017 granted by HBXR to Benchmark, HBXR and Benchmark 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. L-AP inhibits the development of oxidative rancidity in fat-based foods, and provides food colour protection. In particular, L-AP is one of the few anti-oxidants approved for use in infant products, and is approved as a safe food additive by the United States Environmental Protection Agency ("**EPA**")[(1)].

Currently, the global market for fat-soluble antioxidants is divided into natural and synthetic products. The patented enzymatic production of L-AP by HBXR and Benchmark is a natural chemical antioxidant, and has proven to generate fewer waste products than other synthetic antioxidants, such as butylated hydroxyanisole (BHA), dibutylhydroxytoluene (BHT) and tertButyl hydroquinone (TBHQ) and other synthetic antioxidants.

The enzymatic synthesis production method used to produce L-AP has been registered as a patent by HBXR under patent application number ZL 200810235854.2 with SIPO ("**Patent**"). Under the Patent, the L-AP is derived from a combination of palmitic acid and Vitamin C in a t-butanol solvent, which is initially synthesised through an enzyme catalyst. The solution is subsequently distilled to remove the solvent. The resulting solid mixture then undergoes a crystallisation process at room temperature, and is treated to recover unreacted palmitic acid for recycling purposes. Finally, the mixture is crushed and packaged into L-AP, which has powerful antioxidant properties, and is a more stable compound than the water-soluble form of Vitamin C, L Ascorbic Acid. The term of the Patent is 20 years from the date of application of the Patent, and will expire on 27 November 2028.

HBXR granted Benchmark a licence through the Patent Licence Agreement 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. In return, Benchmark paid a one-time royalty fee of RMB220,000,000, which was subsequently satisfied by way of issuance of new shares of Benchmark to HBXR's designated nominee, Vendor C, pursuant to the Collaboration Agreement. In accordance with the Patent Licence Agreement, Benchmark has permitted HBXR to continue producing, using and selling L-AP through the use of the Patent, and Benchmark will be entitled to all profits attributable to the production, use and sale of such L-AP, subject to HBXR and Benchmark obtaining the necessary approvals in accordance with prevailing outbound investments and remittance laws of the PRC.

(1) The information is derived from the website of the United States Environmental Protection Agency, which was accessed on 27 June 2018 (https://www.epa.gov/saferchoice/safer-ingredients). United States Environmental Protection Agency has not consented to the inclusion of the relevant statement and is therefore not liable for the relevant statement under Section 253 and Section 254 of the SFA. The Directors are aware that the United States Environmental Protection Agency does not guarantee or assume responsibility that the information in its website is accurate, adequate, current or reliable, or may be used for any other purpose other than for general reference. While the Company has taken reasonable action to ensure that the relevant information is reproduced in its proper form and context, and that the information is extracted accurately and fairly, all other parties and ourselves have not conducted an independent review of the statement and have not verified the accuracy of the statement.

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 Group, by purchasing the respective 80% equity and shareholding interests in all the Target Companies, will have control over the voting rights and decisions of such Target Companies, and will be entitled to the pro-rata distribution of any profits arising from the businesses of the Target Companies. The Company will be mindful of any interested party transactions and any conflict of interests (if any) under the Listing Manual. After Completion, representatives of the Group will serve as the legal representatives of CDPR and HBXR. In addition, as set out under Section 2.7.1 of this Circular, Brighten Ocean International Ltd. will be appointing our Executive Director, Wu Xiaoran, as the sole director of Benchmark.

HBXR has a food production licence for L-AP, issued in July 2017 by the Food and Medicine Supervisory Bureau, Hebei Province, PRC, after working with the local government on issuing the licence to them for two years. Upon Completion of the Proposed Acquisition, HBXR, together with Benchmark, intend to produce L-AP through the use of the Patent for use in food products. They are also looking to use the L-AP in the animal feed currently produced by CDPR, and also other products that the Group may produce, and will continue to work with the local government to obtain further production licences for use of L-AP in other industries. HBXR currently sells their L-AP to distributors who further distribute the products to the relevant industries. It is intended for Benchmark to carry out only the sale and not production of L-AP, where regulatory approval is not required. The Group does not need to apply for separate regulatory approval for the purchase of L-AP from HBXR, and the incorporation of the same in the animal feed currently produced by CDPR and other products that the Group may produce.

2.2.3 Summary of financial Information on the Target Companies

Summary of financial Information of CDPR

The audited financial information of CDPR for the financial year ended 31 December 2016 and the period from 1 January 2017 to 31 May 2017 is as follows:

Operating Results of CDPR

	For the period from 1 January 2017 to 31 May 2017	For the financial year ended 31 December 2016
	RMB	RMB
Sales[1]	242,380	1,559,878
Cost of sales	(69,033)	(474,972)
Gross profit	173,347	1,084,906
Other income and operating expenses	(3,998,141)	(8,722,284)
Loss from operating activities	(3,824,794)	(7,637,378)
Other non-operating (expenses) / income	(480,554)	18,212,434[2]
(Loss) / Profit before tax	(4,305,348)	10,575,056
Tax	–	(3,939)
(Loss) / Profit, net of tax	(4,305,348)	10,571,117
Other comprehensive income		
Revaluation surplus on property, plant and equipment[3]	–	15,493,316
Revaluation on intangible assets[4]	–	25,701,503
Total comprehensive (loss) / income for the period / year	(4,305,348)	51,765,936

Financial Position of CDPR

	At 31 May 2017 RMB	At 31 December 2016 RMB
Non Current Assets[5]	61,787,380	63,384,813
Current Assets[6]	993,173	2,195,340
Current Liabilities[7]	20,663,381	19,157,633
Net Current Liabilities	(19,670,208)	(16,962,293)
Net Assets	42,117,172	46,422,520
Equity	42,117,172	46,422,520

Notes:

(1) CDPR's revenue is mainly generated through the sale of animal feed with traditional Chinese medicine extracts, and interest income arising from CDPR's bank deposits.

(2) This figure includes a waiver of RMB19,574,105 due to the shareholders of CDPR, which was provided to CDPR as an initial investment for the setting up of CDPR. As part of the negotiations between the Group and the Vendors in relation to this Proposed Acquisition, the Group had requested that CDPR settle or waive all debts owing to its directors and shareholders for good governance purposes. Hence, the shareholders of CDPR agreed to waive the shareholders' loan.

(3) For the financial year ended 31 December 2016, the revaluation surplus of RMB15,493,316 on property, plant and equipment pertains to a revaluation of buildings. This is based on an independent valuation conducted on CDPR.

(4) For the financial year ended 31 December 2016, the revaluation surplus of RMB25,701,503 on intangible assets pertains to a revaluation of land use rights and the patent held by CDPR. This is based on an independent valuation conducted on CDPR.

(5) Non-current assets comprise property, plant, equipment and intangible assets. The property, plant and equipment consist of buildings, plant and machinery and office equipment. The intangible assets consists of (i) the 50 years' land use right for 26,404 sq m of land located in Luanping County, Chengde City, Hebei and (ii) the patent registered with SIPO under patent application number ZL 201310461884.6 for the preparation process, technology and development of a special traditional Chinese medicine aimed at preventing diarrhoea in livestock and poultry. Both the buildings and land use right have been used as security for four 7.55% interest-bearing loans of RMB10,000,000 (each loan comprising of RMB2,500,000) from Bank of Chengde, PRC.

(6) CDPR's current assets comprise primarily of inventories comprising of both raw materials and finished goods.

(7) CDPR has obtained four 7.55% interest-bearing loans of RMB2,500,000 per loan, resulting in an aggregate loan sum of RMB10,000,000 from Bank of Chengde, PRC. These loans will expire on or around March 2020, and are secured with the buildings and land use right, details of which are set out in Note 5 above.

Summary of financial Information of HBXR

The audited financial information of HBXR for the financial year ended 31 December 2016 and the period from 1 January 2017 to 31 May 2017 is as follows:

Operating Results of HBXR

	For the period from 1 January 2017 to 31 May 2017 RMB	For the financial year ended 31 December 2016 RMB
Other revenue	–	2
Administrative and operating expenses	(379,771)	(17,930)
Loss from operating activities	**(379,771)**	**(17,928)**
Tax	–	–
Loss for the period / year	(379,771)	(17,928)

Financial Position of HBXR

	At 31 May 2017 RMB	At 31 December 2016 RMB
Current Assets[(1)]	114,993	214
Current Liabilities[(2)]	597,910	103,360
Net Current Liabilities	(482,917)	(103,146)
Equity	(482,917)	(103,146)

Notes:

(1) HBXR's current assets comprise receivables due from a related company of an aggregate value of RMB98,803 and bank balances of RMB16,190.

(2) The current liabilities comprise payables to other creditors and accruals.

(3) Please note that the aforementioned financial results excludes the following events that occurred after 31 May 2017:

(i) On 1 August 2017, HBXR entered into a patent assignment agreement with WXHR to transfer the ownership of the Patent to HBXR for a purchase consideration of RMB17,800,000, part of which the amount of up to RMB16,000,000 will be awarded in the form of 20% equity interests in HBXR for the transfer the ownership of the Patent to HBXR, as long as the registered capital of HBXR does not exceed RMB80,000,000. The purchase consideration was determined on a willing-buyer-willing-seller basis; and

(ii) On 5 August 2017, HBXR entered into the Patent Licence Agreement with Benchmark to grant Benchmark a licence to use the Patent for a period of 10 years for a one-time royalty fee of RMB220,000,000. The details of the Patent Licence Agreement are set out in Section 2.2.2 under "Information about HBXR and Benchmark". The value of the Patent increased from RMB17,800,000 to RMB220,000,000 because it took into consideration the fact that HBXR possessed the ability to commercialise the use of Patent whereas WXHR was unable to do so,

collectively, the "**Subsequent Events**".

If the financial position of HBXR as at 31 May 2017 were to take into account the Subsequent Events, the impact of such Subsequent Events on the financial position of HBXR as at 31 May 2017 would be as follows:

	At 31 May 2017 RMB	Adjustments for Subsequent Events RMB	At 31 May 2017 After adjustments for Subsequent Events RMB
Current Assets	114,993	220,000,000	220,114,993
Current Liabilities	597,910	1,800,000	2,397,910
Net Current (Liabilities) / Assets	(482,917)	218,200,000	217,717,083
Equity	(482,917)	218,200,000	217,717,083

Summary of financial information of Benchmark

The audited financial information of Benchmark for the period from 28 February 2017 (date of incorporation) to 15 August 2017 is as follows:

Operating Results of Benchmark

	For the period from 28 February 2017 to 15 August 2017 US$
Other expenses	(3,993)
Loss from operating activities	(3,993)
Tax	–
Loss for the period[(1)]	(3,993)

Financial Position of Benchmark

	At 15 August 2017 US$
Non Current Assets[(2)]	32,051,282
Current Liabilities[(3)]	3,993
Net Current Liabilities	(3,993)
Net Assets	32,047,289
Equity	32,047,289

Notes:

(1) As at the Latest Practicable Date, Benchmark holds a licence to use the Patent relating to the production and development of the chemical antioxidant, L-AP, but has not commenced any operations. As a Republic of Marshall Islands non-resident domestic corporation, Benchmark is also exempted from taxes in accordance with Section 12 of the Marshall Islands Business Corporations Act.

(2) Benchmark's non-current asset is the licence to use the Patent for 10 years pursuant to the Patent Licence Agreement. The book value of the Patent is equivalent to RMB220,000,000, which was the royalty fee paid for the Patent under the Patent Licence Agreement.

(3) The current liabilities comprise an amount due to director and accruals.

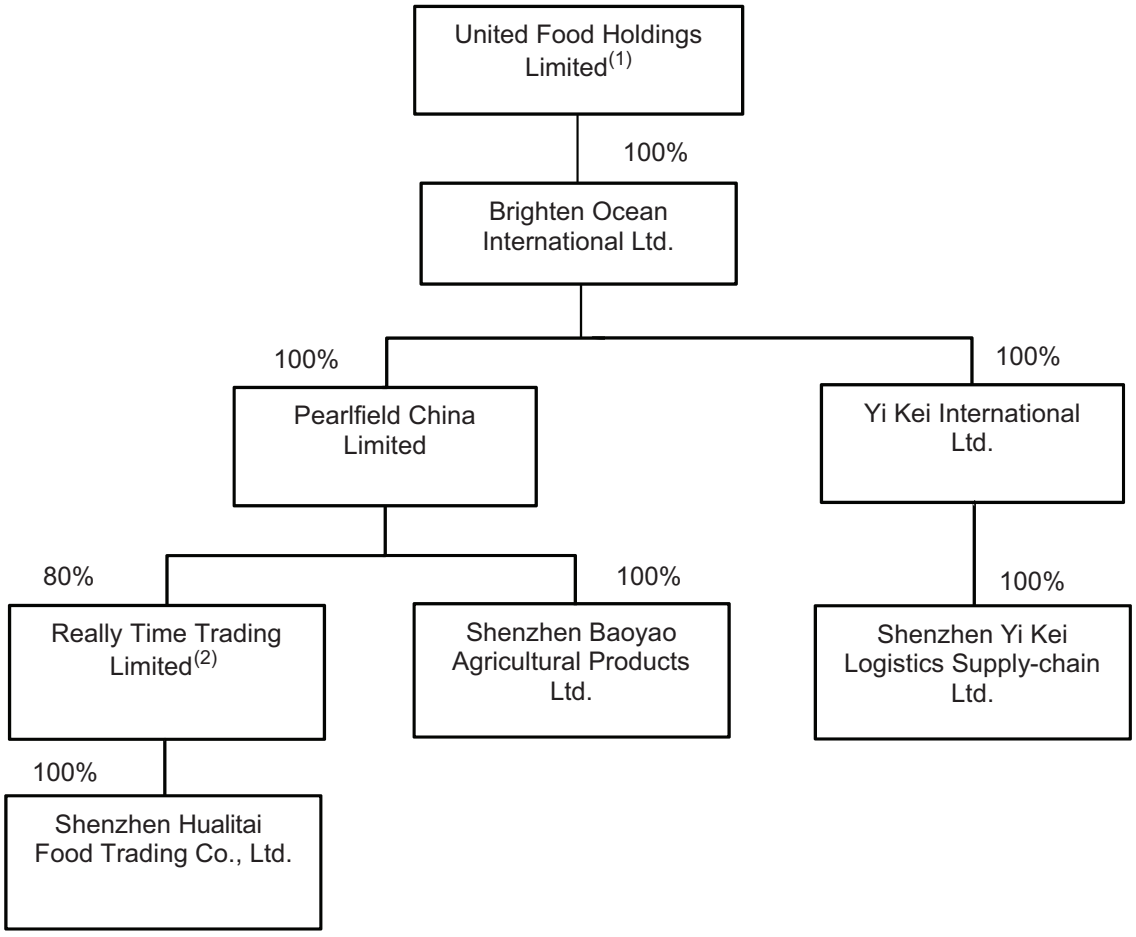
Please refer to Appendix A of this Circular for more details of the financial information on the Target Companies.

For the purposes of the Proposed Acquisition, the Company had appointed the External Auditor on 22 June 2017 to prepare a set of audited financial statements of the Target Companies for the (i) financial period from 1 January 2017 to 31 May 2017 for each of CDPR and HBXR and (ii) the financial period from 28 February 2017 (date of incorporation) to 15 August 2017 for Benchmark. The Company notes and accepts the disclaimer opinion by the External Auditor in the audited financial statements of CDPR, and the Company understands that this is because the External Auditor had insufficient audit evidence to provide a basis for an audit opinion, as under PRC laws, there is no requirement for the financial statements of CDPR or HBXR to be audited. As such, the Company is aware of the disclaimer opinion and accepts the report as issued by the External Auditor.

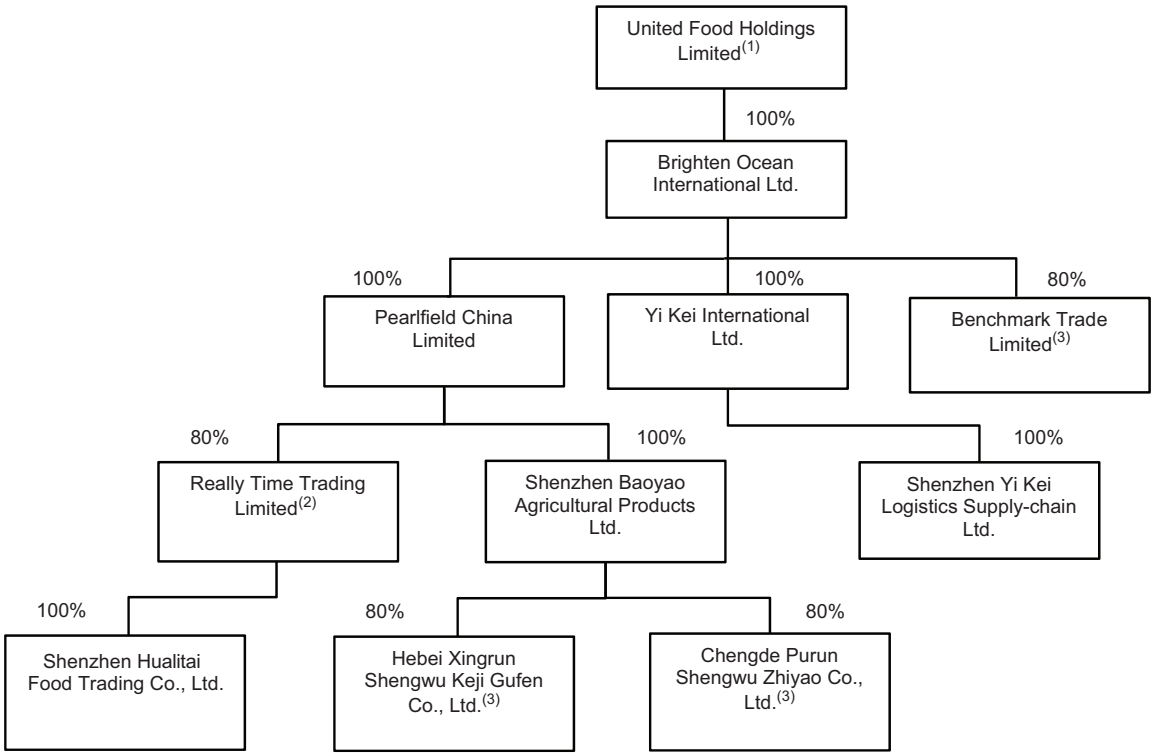
For the purposes of the Proposed Acquisition, the Company has also appointed the Independent Valuer to perform a valuation of the Target Companies to derive the value of the Sale Shares. The main assets of the Target Companies comprise the patents held by the respective Target Companies. In addition, the Proposed Acquisition contains a Profit Warranty on the performance of the Target Companies. In the worst case scenario that the Target Companies do not make profits, under the Profit Warranty, the Company will not need to issue any Bonds to the Vendors. However, upon Completion of the Proposed Acquisition, the Company will get to own the patents held by the Target Companies, which is worth more than RMB35,000,000 (being the aggregate of the Deposit of RMB25,000,000 and Cash Consideration of RMB10,000,000). Based on the audited financial statements of CDPR and Benchmark, as set out in Appendix A to the Circular, the net carrying value of the patent held by CDPR as at 31 May 2017 is RMB11,449,167, whereas the net carrying value of the Patent held by Benchmark as at 15 August 2017 is US$32,051,282. The Company believes that they are able to incorporate the patented products into their current products and improve their product offerings. This does not require further regulatory approval and the Group will not be charged with any licensing fees by the Target Companies. Please refer to Section 2.9.1 of this Circular for more details on the views of the Board.

2.2.4 Resultant group structure

As at the Latest Practical Date, the Group structure is as follows:



The resultant group structure of the Group, after the Proposed Acquisition, will be as follows:



Notes:

(1) Pursuant to the announcements released by the Company on 17 October 2017, 16 November 2017, 24 November 2017, 14 March 2018, 29 March 2018, 27 April 2018 and 10 May 2018, the Company had completed its disposal of 200 ordinary shares representing 100% of the issued and paid-up share capital of Post-Ante Trading Limited, a wholly owned Subsidiary of the Company, on 10 May 2018 (the "**Disposal**"). Following the completion of the Disposal on 10 May 2018, the disposal group of companies, comprising of Post-Ante Trading Limited, Globe Bright Limited, Linyi Jiang Tian Trading Ltd. and Linyi Shengquan Grease Co., Ltd., has ceased to be Subsidiaries of the Company.

(2) Pursuant to the announcements released by the Company on 21 April 2017, 15 May 2017, 7 June 2017, 7 August 2017 and 22 August 2017, Pearlfield China Limited had completed its acquisition of 8,000 ordinary shares representing 80% of the entire issued and paid-up share capital of Really Time Trading Limited on 22 August 2017.

(3) The Company will own 80% of the total equity interests in each of HBXR and CDPR, and 80% of the total shareholding interests in Benchmark.

The remaining 20% of the total equity interests in CDPR is held by Xue Aiping (薛爱平). Please refer to Section 2.3 of this Circular for more details on Xue Aiping (薛爱平).

The remaining 20% of the total equity interests in HBXR is held by WXHR, as payment for the purchase of the patent by HBXR. WXHR is a limited liability company incorporated in the PRC with a registered capital of RMB1,000,000, which is in the business of bio-chemical research and development.

Professor Tang Luhong (汤鲁宏) is the chief scientist of HXBR, and the scientist behind the invention of the Patent. He is also the legal representative of WXHR. He holds 60% of the total equity interests in WXHR, while the remaining 40% of the equity interests is held in equal shares by Tang Luxia (汤鲁霞) and Tang Ning (汤宁). Professor Tang is currently an Associate Professor with the department of Biocatalysis Pharmaceutical Research at the School of Pharmacy (药学院生物催化制药研究室) in Jiangnan University (江南大学). As at the Latest Practicable Date, he has

applied for more than 30 patents, of which 12 have been registered as patents around the world. His past experience includes conducting bio-chemical and bio-pharmaceutical research work in other universities and listed companies. He will continue to remain as part of the key management of the Target Companies after Completion of the Proposed Acquisition.

The remaining 20% of the total shareholding interests in Benchmark is held by Lin Zhongshi (林忠师). Please refer to Section 2.3 of this Circular for more details on Lin Zhongshi (林忠师).

2.3 INFORMATION ON THE VENDORS

The Vendors of the Target Companies were introduced to the Company by our Non-Executive Chairman, Song Yanan. The ultimate beneficial owners of Vendors A and B, Xue Aiping (薛爱平) and Zhang Weiliang (张伟亮), and Vendor C entered into a collaboration agreement on 1 January 2017, which sets out their joint efforts and their intention to be presumed as parties acting in concert in relation to the sale of their Sale Shares in the Target Companies ("**Collaboration Agreement**"). Under the Collaboration Agreement, the parties agreed that their common objective was to pursue a sale of 80% of the respective equity and shareholding interests in the Target Companies to a company listed on a stock exchange. Xue Aiping (薛爱平) and Lin Zhongshi (林忠师) are long time business contacts who have known each other from working together in the chemical and related industry in the PRC. The parties under the Collaboration Agreement jointly appointed Zhang Weiliang (张伟亮) as the authorised representative on all relevant documentation and for liaising with all external parties, including potential purchasers for such a sale. In addition, the parties under the Collaboration Agreement also appointed Lin Zhongshi (林忠师) to receive the payment of royalties from the Patent Licence Agreement payable from Benchmark to HBXR in the form of new shares in Benchmark for his efforts and contributions in the strategic management and business development of the Target Companies.

Vendor A is a company incorporated in the PRC on 22 December 2016 and is an investment holding company. Vendor A is owned by Xue Aiping (薛爱平) and Zhang Weiliang (张伟亮) in equal proportions.

Vendor B is a company incorporated in the PRC on 26 December 2016 and is an investment holding company. Each of Xue Aiping (薛爱平) and Zhang Weiliang (张伟亮) owns 40% and 60% of the total equity interests in Vendor B, respectively.

Vendor C is the sole shareholder of Benchmark, and is in charge of the business development and strategic direction of Benchmark, and oversees the financial management of the Target Companies. Pursuant to his prior work experience in asset management, he assists the Vendors with the overseas business development initiatives of the Target Companies. Prior to acquiring Benchmark, Vendor C was an operations manager in an asset management company.

Xue Aiping (薛爱平) is the chairman and general manager of the operations at CDPR and HBXR, and in charge of the overall strategic direction, management and day-to-day operations of both CDPR and HBXR. He has many years of experience in agriculture, mining and food industries. Prior to establishing CDPR and HBXR, he was the chairman of an iron mining company and a sewage treatment company. Zhang Weiliang (张伟亮) is in charge of the operations of CDPR's production facilities. He is also a businessman in the business of real estate development. Together with Vendor C, they wish to work with each other to build the business of the Target Companies in the agribusiness and food industry, and also the development, synthesis and sale of antioxidants across various industries. Xue Aiping (薛爱平), Zhang Weiliang (张伟亮), Lin Zhongshi (林忠师) and Professor Tang Luhong (汤鲁宏) will remain as key management of the Target Companies after Completion of the Proposed Acquisition. Please refer to Section 2.2.4 of this Circular for more details on Professor Tang Luhong (汤鲁宏)'s work experience.

As at the date of this Circular, none of the Vendors have any shareholding interest, direct or indirect in the Company, nor are any of the Vendors related to any of the Directors, Controlling Shareholders, or their respective associates.

As at the date of this Circular, none of our Directors, Controlling Shareholders and their respective associates have any shareholding interests, direct or indirect, in any of the Target Companies, nor are any of the Directors, or Controlling Shareholders and their respective associates related to any of the Target Companies' directors or controlling shareholders, or their respective associates.

Save for the disclosure of their respective shareholding interests in the Company as set out in this Circular, none of the Directors and Controlling Shareholders have any interest, direct or indirect, in the Proposed Acquisition other than in their respective capacity as Directors or Shareholders of the Company.

2.4 RATIONALE FOR THE PROPOSED ACQUISITION

As set out in our Annual Report 2016 for the financial year ended 31 December 2016, the Group has been exploring potential strategic acquisitions to augment and extend existing business operations, and to enhance the overall financial performance of the Group. This Proposed Acquisition is aligned with the Group's plans to diversify and expand into complementary business areas within the agricultural and food production industry, as well as gain access to new markets, customers and business opportunities in the veterinary science and bio-pharmaceutical industries.

The Proposed Acquisition will allow the Group to expand and strengthen its foothold in the agribusiness and food industry in the PRC, and allow the Group to expand its production capacity and capabilities:

(a) The utilisation of L-AP in feed additives in any of the animal feed products produced by the Group will enhance the quality of the Group's animal feed products and strengthen its product offering in the animal feed industry in the PRC; and

(b) Following the completion of the Proposed Acquisition, in relation to the Group's production and sale of animal feed through CDPR, the Group can leverage on the Target Companies' research and technical expertise to create mutually beneficial synergies to enhance shareholders' value, which include: (i) sharing of management, research and development capabilities, and (ii) providing a wider range of product offerings to customers of both parties and sharing of regional marketing and sales networks.

In addition, the Board is of the view that the Proposed Acquisition will allow the Group to tap on the demand for vitamin derivatives of antioxidants through the use of the patented enzymatic synthesis production of L-AP, which is effective, efficient and environmentally friendly, and can be used across many industries, including feed additives for animal feed.

The Board thus believes that this is in line with the Group's strategic plans and ongoing efforts to pursue a sustainable and environmentally conscious business to enhance shareholder value.

2.5 VALUATION OF THE SALE SHARES

2.5.1 Book Value of Sale Shares

As at 31 May 2017, the net liabilities attributed to 80% equity interests of HBXR is RMB386,334. As at 31 May 2017, the audited book value attributed to 80% equity interests of CDPR is RMB33,693,738. As at 15 August 2017, the audited book value attributed to 80% shareholding interests in Benchmark is US$25,637,831.

2.5.2 Net Tangible Asset Value of Sale Shares

Based on the audited financial statements for the (i) financial period from 1 January 2017 to 31 May 2017 for each of CDPR and HBXR (excluding the Subsequent Events) and (ii) the financial period from 28 February 2017 (date of incorporation) to 15 August 2017 for Benchmark, as at 31 May 2017 for each of CDPR and HBXR and 15 August 2017 for Benchmark, the NTA value of the Sale Shares is RMB24,126,186, computed upon a proportional 80% of the aggregate NTA value of the Target Companies. This NTA value includes the value of the land use right held by CDPR, which is consistent with the accounting policies of the Group.

Based on the audited financial statements for the (i) financial period from 1 January 2017 to 31 May 2017 for each of CDPR and HBXR (excluding the Subsequent Events) and (ii) the financial period from 28 February 2017 (date of incorporation) to 15 August 2017 for Benchmark, as at 31 May 2017 for each of CDPR and HBXR and 15 August 2017 for Benchmark, the intangible asset value of the Target Companies attributable to the Sale Shares is RMB184,822,923. This intangible asset value comprises the intellectual property rights of the Target Companies only and excludes the land use right held by CDPR.

Please refer to Appendix A for more details of the NTA value and intangible asset value of the Target Companies.

2.5.3 Valuation of Sale Shares based on Valuation Report

The Company has appointed the Independent Valuer, Ascent Partners Valuation Service Pte Ltd, to perform a valuation of the Sale Shares. Based on the Valuation Report prepared by the Independent Valuer, the value placed on the Sale Shares is RMB160,000,000, based primarily on a market-based approach in estimating the market value of the equity interests and taking into account the guaranteed profit of RMB25,000,000 for each of FY2018, FY2019 and FY2020. This approach compares the equity of the business to be valued against prices recently paid for similar equity in public companies operating in a similar industry, with adjustments made to allow for the differences between the Target Companies and the public companies. Therefore, the Purchase Consideration is at a 25% discount to the indicative valuation of the Sale Shares of RMB160,000,000.

Please refer to Appendix E of this Circular for the Valuation Report.

2.6 PRINCIPAL TERMS OF THE SPA IN CONNECTION WITH THE PROPOSED ACQUISITION

2.6.1 Purchase Consideration for the Proposed Acquisition

The aggregate Purchase Consideration for the Sale Shares is RMB120,000,000, which comprise:

(a) a Deposit of RMB25,000,000, which the Purchasers have deposited with Vendor B (as the designated nominee for and on behalf of the Vendors);

(b) a Cash Consideration of RMB10,000,000 payable to Vendor B (as the designated nominee for and on behalf of the Vendors) at Completion Date; and

(c) the balance purchase price of RMB85,000,000 payable to Vendor C by way of the issuance of Bonds, convertible at the Conversion Price with a Conversion Period of one year commencing on the first day of FY2021, subject to the terms and conditions of the Profit Warranty.

The Deposit shall be distributed back to the Purchasers without interest in the event Completion does not happen by the Longstop Date, and in such manner as the Purchasers shall notify Vendor B in writing not less than three Business Days prior to the proposed date of payment.

The Bonds will not be issued by the Company until the relevant completion accounts of the Target Companies for each of FY2018, FY2019 and FY2020 have been presented to the Company and subject to the adjustment mechanisms set out in connection to the Profit Warranty. Details of the Profit Warranty and the relevant adjustment mechanisms are set out in Section 2.6.3 of this Circular.

Please refer to Section 4 of this Circular for more details on the change in shareholdings arising from the Proposed Acquisition.

The Purchase Consideration was arrived at arm's length on a willing-buyer-willing-seller basis negotiation between the Purchasers 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 below) and subject to the achievement of the Profit Warranty, and the rationale and benefits for the Proposed Acquisition.

2.6.2 Salient Terms of the issuance of the Bonds

Subject to the Profit Warranty and in accordance with the terms and conditions of the SPA, the Bonds shall be issued to Vendor C in the following manner:

(a) On the First Bond Subscription Date, in the following manner:

$$A = \frac{X}{RMB25,000,000} \times RMB28,333,333$$

Where:

A = Principal amount of Bonds to be issued to Vendor C, based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017, provided it does not exceed S$5,786,446

X = Adjusted Net Profit of the Target Companies made in FY2018. This formula will not apply if the Adjusted Net Profit is negative

(b) On the Second Bond Subscription Date, in the following manner:

$$B = \frac{X}{RMB25,000,000} \times RMB28,333,333$$

Where:

B = Principal amount of Bonds to be issued to Vendor C, based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017, provided it does not exceed S$5,786,446

Y = Adjusted Net Profit of the Target Companies made in FY2019. This formula will not apply if the Adjusted Net Profit is negative

(c) On the Third Bond Subscription Date, in the following manner:

$$C = \left(\frac{Z}{RMB75,000,000} \times RMB85,000,000 \right) - (A+B)$$

Where:

C = Principal amount of Bonds to be issued to Vendor C based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017, provided it does not exceed S$17,359,338

Z = Cumulative amount of Adjusted Net Profit of the Target Companies for FY2018, FY2019 and FY2020. This formula will not apply if the Adjusted Net Profit is negative

The First Bond Subscription Date, Second Bond Subscription Date and Third Bond Subscription Date shall collectively be the "**Bond Subscription Dates**", and each a "**Bond Subscription Date**".

The Conversion Price of S$0.45 for each Conversion Share represents a premium of approximately 21.62% to S$0.37, being the volume-weighted average price of the ordinary Shares in the capital of the Company traded on the SGX-ST on the full Market Day on the date of the SPA.

Assuming a full conversion of the principal amount of RMB85,000,000 in Bonds, the 38,576,307 Conversion Shares represent approximately 24.43% of the Existing Issued Share Capital and will represent approximately 19.63% of the Enlarged Issued Share Capital. The Conversion Shares, when issued, will rank *pari passu* in all respects with the existing issued Shares of the Company. The aggregate voting rights of the Vendors (acting as concert parties) will exceed 15% of the Enlarged Issued Share Capital of the Company, and Vendor C will be regarded as a Controlling Shareholder of the Company. No Person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such Person. In addition, our Non-Executive Chairman, Song Yanan has undertaken (i) not to vote in favour of any resolutions of the Board, and (ii) to procure that Golden Ever International Property Management Limited or any other registered holder(s) holding Shares on her behalf will not exercise its votes in favour of any resolutions of the Shareholders of the Company, in relation to the appointment of Vendor C (or his nominee) to the Board. Please refer to Section 4 of this Circular for more details on the change in shareholdings arising from the Proposed Acquisition and Section 2.10 of this Circular for more details on the Rule 803 of the Listing Manual.

Rules 805 of the Listing Manual requires the approval of shareholders in a general meeting to be obtained by the issuer for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer, except where a general mandate for such issue has been approved by shareholders in general meeting pursuant to Rule 806 of the Listing Manual. As the Company will not be relying on the general mandate of the Company for the issuance of the Bonds, the Company will be seeking a separate specific approval of Shareholders at the SGM for the issuance of the Bonds.

Principal Terms and Conditions of the Bonds

Issue Size	:	RMB85,000,000 (equivalent to approximately S$17,359,338 based on a fixed foreign currency exchange rate of S$1: RMB4.8965 as at 4 October 2017) in aggregate principal amount of Bonds
Issue Price	:	Up to 100% of the principal amount of the Bonds, subject to the terms of the Profit Warranty
Interest	:	No interest shall be payable on the Bonds
Transferability	:	The Bonds are transferable subject to the Company's consent. The Bonds are not to be transferred to the Company's Competitors without its written consent. Title to the Bonds shall be evidenced by registration in the Company's register of Bondholders

Conversion Price	:	S$0.45
Conversion Period	:	A continuous period of 12 months from the first day of FY2021
Voluntary Conversion	:	The Bonds may be converted at the option of the Bondholder thereof into ordinary shares of the Company ("**Conversion Shares**") (in whole or in part thereof, subject to a minimum aggregate principal amount of Bonds to be converted in any single conversion of Bonds of S$1.00, except that if the aggregate principal amount of the Bonds held by any Bondholder is less than S$1.00 (whether as a result of any adjustment, transfer or otherwise), then the Bondholder shall be allowed to convert all but not part of such Bonds held by such Bondholder even if it is lower than the aforesaid minimum aggregate principal amount) at any time during the Conversion Period
Automatic Conversion	:	Such Bonds that are not exercised within the Conversion Period will be automatically converted into Shares at the expiration date of the Conversion Period
Adjustments to the Conversion Price	:	The Conversion Price and the number of Conversion Shares into which the Bonds can be converted shall from time to time be adjusted as provided in the terms and conditions of the Bonds (the "**Bond Conditions**") in all or any of the following cases: (i) an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (other than an issue of Shares to Shareholders in lieu of the whole or any part of a specifically declared cash dividend) and which would not have constituted a Capital Distribution (as defined in the Bond Conditions); (ii) a Capital Distribution (as defined in the Bond Conditions) made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); (iii) an offer or invitation made by the Company to its Shareholders under which they may acquire or subscribe for Shares by way of rights; and (iv) any consolidation, subdivision or conversion of Shares. Please refer to Appendix B of this Circular for more details.
Status of the Bonds	:	The Bonds will constitute the direct, unconditional and unsecured obligation of the Company and shall rank pari passu, and without any preference or priority among themselves, and with all other present and future unsecured obligations (other than the subordinated obligations and priorities created by law) of the Company
Status of the Conversion Shares	:	The Conversion Shares upon conversion of the Bonds will in all respects rank pari passu with the Shares on the relevant Registration Date, except that such Conversion Shares shall not be entitled to any rights the record date for which precedes the relevant Registration Date For the purpose of the Bonds, "**Registration Date**" means the date on which the Person or Persons designated in the conversion notice is or are registered as the holder of record of the number of Shares issuable upon conversion in the Company's Register of Members
Listing Status	:	The Bonds shall not be listed on any stock exchange
Governing law	:	The laws of England and Wales

The Company has applied and on 24 May 2018 obtained the AIP from the SGX-ST for the listing and quotation of up to 38,576,307 Conversion Shares in the issued and paid-up share capital of the Company pursuant to the full conversion of the Bonds to be issued in connection with the Proposed Acquisition.

The SGX-ST has granted the AIP subject to the following conditions:

(a) Compliance with the SGX-ST's listing requirements;

(b) Shareholders' approval for the Proposed Acquisition at a meeting to be convened;

(c) Disclosure in the Circular to Shareholders of the undertaking by the Non-Executive Chairman, Song Yanan that:

  (i) She will not dispose of or transfer her interest in the Company to a level below 20%. The moratorium will be valid until 31 December 2021; and

  (ii) She will vote against any proposal by a Shareholder to appoint the Vendors to the Company's Board of Directors (should the need arise); and

(d) Submission of the following documents:

  (i) a written confirmation from the Company that the terms of the Bonds comply with Rule 829(1) of the Listing Manual;

  (ii) a written undertaking from the Company that it will comply with Rule 803 of the Listing Manual;

  (iii) a written undertaking from the Company that it will not place the Bonds to persons prohibited under Rule 812(1) of the Listing Manual; and

  (iv) a written undertaking from the Company to announce any adjustment made pursuant to Rule 829(1) of the Listing Manual.

The AIP granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed Acquisition, the Bonds and the Conversion Shares, the Company and/or its Subsidiaries.

2.6.3 Profit Warranty

The Vendors have guaranteed that the aggregate net profit after tax of the Target Companies, and adjusted to include exceptional items (being items that are unusual and infrequent but in the ordinary course of business) and exclude extraordinary items (being items of material gains and losses which are unusual and infrequent, and outside the ordinary course of business), as ascertained from the relevant completion accounts of the Target Companies ("**Adjusted Net Profit**") shall not be less than RMB25,000,000 for each of FY2018, FY2019 and FY2020 (collectively, the "**Profit Warranty**").

The issuance of Bonds to Vendor C shall be adjusted as follows:

(a) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is equal to or exceeds RMB25,000,000, the Company shall issue Bonds equivalent to a principal amount of RMB28,333,333 (or S$5,786,446 based on a fixed foreign currency exchange rate of S$1: RMB4.8965 as at 4 October 2017) for each of FY2018, FY2019 and FY2020, provided the total principal amount of Bonds issued for all of FY2018, FY2019 and FY2020 is not more than RMB85,000,000 (or S$17,359,338 based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017);

(b) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is negative, i.e. the Target Companies are loss making:

(i) the Vendors shall pay the amount of losses in cash in the manner stipulated by the Purchasers. Such payment shall be the amount of the losses made by the Target Companies for the relevant FY (for illustration purposes, if the Adjusted Net Profit for the Target Companies for FY2018 is (RMB100,000), then the amount of losses to be paid in cash is RMB100,000); and

(ii) the Purchase Consideration shall be subject to any adjustments to the principal amount of Bonds to be issued to Vendor C based on the cumulative Adjusted Net Profit for FY2018, FY2019 and FY2020 as set out in Section 2.6.1 of this Circular;

(c) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is less than RMB25,000,000 but more than RMB0, the Purchase Consideration shall be subject to any adjustments to the principal amount of Bonds to be issued to Vendor C as set out in Section 2.6.1 of this Circular, provided that the total principal amount of Bonds to be issued for all of FY2018, FY2019 and FY2020 shall not exceed RMB85,000,000 (or S$17,359,338 based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017).

Without prejudice to the above adjustment mechanisms applicable for each Bond Subscription Date, within 10 Business Days from the date of issue of the relevant completion accounts of the Target Companies for FY2020, in the event the aggregate amount of Adjusted Net Profit of the Target Companies for FY2018, FY2019 and FY2020 ("**Total Adjusted Net Profit**") is an amount that is:

(a) equal to or exceeds RMB75,000,000, the total number of Bonds issued to Vendor C shall be equivalent to the principal amount of RMB85,000,000;

(b) less than RMB75,000,000 but more than RMB0, the total number of Bonds issuable to Vendor C shall correspond to the principal amount of Bonds due to Vendor C as set out under Section 2.6.1 of this Circular; and

(c) equal to or less than RMB0, any Bonds previously issued to Vendor C for the years of FY2018 and/or FY2019 in accordance with Section 2.6.1 of this Circular and the Bond Conditions shall be cancelled in full, and no further Bonds shall be issued to Vendor C.

2.6.4 Source of Funds

The amount of RMB35,000,000 as a part of the Purchase Consideration (comprising the Deposit and Cash Consideration) and all professional and other fees and expenses incurred and to be incurred by the Company in connection with the Proposed Acquisition, will be funded by the Company's internal resources. Save for the above, and capital expenditure to be incurred in the normal course of business, the Company does not expect to incur any financial commitment or other capital expenditure arising from the Proposed Acquisition.

2.6.5 Conditions Precedent

The agreement to sell and purchase the Sale Shares is conditional upon certain Conditions Precedent having been satisfied (or waived by the relevant party), such as the following:

(a) The Purchasers having completed its legal, accounting and financial due diligence in relation to the Target Companies, the title of the Target Companies to their respective assets, and the Purchasers having notified the Vendors that the results of such due diligence are, in its absolute discretion, satisfactory;

(b) The Purchasers procuring, *inter alia*, the AIP for the listing and quotation of the Conversion Shares having been obtained (on terms and conditions acceptable to the Company and the Vendors, each acting reasonably) and not being revoked or amended as at the Completion Date;

(c) The approval of the Shareholders being obtained at the SGM for the Proposed Acquisition, issue and subscription of the Bonds and the allotment and issuance of the Conversion Shares;

(d) The Company having obtained all other approvals necessary for the sale and the purchase of the Sale Shares;

(e) Each of the Target Companies being in receipt of all relevant and required approvals for the change in legal representatives, directors and secretaries (as the case may be) to the relevant representatives of the Group;

(f) Each of the Target Companies being in receipt of all relevant and required approvals to implement and effect the sale of the Sale Shares;

(g) The Patent Licence Agreement dated 5 August 2017 between Benchmark and HBXR remains in effect and has not been terminated;

(h) The key management of each Target Company to enter into deeds of restrictive covenants containing non-compete provisions with the Company; and

(i) Each Vendor and each Target Company having obtained all the necessary waivers, consents and approval regarding the sale of the Sale Shares from the government, administrative or regulatory bodies in the PRC and Marshall Islands (where applicable).

2.6.6 Pre-completion covenants

The Vendors jointly and severally undertake that pending Completion:

(a) each Target Company will continue to carry on business in the ordinary course and consistent with past practices;

(b) no changes will be made to the memorandum and articles of association of each Target Company;

(c) each Target Company will not reduce its share capital, or authorised equity interests, or allot or issue any shares or any securities or loan capital convertible into shares, or purchase, redeem, retire or acquire any such shares or securities, or agree to do so, or sell or give any option, right to purchase, mortgage, charge, pledge, lien or other form of security or encumbrance over any such shares, securities or equity interests;

(d) each Target Company will not acquire or form any subsidiary, or acquire any shares in any company or acquire the whole or any substantial part of the undertaking, assets or business of any other company or any firm or Person or enter into any joint venture or partnership with any other Person; and

(e) each Target Company will not issue, allow to come into being, grant or redeem any encumbrance over any of its assets or undertaking, otherwise than in the ordinary course of business.

2.6.7 Longstop Date

The Purchasers and the Vendors agree to use commercially reasonable endeavours to ensure the satisfaction of the Conditions Precedent as soon as practicable and in any event by the Longstop Date or such other date as the parties may mutually agree in writing. In the event Completion of the Proposed Acquisition does not occur by the Longstop Date, the Deposit shall be released and returned to the Purchasers, without interest in such manner as the Purchasers shall notify the Vendors in writing not less than three Business Days prior to the proposed date of payment.

2.7 Principal Terms of the Shareholders' Agreement in connection with the Proposed Acquisition

In connection with the SPA, the Company, through Brighten Ocean International Ltd., has entered into the Benchmark SHA with Lin Zhongshi (林忠师), who continues to hold the remaining 20% shareholding interests in Benchmark, and Benchmark. The Benchmark SHA is intended to govern the relationship between the parties as shareholders of Benchmark.

2.7.1 Salient terms of the Benchmark SHA

Board of Directors

Pursuant to the Benchmark SHA, Brighten Ocean International Ltd. will have the right to appoint one director to the board of directors of Benchmark. In accordance with the SPA, Zhang Weiliang (张伟亮) will resign as a director of Benchmark, and Brighten Ocean International Ltd. will be appointing our Executive Director, Wu Xiaoran, to the board of directors of Benchmark.

Shareholders' Matters

No action, decision or transaction constituting any of the reserved matters shall be taken by Benchmark unless a resolution shall be passed with the vote of Brighten Ocean International Ltd. The reserved matters are, *inter alia*,

(a) any change in the nature and/or scope of the business of Benchmark;

(b) any change in the capital structure of Benchmark;

(c) any change in the number of directors or structure of the board of Benchmark;

(d) the exercise of the borrowing powers of Benchmark, or borrowings by Benchmark of any amount which require the provision of guarantees, undertakings or indemnities from Benchmark's shareholders as security for such borrowings;

(e) any disposal or the acquisition of, or investment in, any undertaking, assets or shares by Benchmark;

(f) the appointment of or any subsequent change in the key or senior personnel of Benchmark; and

(g) the issue of any power of attorney by Benchmark.

Vendor C's Restrictive Covenants

Vendor C undertakes with Benchmark that he will not, *inter alia,* during his employment under Benchmark as an employee, consultant, officer, or director of Benchmark ("**Employee**") or as a shareholder of Benchmark and within a period of 24 calendar months thereafter upon either (i) the date on which Vendor C's employment as an Employee or (ii) the date on which Vendor C ceases to be a shareholder of Benchmark, whichever is earlier (the "**Effective Termination Date**"), in any of the territories of the business of the Target Companies directly or indirectly, except with Benchmark's prior written consent, *inter alia*, directly or indirectly carry on or be engaged in any business which is in direct competition with the business of the Target Companies and/or business proposed to be carried on by the Target Companies as at the Effective Termination Date (the "**Relevant Business**"), and either on his own account or in conjunction with or on behalf of any other firm, or corporation, solicit or entice away, or attempt to solicit or entice away from any person who was employed in an executive, technical or managerial capacity in any of the Target Companies.

Vendor C also undertakes that he shall not, during his employment as an Employee or as a shareholder of Benchmark, except with Benchmark's prior written consent, disclose to any person, and shall use his best endeavours to prevent the disclosure of any information concerning the business, accounts or finances of the Target Companies which may have come to his knowledge, save for, *inter alia*, information which is or becomes generally available to the public.

2.8 Proposed Acquisition as a Major Transaction

Based on the latest announced unaudited consolidated financial statements of the Group for the period ended 30 June 2017 immediately preceding the date of the SPA, the relative figures in respect of the Proposed Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable[1]
(b)	Net loss[2] attributable to the assets acquired or disposed of, compared with the Group's net loss[2]	18.38%[3]
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	42.52%[4]
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	24.43%[5]
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

Notes:

(1) This basis is not applicable as the Group will not be disposing of any assets pursuant to the Proposed Acquisition.

(2) Under Rule 1002(3)(b) of the Listing Manual, 'net profits' means profit or loss before income tax, minority interests and extraordinary items.

(3) Determined by dividing the aggregate audited net loss of RMB4,712,000 for the (i) financial period from 1 January 2017 to 31 May 2017 for each of CDPR and HBXR and (ii) the financial period from 28 February 2017 (date of incorporation) to 15 August 2017 for Benchmark, by the Group's latest unaudited consolidated net loss of RMB25,640,000 for the six months ended 30 June 2017.

(4) Based on the aggregate value of the Purchase Consideration of RMB120,000,000, and the market capitalisation of the Company of RMB282,204,906 as at 29 September 2017 (being the last day of trading of the Company preceding the date of the SPA) and based on the exchange rate of S$1: RMB4.8965 as at 4 October 2017. Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue being 157,901,384 Shares by the weighted average price of S$0.365 of such shares transacted on 29 September 2017 (being the last day of trading of the Company preceding the date of the SPA).

(5) Computed based on the issued and paid-up share capital of 157,901,384 Shares as at 29 September 2017 (being the last day of trading of the Company preceding the date of the SPA).

As the relative figures under Rule 1006 exceed 20% but is less than 100%, the Proposed Acquisition constitutes a "major transaction" within the meaning of Chapter 10 of the Listing Manual, and pursuant to Rule 1014, it must be made conditional upon approval by the Shareholders in general meeting.

2.9 Profit Warranty and Rule 1013 of the Listing Manual

This Section sets out the information required to be disclosed under Rule 1013 of the Listing Manual in connection with the Profit Warranty.

2.9.1 Views of the Board

The Board is of the view that the Profit Warranty is reasonable, and helps to safeguard the interests of the Shareholders, having taken into account, *inter alia*, the following factors:

(a) The terms and rationale of the Proposed Acquisition, the adjustment mechanisms agreed by the Vendors and the Company in the event that the Profit Warranty is not satisfied (as described in Section 2.6.3 of this Circular) and the fact that these adjustment mechanisms to the Purchase Consideration are only limited to the issuance of the Bonds, which represents approximately 70.83% of the Purchase Consideration;

(b) As at 31 May 2017 for each of CDPR and HBXR and as at 15 August 2017 for Benchmark, the intangible asset value of the Target Companies attributable to the Sale Shares is RMB184,822,923. This exceeds the amount of RMB35,000,000, which comprises the amount of the Deposit and the Cash Consideration; and

(c) The value of the registered Patent for the enzymatic synthesis of L-AP and expansive research and development expertise of the Target Companies will create significant competitive advantages for the Group in the rapidly growing nutrition and health food industries in the PRC. The Group can also leverage on the Target Companies to immediately enhance its value proposition in both its existing and new markets.

2.9.2 Commercial Bases and Principal Assumptions Upon Which The Quantum of the Profit Warranty is Based

The principal assumptions, including commercial bases upon which the quantum of the Profit Warranty is based, would include, *inter alia*, the following:

(a) Operating expenses will either remain constant or that there will be a corresponding increase in revenue when operating expenses increase;

(b) There will be no material changes in existing political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in the PRC and Marshall Islands where the Target Companies operate;

(c) There will be no material changes in the bases or rates of taxation or duties applicable to the Target Companies in the jurisdiction of the PRC and Marshall Islands;

(d) There will be no interruption of the operations that will adversely affect the Target Companies as a result of a shortage in supply of raw materials or any other circumstances such as natural disasters, or changes in the regulatory regime in the PRC which are beyond management control; and

(e) There will be no material changes in the key personnel of the Target Companies.

2.9.3 Manner and Amount of Compensation and Safeguards

As stated in Section 2.6.3 of this Circular, in the event the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 are not met, the shortfall between the actual profit for each FY and RMB25,000,000 will be compensated in the following manner:

(a) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is negative, i.e. the Target Companies are loss making:

(i) the Vendors shall pay the amount of losses in cash in the manner stipulated by the Purchasers. Such payment shall be the amount of the losses made by the Target Companies for the relevant FY (for illustration purposes, if the Adjusted Net Profit for the Target Companies for FY2018 is (RMB100,000), then the amount of losses to be paid in cash is RMB100,000); and

(ii) the Purchase Consideration shall be subject to any adjustments to the principal amount of Bonds to be issued to Vendor C based on the cumulative Adjusted Net Profit for FY2018, FY2019 and FY2020 as set out in Section 2.6.1 of this Circular;

(b) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is less than RMB25,000,000 but more than RMB0, the Purchase Consideration shall be subject to any adjustments to the principal amount of Bonds to be issued to Vendor C as set out in Section 2.6.1 of this Circular, provided that the total principal amount of Bonds to be issued for all of FY2018, FY2019 and FY2020 shall not exceed RMB85,000,000 (or S$17,359,338 based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017).

In addition, in the event the Total Adjusted Net Profit is an amount that is:

(a) less than RMB75,000,000 but more than RMB0, the total number of Bonds issuable to Vendor C shall correspond to the principal amount of Bonds due to Vendor C as set out under Section 2.6.1 of this Circular; and

(b) equal to or less than RMB0, any Bonds previously issued to Vendor C for FY2018 and/or FY2019 in accordance with Section 2.6.1 of this Circular and the Bond Conditions shall be cancelled in full, and no further Bonds shall be issued to Vendor C.

2.9.4 Confirmation from the External Auditor

The external auditor of the Target Companies, Teamway & Partners (the "**External Auditor**") has reviewed the bases and assumptions, accounting policies and calculations for the profit projections of the Target Companies on which the Profit Warranty is based, in accordance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certificate Public Accountants as applicable to the External Auditor.

Teamway & Partners is a professional Hong Kong based accounting firm, and they provide a wide range of professional services, including statutory audit, accounting, taxation, corporate secretarial services, advisory on risk management, consultancy and liquidation.

According to its letter dated 5 July 2018 (the "**External Auditor Letter**"), the External Auditor is of the opinion that:

(a) The profit projections as presented to them have been properly prepared in accordance with the bases and assumptions adopted by the respective directors of the Target Companies and is consistent with the accounting policies of the Target Companies; and

(b) Based on the External Auditor's examination of the evidence supporting the assumptions, nothing has come to its attention which causes it to believe that the assumptions do not provide a reasonable basis for the Profit Warranty provided by the Target Companies.

A copy of the External Auditor Letter, containing in full the opinion of the External Auditor, is set out in Appendix D of this Circular.

2.9.5 Opinion of the Financial Adviser

The Company has appointed Crowe Horwath Capital Pte Ltd as the Financial Adviser in relation to the Proposed Acquisition. Save for its role as the Financial Adviser, Crowe Horwath Capital Pte Ltd does not have any (i) interest, direct or indirect, in the Proposed Acquisition, (ii) relationship, past or existing with the Target Companies, the Independent Valuer, or any other parties which might lead to a conflict of interest.

Having taken into consideration the factors as set out in the Financial Adviser Letter, and subject to the assumptions and qualifications contained therein, the Financial Adviser is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interest of the Company and its Shareholders.

A copy of the Financial Adviser Letter, containing in full the advice and opinion of Crowe Horwath Capital Pte Ltd, is set out in Appendix C to this Circular. Shareholders are advised to read the Financial Adviser Letter carefully before proceeding to vote on the resolutions for the Proposed Acquisition at the SGM.

2.10 Rule 803 of the Listing Manual and Moratorium Undertakings

Rule 803 of the Listing Manual provides that any issue of securities to transfer a controlling interest must be approved by shareholders in a general meeting. Under the Listing Manual, a "controlling shareholder" is a person who directly or indirectly holds 15% or more of the total voting rights in the issuer, or a person who in fact exercises control over the issuer. The full Conversion of the Bonds to be issued to Vendor C will result in the voting rights of Vendor C and his concert parties collectively exceeding 15% of the Enlarged Issued Share Capital of the Company, therefore causing a transfer of controlling interest. Accordingly, the Company is seeking the approval of Shareholders for the transfer of controlling interest.

As at the Latest Practicable Date, Vendor C does not hold any Shares in the Company. Please refer to the shareholding table in Section 4 of this Circular for more details on the shareholding interests of Vendor C as at the Latest Practicable Date, and after Completion of the Proposed Acquisition assuming full conversion of the Bonds.

As at the Latest Practicable Date, Golden Ever International Property Management Limited, ("**GEIPM**") holds an aggregate of 44,223,680 Shares, representing 28.01% of the Existing Issued Share Capital of the Company. Our Non-Executive Chairman, Song Yanan, is deemed to be interested in the Shares of the Company held by GEIPM by virtue of Section 4 of the SFA.

In order to demonstrate their continued commitment to the Group, each of GEIPM and Song Yanan has undertaken not to or procure not to (as the case may be), directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any of their shareholdings of Shares ("**Share Disposal**"), where each such Share Disposal and if more than one Share Disposal within the Moratorium Period (as defined below), collectively constitutes a disposal of 39,295,539 Shares or such number of Shares as adjusted for any share consolidation or sub-division (which represents 20% of the Enlarged Issued Share Capital), at any time immediately after the date which the Company receives the AIP from SGX-ST, until the expiration date of the Conversion Period (i.e. 31 December 2021) (the "**Moratorium Period**").

Please refer to the shareholding table in Section 4 of this Circular for more details on the shareholding interests of GEIPM and Song Yanan as at the Latest Practicable Date, and after Completion of the Proposed Acquisition assuming full conversion of the Bonds.

3 FINANCIAL EFFECTS

The financial effects of the Proposed Acquisition on the Group are prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 ("**FY2017**") and the following assumptions:

(a) The financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after Completion of the Proposed Acquisition;

(b) For the purpose of computing the financial effects of the Proposed Acquisition on the NTA and gearing of the Group, the Proposed Acquisition is assumed to have been completed on 31 December 2017 and the Bonds were fully converted into 38,576,307 Conversion Shares as at 31 December 2017;

(c) For the purpose of computing the financial effects of the Proposed Acquisition on the earnings / losses of the Group, the Proposed Acquisition and the full conversion of the Bonds are assumed to have been completed on 1 January 2017;

(d) The financial effects of the Proposed Acquisition are based on the audited consolidated financial statements of the Group for FY2017, the audited financial statements for the financial year ended 31 December 2016 for each of CDPR and HBXR (excluding the Subsequent Events) and the financial period from 28 February 2017 (date of incorporation) to 15 August 2017 for Benchmark; and

(e) Professional fees for the Proposed Acquisition are assumed to be negligible against the NTA and earnings / losses of the Group.

3.1 NET TANGIBLE ASSETS

The effect on the NTA of the Group before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2017) are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**	**After the Proposed Acquisition and assuming full conversion of the Bonds[1]**
NTA[2] (RMB'000)	186,376	94,005	179,005
Number of Shares	157,901,384	157,901,384	196,477,691[3]
NTA per Share (RMB)	1.18	0.60	0.91

Notes:

(1) Assuming Completion of the Proposed Acquisition and the full conversion of the Bonds into 38,576,307 Conversion Shares.

(2) NTA is computed based on total assets less total liabilities and less intangible assets. For the purpose of this calculation, the asset value of CDPR and HBXR are computed based on the audited financial statements for the financial period from 1 January 2017 to 31 May 2017 for each of CDPR and HBXR, and does not take into account the Subsequent Events. In addition, the intangible assets of the Target Companies shall comprise the value of the intellectual property rights only, in order to maintain consistency in the accounting policies of the Group.

(3) The total number of issued shares includes 38,576,307 Conversion Shares.

3.2 NET ASSET VALUE

The effect on the NAV of the Group before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2017) are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**	**After the Proposed Acquisition and assuming full conversion of the Bonds[1]**
NAV[2] (RMB'000)	186,376	279,073	364,073
Number of Shares	157,901,384	157,901,384	196,477,691[3]
NAV per Share (RMB)	1.18	1.77	1.85

Notes:

(1) Assuming Completion of the Proposed Acquisition and the full conversion of the Bonds into 38,576,307 Conversion Shares.

(2) NAV is computed based on total assets less total liabilities. For the purpose of this calculation, the asset value of CDPR and HBXR are computed based on the audited financial statements for the financial period from 1 January 2017 to 31 May 2017 for each of CDPR and HBXR, and does not take into account the Subsequent Events.

(3) The total number of issued shares includes 38,576,307 Conversion Shares.

3.3 LOSS PER SHARE

The effect on the LPS of the Group before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2017) are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**	**After the Proposed Acquisition and assuming full conversion of the Bonds[1]**
Net losses attributable to owners of the Company (RMB'000)	68,804	60,383	60,383
Weighted average number of Shares used in the computation of basic LPS	138,342,412	138,342,412	176,918,719[2]
Basic LPS (RMB)[3]	0.50	0.44	0.34

Notes:

(1) Assuming Completion of the Proposed Acquisition and the full conversion of the Bonds into 38,576,307 Conversion Shares.

(2) The total number of issued shares includes 38,576,307 Conversion Shares.

(3) Basic LPS is computed based on the weighted average number of Shares for the full financial year.

3.4 GEARING

The effect on the gearing ratio of the Group before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2017) are as follows:

	Before Proposed Acquisition	**After the Proposed Acquisition**	**After the Proposed Acquisition and assuming full conversion of the Bonds[1]**
Gearing Ratio	–	0.04	0.03

Note:

(1) Assuming the full conversion of the Bonds into 38,576,307 Conversion Shares.

4 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the capital of the Company as at (a) the Latest Practicable Date, and before the Proposed Acquisition and (b) after the Proposed Acquisition and assuming the full conversion of the Bonds into 38,576,307 Conversion Shares, are as follows:

	As at the Latest Practicable Date and before the Proposed Acquisition				After Completion of the Proposed Acquisition and assuming a Full Conversion Scenario			
	Number of Shares			% of the issued share capital of the Company[1]	Number of Shares			% of the issued share capital of the Company[2]
	Direct Interest	Deemed Interest	Total		Direct Interest	Deemed Interest	Total	
Directors								
Song Yanan[3]	0	44,223,680	44,223,680	28.01	0	44,223,680	44,223,680	22.51
Wu Xiaoran	0	0	0	0	0	0	0	0
Ling Chung Yee Roy	0	0	0	0	0	0	0	0
Chng Hee Kok	0	0	0	0	0	0	0	0
John Ng	0	0	0	0	0	0	0	0
Substantial Shareholders								
Chinese Glory Investments Limited	22,012,442	0	22,012,442	13.94	22,012,442	0	22,012,442	11.20
Wang Tingbao[4]	0	22,212,464	22,212,464	14.07	0	22,212,464	22,212,464	11.31
David Yip Wai Sun[5]	0	22,012,442	22,012,442	13.94	0	22,012,442	22,012,442	11.20
Golden Ever International Property Management Limited	44,223,680	0	44,223,680	28.01	44,223,680	0	44,223,680	22.51
Gu Yulin	10,000,000	0	10,000,000	6.33	10,000,000	0	10,000,000	5.09
Liu Jun	10,000,000	0	10,000,000	6.33	10,000,000	0	10,000,000	5.09
Christine Mak[6]	9,110,513	42,000	9,152,513	5.80	9,110,513	42,000	9,152,513	4.66
Vendor								
Lin Zhongshi	0	0	0	0.00	38,576,307	0	38,576,307	19.63

Notes:

(1) The percentage of shareholding is computed based on the issued and paid-up share capital of the Company comprising 157,901,384 Shares (excluding Treasury Shares).

(2) Calculated based on the assumption of full conversion of the Bonds into 38,576,307 Conversion Shares. The percentage of shareholding is computed based on the issued and paid-up share capital of the Company comprising 196,477,691 Shares (excluding Treasury Shares).

(3) Song Yanan is deemed interested in the Shares of the Company held by GEIPM by virtue of Section 4 of the SFA.

(4) 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.

(5) 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.

(6) Christine Mak is deemed to be interested in 42,000 Shares held under DBS Vickers (Hong Kong) Limited, as nominee of Christine Mak.

Save for their respective shareholding interests in the Company as listed above, and save as disclosed in this Circular, none of the Directors and Controlling Shareholders have any interest, direct or indirect, in the Proposed Acquisition other than in their respective capacity as Directors or Shareholders of the Company.

No Person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such Person.

5 SPECIAL GENERAL MEETING

The SGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held on 20 July 2018, at 10.00 a.m. at Room 502, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352, for the purpose of considering, and if thought fit, passing with or without any modifications, the resolutions set out in the notice of SGM.

6 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the SGM and who wish to appoint a proxy to attend and vote at the SGM on their behalf should complete, sign and return the proxy form attached to the notice of SGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time fixed for the SGM. The completion and return of the proxy form by such Shareholder will not prevent him from attending the SGM and voting in person in place of his proxy should he subsequently wish to do so. Only Shareholders whose names are entered on the Register of Members of the Company and who are entitled to attend and vote at a general meeting of the Company will receive a proxy form with this Circular. A proxy need not be a Shareholder of the Company.

Depositors who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the SGM supplied by CDP to the Company, may attend as CDP's proxies. Such Depositors who are individuals and who are unable to attend the SGM personally and wish to appoint a nominee to attend and vote on his behalf, and Depositors who are not individuals, will find attached to this Circular a Depositor Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of

the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time fixed for the SGM. The completion and return of the Depositor Proxy Form by a Depositor will not prevent him from attending and voting in person at the SGM as proxy of CDP if he subsequently wishes to do so.

7 DIRECTORS' RECOMMENDATIONS

The Directors, having considered and reviewed, *inter alia,* the terms of the SPA and the rationale for the Proposed Acquisition, are of the view that the Proposed Acquisition is in the interests of the Company, and recommend that Shareholders vote in favour of the resolutions relating to the Proposed Acquisition at the SGM.

Shareholders are advised to read this Circular in its entirety and for any Shareholder who may require advice in the context of his specific investment, to consult his professional adviser.

8 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, it is the sole responsibility of the Directors to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

9 FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

To the best of Crowe Horwath Capital Pte Ltd's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its Subsidiaries, and Crowe Horwath Capital Pte Ltd is not aware of any facts the omission of which would make any statement in this Circular misleading.

10 CONSENT OF THE EXTERNAL AUDITOR, FINANCIAL ADVISER AND INDEPENDENT VALUER

Each of the External Auditor, Financial Adviser and Independent Valuer has given, and has not before the date of this Circular, withdrawn their written consents to the issue of this Circular with the inclusion of its name, its letter or report, and all references thereto, in the form and context in which they appear in this Circular.

11 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company's corporate secretaries, TMF Singapore H Pte. Ltd., at 38 Beach Road, #29-11, South Beach Tower, Singapore 189767 during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the SGM:

(a) the Memorandum and Bye-laws of the Company;

(b) the SPA;

(c) the Benchmark SHA;

(d) the External Auditor Letter;

(e) the Financial Adviser Letter;

(f) the Valuation Report; and

(g) the letters of consent from each of the External Auditor, Financial Adviser and the Independent Valuer.

Yours faithfully
For and on behalf of the Board of Directors of
UNITED FOOD HOLDINGS LIMITED

Song Yanan
Non-Executive Chairman

TEAMWAY & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS
天永會計師行
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
承德普潤生物製藥有限公司
(Incorporated in the People's Republic of China with limited liability)

Disclaimer of Opinion

We were engaged to audit the financial statements of 承德普潤生物製藥有限公司 ("the Company") set out on pages 7 to 21, which comprise the statement of financial position as at 31 May 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 1 January 2017 to 31 May 2017, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(1) ***Opening figures***

The Company had not appointed auditors for the periods before 31 December 2015. As a result, we do not express opinion on the figures as related to the periods before 31 December 2015, including the opening figures of the costs of property, plant and equipment, the accumulated depreciations, costs of intangible assets and the accumulated loss figure, as at 1 January 2016.

(2) ***Existence of plant and machinery***

We are not arranged to carry out physical inspection of plant and machinery, as a result, we are unable to provides assurance of existence of the assets.

(3) ***Inventories quantities***

We were not appointed as auditors of the Company until 22 June 2017 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 May 2017, which are stated in the statements of financial position at RMB926,084.

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Basis for Disclaimer of Opinion *(continued)*

(4) ***Cost of sales***

We are not provided with information as to how the cost of sales were calculated, and there was no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence to satisfy ourselves that the cost of sales were properly and correctly recorded.

(5) ***Salaries and social securities***

Included in the statement of profit or loss and other comprehensive income is an expenses of salaries and social securities amounted to RMB515,611. We are lack of supporting evidence to ensure that the figures were incurred solely and wholly for the current period.

(6) ***Multiple uncertainties relating to going concern***

We draw your attention that the Company's bank balance as at 31 May 2017 was only RMB11,796, and the net current liabilities amounted to RMB19,670,208. These conditions altogether indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
承德普潤生物製藥有限公司
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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

Key audit matters	**How our audit addressed the Key Audit Matter**
Revaluation of assets Management has estimated the fair value of the Company's buildings and intangible assets to be revalued as at 31 May 2017 with a revaluation gains for the year then ended. The valuations are dependent on certain key assumptions that require significant management judgement.	Our procedures in relation to management ' s valuation included: Evaluation of the independent external valuers' competence, capabilities and objectivity; Assessing the methodologies used and the appropriateness of the key assumptions based on our inhouse valuation experts; Checking, on a sample basis, the accuracy and relevance of the input data used.
Recognition of other creditors Management has claimed that certain creditors have been settled off the book but without supporting documentary evidences.	Our procedures in relation to off the book settlement: We requested the relevant creditors to sign back acknowledge receipts with identity documents.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
承德普潤生物製藥有限公司
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Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and for such internal control as the directors determine 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, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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. This report is made solely to you, as a body, for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing ("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.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Company'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 Company to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITORS' REPORT
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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Teamway & Partners
Certified Public Accountants
Hong Kong
18 September 2017

承德普潤生物製藥有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

	Notes	**For period from 1.1.2017 to 31.5.2017** **RMB**	For year ended 31.12.2016 RMB
SALES	7	**242,380**	1,559,878
Cost of sales		**(69,033)**	(474,972)
Gross profit		**173,347**	1,084,906
Other income		**143,969**	15,160
Administrative and operating expenses		**(4,142,110)**	(8,737,444)
LOSS FROM OPERATING ACTIVITIES		**(3,824,794)**	(7,637,378)
Finance costs		**(480,554)**	(1,361,671)
Waive of amounts due to the shareholders		**-**	19,574,105
(LOSS)/PROFIT BEFORE TAX		**(4,305,348)**	10,575,056
Tax		**-**	(3,939)
(LOSS)/PROFIT FOR THE YEAR		**(4,305,348)**	10,571,117
Items that may be subsequently reclassified to profit or loss:			
OTHER COMPREHENSIVE INCOME			
Revaluation surplus on property, plant and equipment		**-**	15,493,316
Revaluation on an intangible assets		**-**	25,701,503
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD/INCOME		**(4,305,348)**	51,765,936

承德普潤生物製藥有限公司
STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017

	Notes	**At 31.5.2017 RMB**	At 31.12.2016 RMB
NON CURRENT ASSETS			
Property, plant and equipment	9	**27,378,242**	28,459,676
Intangible assets	10	**34,409,138**	34,925,137
		61,787,380	63,384,813
CURRENT ASSETS			
Inventories	11	**926,084**	1,936,785
Other receivables		**55,293**	234,671
Bank balances		**11,796**	23,884
		993,173	2,195,340
CURRENT LIABILITIES			
Other creditors		**9,015,249**	7,564,156
Trade payable		**1,575,929**	1,195,429
Accruals and other payables		**72,203**	398,048
Bank borrowings (secured)	12	**10,000,000**	10,000,000
		20,663,381	19,157,633
NET CURRENT LIABILITIES		**(19,670,208)**	(16,962,293)
NET ASSETS		**42,117,172**	46,422,520
EQUITY			
Share capital	13	**12,000,000**	12,000,000
Revaluation reserve	14	**41,194,819**	41,194,819
Accumulated losses		**(11,077,647)**	(6,772,299)
		42,117,172	46,422,520

Approved by

薛愛平　　張偉亮

承德普潤生物製藥有限公司
STATEMENT OF CHANGES IN EQUITY
AS AT 31 MAY 2017

	Paid share capital RMB	Revaluation reserve RMB	Accumulated losses RMB	Total RMB
At 31 December 2015	12,000,000	-	(17,343,416)	(5,343,416)
Total comprehensive income for the year	-	41,194,819	10,571,117	51,765,936
At 31 December 2016	12,000,000	41,194,819	(6,772,299)	46,422,520
Total comprehensive loss for the period	-	-	(4,305,348)	(4,305,348)
At 31 May 2017	**12,000,000**	**41,194,819**	**(11,077,647)**	**42,117,172**

承德普潤生物製藥有限公司
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

	From 1.1.2017 to 31.5.2017 RMB	For year ended 31.12.2016 RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	**(4,305,348)**	10,575,056
Items adjusted		
Bank interest income	**(112)**	(121)
Bank loan interest paid	**480,554**	1,361,671
Depreciation	**1,081,434**	2,632,992
Intangible assets amortisation	**515,999**	1,238,398
Waive of amounts due to the shareholders	**-**	(19,574,105)
Operating loss before changes in working capital	**(2,227,473)**	(3,766,109)
Decrease/(increase) in inventories	**1,010,701**	(1,936,785)
Decrease/(increase) in other receivables	**179,378**	(234,671)
Increase/(decrease) in other creditors	**1,451,093**	7,564,156
Increase/(decrease) in trade payables	**380,500**	1,195,429
Increase/(decrease) in accruals and other payables	**(325,845)**	398,048
Net cash generated from operating activities	**468,354**	3,220,068
Tax paid	**-**	(3,939)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition/disposal of property, plant and equipment	**-**	(15,599,352)
Acquisition of intangible assets	**-**	(10,462,032)
Bank interest income	**112**	121
Net cash generated from/(used in) investing activities	**112**	(26,061,263)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	**-**	12,000,000
Acquisition of bank loans	**-**	10,000,000
Bank loan interest paid	**(480,554)**	(1,361,671)
Waive of amounts due to the shareholders	**-**	19,574,105
Net cash generated from/(used in) financing activities	**(480,554)**	40,212,434
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(12,088)**	17,367,300
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**23,884**	(17,343,416)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**11,796**	23,884
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	**11,796**	23,884

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

1) COMPANY INFORMATION

承德普潤生物製藥有限公司 ("the Company") is a company incorporated in People's Republic of China with limited liability. The registered office of the Company is located at High technology zone, Luanping Town, Chengde City, Hebei Province, PRC.

2) BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB").

3) ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The following new standards and amendments to standards have been issued but not effective for the financial year end beginning on 1 January 2016, and have not been early adopted in preparing these financial statements:

IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	A date to be by the IASB
IAS 7 (Amendment)	Disclosure initiative	1 January 2017
IFRS 15	Revenue from contracts with customers	1 January 2018

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the company and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognised on the following bases:

(a) The sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer; and

(b) Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable; and

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual value over its estimated useful lives, as follows:

Buildings	5%
Plant and machinery	20%
Office equipment	33%

The assets' residual values and useful lives are revised and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual result.

Cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Foreign currency transactions

All foreign currency transactions are recorded at the applicable rate of exchange ruling at the transactions dates. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income

Related parties

An individual is related to the Company if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Company, or (ii) is member of the key management personnel of the Company, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

Land use rights

Land use rights acquired are recognised at fair value at the acquisition date. The land use rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the land use rights of approximately 50 years. Revaluation increases are recognised in other comprehensive income and accumulated in the "revaluation reserve".

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Revaluation increases are recognised in other comprehensive income and accumulated in the "revaluation reserve".

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Grants received but not yet complied with the conditions will be classified as other payable in the statement of financial position.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance sheet date in the countries where the Company and its group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the expected commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

5) FINANCIAL RISKS MANAGEMENT

Credit risk

The carrying amounts of financial assets represent the amounts of maximum exposure to credit risk. The credit risk of the Company is primarily attributable to other receivables.

Foreign currency exchange risk

The Company's sales and purchases were denominated in Renminbi. In opinion of the directors, the exposure to exchange risk rate risk is to be low.

Interest rate risk

The Company is exposed to interest rate risk through the impact of the rate changes on interest-bearing borrowings. The interest rates and terms of repayment of the Company's interest-bearing loans are shown as below "interest rate profile". The Company defines "net borrowings" as being interest-bearing financial liabilities (excluding redeemable preference shares) less interest-bearing investments (excluding cash held for short-term working capital purposes). The Company's policy is to obtain the most favourable interest rates available for the borrowings.

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

5) FINANCIAL RISKS MANAGEMENT (continued)

Interest rate risk (continued)

a) Interest rate profile

The following table details the interest rate profile of the Company's net borrowings (as defined above) at the end of the reporting period:

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Interest-bearing borrowings	**10,000,000**	10,000,000
Book interest rate	***9.06%***	*11.52%*

b) Sensitivity analysis

At 31 May 2017, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase the Company's loss before tax and accumulated losses by approximately RMB50,000.

The sensitivity analysis above indicates the instantaneous change in the Company's profit after tax (and retained profits) and other components of equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Company which expose the Company to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate no derivative instruments held by the Company at the end of the reporting period, the impact on the Company's profit after tax (and retained profits) and other components of equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

6) LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging:

	For period from 1.1.2017 to 31.5.2017	For year ended 31.12.2016
	RMB	RMB
Amortisation of intangible assets	**515,999**	1,238,398
Key management compensations	**30,000**	48,000
Provision for bad debts	**-**	708,397
Salaries and allowances	**515,611**	163,801
Research and development costs	**1,791,161**	3,551,821

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

7) REVENUE

Revenue recognised during the period is as follows:

	For period from 1.1.2017 to 31.5.2017	For year ended 31.12.2016
	RMB	RMB
Sales of goods	**242,380**	1,559,878

8) TAX

No income tax is provided as the Company has no taxable profit for the period (2016: nil).

No deferred tax is provided as the Company has no foreseeable profit in the near future (2016: nil).

9) PROPERTY, PLANT AND EQUIPMENT

	Buildings* RMB	Plant and machinery RMB	Office equipment RMB	Totals RMB
COST				
At 1.1.2017	28,220,710	6,599,281	42,100	34,862,091
At 31.5.2017	28,220,710	6,599,281	42,100	34,862,091
ACCUMULATED DEPRECIATION				
At 1.1.2017	1,340,484	5,019,831	42,100	6,402,415
Charge for year	558,535	522,899	-	1,081,434
At 31.5.2017	1,899,019	5,542,730	42,100	7,483,849
NET BOOK VALUE				
At 31.5.2017	**26,321,691**	**1,056,551**	**-**	**27,378,242**
At 31.12.2016	26,880,226	1,579,450	-	28,459,676

* The buildings with net book value of HK$26,321,691 in PRC have been secured to a banker.

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

10) INTANGIBLE ASSETS

The intangible assets represents (i) the land use right of approximately 50 years in People's Republic of China ("PRC"), and (ii) a patent right registered in PRC.

	* Land use right	Patent right	Total
	RMB	RMB	RMB
COSTS (Revalued)			
At 31 December 2016 and at 31 May 2017	23,673,535	12,490,000	36,163,535
ACCUMULATED AMORTISATION			
At 31 December 2016	503,692	734,706	1,238,398
Charge for the period	209,872	306,127	515,999
At 31 May 2017	713,564	1,040,833	1,754,397
NET BOOK VALUE			
At 31 May 2017	**22,959,971**	**11,449,167**	**34,409,138**
At 31 December 2016	23,169,843	11,755,294	34,925,137

* The land use right with net book value of HK$22,959,971 in PRC have been secured to a banker.

11) INVENTORIES

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Raw materials	**783,368**	1,904,841
Finished goods	**142,716**	31,944
	926,084	1,936,785

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

12) BANK BORROWINGS (SECURED)

The exposure of the Company's bank borrowings to interest rate changes are as follows:

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Classified as current liabilities	**10,000,000**	10,000,000

The carrying amounts of bank borrowings approximate to their fair values and are denominated in RMB.

The bank borrowings were secured with the Company's buildings and land use right, interest bearing, and expired on 10 to 23 March 2020 respectively.

The bank borrowings agreements comprise default payment terms which allow the bank to request immediate payment on certain default conditions.

13) SHARE CAPITAL

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Registered:		
24,490,000 ordinary shares	**24,490,000**	24,490,000
Fully paid:		
12,000,000 ordinary shares	**12,000,000**	12,000,000

14) REVALUATION RESERVE

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Revaluation surplus on property, plant and equipment	**15,493,316**	15,493,316
Revaluation surplus on intangible assets	**25,701,503**	25,701,503
	41,194,819	41,194,819

承德普潤生物製藥有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

14) OPERATING LEASE COMMITTMENT

At the end of reporting date, the Company has operating lease receivable regarding the Company's premises as follows:

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Within one year	**60,000**	-
In second to fifth years inclusive	**240,000**	-
	300,000	-

15) APPROVAL AND ISSUE OF FINANCIAL STATEMENTS

The statement of financial position was approved and the financial statements were authorised for issue by the responsible persons of the corporation on 18 September 2017.

承德普潤生物製藥有限公司

DETAILED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

(For management purpose)

	For period from 1.1.2017 to 31.5.2017 RMB	For year ended 31.12.2016 RMB
SALES	**242,380**	1,559,878
Cost of sales		
Purchases	**(69,033)**	(474,972)
GROSS PROFIT	**173,347**	1,084,906
Other revenue		
Bank interest income	**112**	121
Other income	**143,857**	15,039
	317,316	1,100,066
Deduct: Operating and administrative expenses	**(4,142,110)**	(8,737,444)
LOSS FROM OPERATING ACTIVITIES	**(3,824,794)**	(7,637,378)
FINANCE COSTS		
Bank loan interests	**(480,554)**	(1,361,671)
Waive of amounts due to the shareholders	**-**	19,574,105
(LOSS)/PROFIT BEFORE TAX	**(4,305,348)**	10,575,056
Tax	**-**	(3,939)
(LOSS)/PROFIT FOR THE YEAR	**(4,305,348)**	10,571,117

承德普潤生物製藥有限公司

DETAILED EXPENSES ACCOUNTS

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

(For management purpose)

	For period from 1.1.2017 to 31.5.2017 RMB	For year ended 31.12.2016 RMB
OPERATING AND ADMINISTRATIVE EXPENSES		
Audit fee	**25,600**	44,500
Bank charges	**774**	1,155
Depreciation	**1,081,434**	2,632,992
Entertainment	**15,903**	681
Amortisation of intangible assets	**515,999**	1,238,398
Key management compensations	**30,000**	48,000
Provision for bad debts	**-**	708,397
Salaries and social securities	**515,611**	163,801
Research and development costs	**1,791,161**	3,551,821
Sundry expenses	**112,275**	346,235
Travelling	**53,353**	1,464
	4,142,110	8,737,444

TEAMWAY & PARTNERS
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
河北興潤生物科技股份有限公司
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of 河北興潤生物科技股份有限公司 set out on pages 5 to 13, which comprise the statement of financial position as at 31 May 2017, the statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity for the period from 1 January 2017 to 31 May 2017 and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 May 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
河北興潤生物科技股份有限公司
(Incorporated in the People's Republic of China with limited liability)

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine 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, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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. This report is made solely to you, as a body, for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
河北興潤生物科技股份有限公司
(Incorporated in the People's Republic of China with limited liability)

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Company'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 Company to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
河北興潤生物科技股份有限公司
(Incorporated in the People's Republic of China with limited liability)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Teamway & Partners
Certified Public Accountants
Hong Kong
18 September 2017

河北興潤生物科技股份有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

	Notes	**For period from 1.1.2017 to 31.5.2017 RMB**	For year ended 31.12.2016 RMB
Other revenue		**-**	2
Administrative and operating expenses		**(379,771)**	(17,930)
LOSS FROM OPERATING ACTIVITIES		**(379,771)**	(17,928)
Tax	6	**-**	-
LOSS FOR THE PERIOD/YEAR		**(379,771)**	(17,928)

Note: There was no other comprehensive income or loss during the period.

河北興潤生物科技股份有限公司
STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017

	Notes	**At 31.5.2017 RMB**	At 31.12.2016 RMB
CURRENT ASSETS			
Other receivables	7	**98,803**	-
Bank balances		**16,190**	214
		114,993	214
CURRENT			
Other payables	8	**565,510**	86,360
Accruals		**32,400**	17,000
		597,910	103,360
NET CURRENT AND NET LIABILITIES		**(482,917)**	(103,146)
EQUITY			
Share capital	9	**-**	-
Accumulated losses		**(482,917)**	(103,146)
		(482,917)	(103,146)

Approved by

薛愛平　　楊樹國

河北興潤生物科技股份有限公司
STATEMENT OF CHANGES IN EQUITY
AS AT 31 MAY 2017

	Issued share capital RMB	Accumulated losses RMB	Total RMB
At 31 December 2015	-	(85,218)	(85,218)
Comprehensive loss for the year	-	(17,928)	(17,928)
At 31 December 2016	-	(103,146)	(103,146)
Comprehensive loss for the period	-	(379,771)	(379,771)
At 31 May 2017	**-**	**(482,917)**	**(482,917)**

河北興潤生物科技股份有限公司

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

	For period from 1.1.2017 to 31.5.2017	For year ended 31.12.2016
	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(379,771)**	(17,928)
Items adjusted		
Interest income	**(2)**	(2)
Operating loss before changes in working capital	**(379,773)**	(17,930)
Increase in other receivables	**(98,803)**	-
Increase/(decrease) in other payables	**479,150**	(4)
Increase in accruals	**15,400**	17,000
Net cash generated from/(used in) operating activities	**15,974**	(934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest income	**2**	2
Net cash generated from investing activities	**2**	2
NET CHANGE IN CASH AND CASH EQUIVALENTS	**15,976**	(932)
CASH AND CASH EQUIVALENTS AT BEGINNING	**214**	1,146
CASH AND CASH EQUIVALENTS AT CLOSING	**16,190**	214
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	**16,190**	214

河北興潤生物科技股份有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

1) COMPANY INFORMATION

河北興潤生物科技股份有限公司 ("the Company") is a company incorporated in People's Republic of China ("PRC") with limited liability. The registered office of the Company is located at Floor 3, Purun Biology Pharmaceutical Limited Office Tower, Donyao Upper Village, Luanping Town, Chengde City, Hebei Province, PRC.

2) BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB").

3) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 1	Disclosure Initiative
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

New accounting standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company.

The following new standards and amendments to standards have been issued but not effective for the financial year end beginning on 1 January 2016, and have not been early adopted in preparing these financial statements:

IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined by the IASB
IAS 7 (Amendment)	Disclosure initiative	1 January 2017
IFRS 15	Revenue from contracts with customers	1 January 2018

河北興潤生物科技股份有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the company and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognised on the following bases:

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual result.

Cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Foreign currency transactions

All foreign currency transactions are recorded at the applicable rate of exchange ruling at the transactions dates. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income

Related parties

An individual is related to the Company if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Company, or (ii) is member of the key management personnel of the Company, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

河北興潤生物科技股份有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Obsolete inventories are written off in the statement of profit or loss and other comprehensive income.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance sheet date in the countries where the Company and its group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

河北興潤生物科技股份有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency exchange risk

The Company's operations were denominated in Renminbi. In opinion of the directors, the exposure to exchange risk rate risk is to be low.

Credit risks

The carrying amounts of financial assets represent the amounts of maximum exposure to credit risk. There is no significant credit risk for the Company.

Interest rate risk

The Company has no interest rate risk as the Company has no borrowings.

5) REVENUE

The Company has no revenue for the period (2016: nil).

6) TAX

No China profits tax is provided as the Company has no taxable profit for the period (2016: nil).

No deferred tax is provided as the Company has no foreseeable profit in the near future (2016: nil).

7) OTHER RECEIVABLES

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Due from a related company	**98,803**	-

河北興潤生物科技股份有限公司
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

8) OTHER PAYABLES

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Due to related companies	**48,800**	86,360
Due to a director	**16,710**	-
Other creditor	**500,000**	-
	565,510	86,360

9) SHARE CAPITAL

	At 31.5.2017	At 31.12.2016
	RMB	RMB
Registered share capital 30,000,000 of RMB1 each	**30,000,000**	30,000,000
Issued share capital 30,000,000 of RMB1 each	**-**	-

10) EVENTS AFTER THE REPORTING PERIOD

The Company has the following events after the reporting period:

a) Acquisition of a patent ownership

On 1 August 2017, the Company entered into an agreement with one of its founders for the transfer of a patent registered in the People's Republic of China at a consideration of RMB 17,800,000 to be satisfied by RMB1,600,000 payable in cash and RMB16,000,000 to be settled by the issuance of 20% share capital of the Company.

b) Granting of a patent use rights

On 5 August 2017, the Company entered into an agreement with a third party for granting the use rights of its patent for 10 years for a consideration of RMB220,000,000 to be satisfied in shares.

11) APPROVAL AND ISSUE OF FINANCIAL STATEMENTS

The statement of financial position was approved and the financial statements were authorised for issue by the responsible persons of the corporation on 18 September 2017.

河北興潤生物科技股份有限公司

DETAILED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 2017

(For management purpose)

	For period from 1.1.2017 to 31.5.2017 RMB	For year ended 31.12.2016 RMB
Other revenue		
Bank interest income	**-**	2
Operating and administrative expenses		
Audit fee	**12,800**	17,000
Bank charges	**1,276**	930
Inventories written off	**168,682**	-
Provision for doubtful debts	**185,000**	-
Sundry expenses	**12,013**	-
	379,771	17,930
LOSS FROM OPERATING ACTIVITIES	**(379,771)**	(17,928)
Tax	**-**	-
LOSS FOR THE PERIOD/YEAR	**(379,771)**	(17,928)

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BENCHMARK TRADE LIMITED
(Incorporated in the Republic of the Marshall Islands with limited liability)

Opinion

We have audited the financial statements of Benchmark Trade Limited set out on pages 6 to 13, which comprise the statement of financial position as at 15 August 2017, the statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity for the period from 28 February 2017 (date of incorporation) to 15 August 2017 then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 15 August 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs ") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

Key audit matters	**How our audit addressed the Key Audit Matter**
Impairment of intangible assets	
We tested the amount of intangible assets for impairment. The impairment test are significant to our audit because the balance of intangible assets are material to the financial statements.	We reviewed the assumptions and methodologies used by management in estimating the useful economic lives and performing impairment assessment. We assessed the independence, competence and relevant experience of the external valuer engaged by the Company. In addition, we engaged a valuer to assist us in performing impairment assessment.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BENCHMARK TRADE LIMITED
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Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine 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, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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. This report is made solely to you, as a body, for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BENCHMARK TRADE LIMITED
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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Company'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 Company to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BENCHMARK TRADE LIMITED
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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Teamway & Partners
Certified Public Accountants
Hong Kong
21 August 2017

BENCHMARK TRADE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM 28 FEBRUARY 2017 (DATE OF INCORPORATION) TO 15 AUGUST 2017

	Notes	USD
Other expenses		(3,993)
LOSS FROM OPERATING ACTIVITIES		(3,993)
Tax	6	-
LOSS FOR THE PERIOD		(3,993)

Note: There was no other comprehensive income or loss during the period.

BENCHMARK TRADE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 15 AUGUST 2017

	Notes	USD
NON CURRENT ASSETS		
Intangible asset	7	32,051,282
CURRENT LIABILITIES		
Due to a director		2,702
Accruals		1,291
		3,993
NET CURRENT ASSETS		3,993
NET ASSETS		32,047,289
EQUITY		
Share capital	8	32,051,282
Accumulated losses		(3,993)
		32,047,289

Approved by

張偉亮

BENCHMARK TRADE LIMITED
STATEMENT OF CHANGES IN EQUITY
AS AT 15 AUGUST 2017

	Issued share capital USD	Accumulated losses USD	Total USD
At 28 February 2017 (date of incorporation)	-	-	-
Issue of share capital	32,051,282	-	32,051,282
Comprehensive loss for the period	-	(3,993)	(3,993)
At 15 August 2017	**32,051,282**	**(3,993)**	**32,047,289**

BENCHMARK TRADE LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 28 FEBRUARY 2017 (DATE OF INCORPORATION)
TO 15 AUGUST 2017

	USD
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(3,993)
Operating loss before changes in working capital	(3,993)
Increase in due to a director	2,702
Increase in accruals	1,291
Net cash flows in operating activities	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	-
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	-

BENCHMARK TRADE LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 FEBRUARY 2017 (DATE OF INCORPORATION)
TO 15 AUGUST 2017

1) COMPANY INFORMATION

Benchmark Trade Limited ("the Company") is a company incorporated in the Republic of the Marshall Islands with limited liability. The registered office of the Company is located at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Republic of the Marshall Islands MH96960. ◦

2) BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. They have been prepared under the historical cost convention. These financial statements are presented in United States Dollars (“USD”).

3) ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised IFRSs for the first time for the current year’s financial statements.

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

BENCHMARK TRADE LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 FEBRUARY 2017 (DATE OF INCORPORATION)
TO 15 AUGUST 2017

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual result.

Cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Foreign currency transactions

All foreign currency transactions are recorded at the applicable rate of exchange ruling at the transactions dates. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income

Related parties

An individual is related to the Company if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Company, or (ii) is member of the key management personnel of the Company, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance sheet date in the countries where the Company and its group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

BENCHMARK TRADE LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 FEBRUARY 2017 (DATE OF INCORPORATION)
TO 15 AUGUST 2017

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of assets

An assessment is made at each end of reporting date to determine whether there is any indication of impairment or reversal of previous impairment on the Company's non-current and current assets. In the event that an asset ' s carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement.

5) REVENUE

The Company has no revenue for the period.

BENCHMARK TRADE LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 FEBRUARY 2017 (DATE OF INCORPORATION)
TO 15 AUGUST 2017

6) TAX

No profits tax is provided as the Company has no taxable profit for the period.

No deferred tax is provided as the Company has no foreseeable profit in the near future .

7) INTANGIBLE ASSET

The intangible asset represents the use rights of a patent registered in the People's Republic of China for 10 years. The consideration for the use rights was RMB220,000,000 which was satisfied by the issuance of 32,051,282 shares of USD1 each of the Company.

	USD
Addition during the period	32,051,282
Impairment during the period	-
At 15 August 2017	32,051,282
At 15 August 2017	
Cost	32,051,282
Accumulated impairment	-
Net carrying amount	32,051,282

8) SHARE CAPITAL

	USD
Issued and paid:	
32,051,282 of USD1 each	32,051,282

9) APPROVAL AND ISSUE OF FINANCIAL STATEMENTS

The statement of financial position was approved and the financial statements were authorised for issue by the sole director on 21 August 2017.

The following is in the text of Conditions 5.3, 5.4, 5.5 and 12 of the Bond Conditions as set out in the SPA:

5.3 Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events:

5.3.1 *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the number of the Conversion Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{NSB}{NSA}$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

NSB : is the aggregate number of shares immediately before such alteration; and

NSA : is the aggregate number of shares immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

5.3.2 *Capitalisation of profits or reserves*:

(i) If and whenever the Company shall issue any shares credited as fully paid to the holders of the shares (the "**Shareholders**") by way of capitalisation of profits or reserves including shares paid up out of distributable profits or reserves, save where shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the "**Relevant Cash Dividend**"), being a dividend which its shareholders concerned would or could otherwise have received (a "**Scrip Dividend**") and which would not have constituted a Capital Distribution (as defined herein), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{NSB}{NSA}$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

NSB : is the aggregate number of shares immediately before such alteration; and

NSA : is the number of shares immediately after such alteration

(ii) In the case of an issue of shares by way of a Scrip Dividend where the Current Market Price of such shares exceeds 105% of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{NSB + \left(NSLD \times {}^{RCD}/_{CMP}\right)}{NSB + NSLD}$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

NSB : is the aggregate number of shares immediately before such alteration;

NSLD : is the aggregate number of shares issued by way of such Scrip Dividend;

RCD : is the Relevant Cash Dividend or the relevant part thereof; and

CMP : is the Current Market Price of the Shares issued by way of Scrip Dividend in lieu of the whole, or the relevant part, of the Relevant Cash Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

5.3.3 *Capital Distribution*: If and whenever the Company shall pay or make any Capital Distribution (as defined below) to the shareholders (except where the Conversion Price falls to be adjusted under Condition 5.3.2 above), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left({}^{(CMP - FMV)}/_{CMP}\right)$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

CMP : is the Current Market Price of one share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and

FMV : is the Fair Market Value on the date of such announcement, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made.

Where the Capital Distribution is by means of distribution of a cash dividend, only such portion of cash dividend or distribution which exceeds any distribution in cash in respect of Shares arising out of 25% or less of the Company's distributable earnings and profits of the current financial year (the "**excess portion**") shall be regarded as Capital Distribution and only the excess portion shall be taken into account in the determination of the Fair Market Value of the portion of the Capital Distribution attributable to one Share.

5.3.4 *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the Current Market Price (as defined below) per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left(\frac{NSB + NSLI}{NSB + NSI}\right)$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

NSB : is the aggregate number of Shares immediately before such alteration;

NSLI : is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights would have obtained had such Shares or options or warrants or other rights issued by way of rights been purchased at the Current Market Price per Share at the time of such alteration; and

NSI : is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

5.3.5 *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left({}^{(CMP - FMV)}/_{CMP}\right)$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

CMP : is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and

FMV : is the Fair Market Value on the date of such announcement, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

5.3.6 *Issues at less than Current Market Price*: If and whenever the Company shall issue (otherwise than as mentioned in Condition 5.3.4) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise as mentioned in Condition 5.3.4) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90% of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left({}^{(NSB + NS(CMP))}/_{NSA} \right)$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

NSB : is the aggregate number of shares immediately before such alteration;

NS (CMP) : is the number of shares which the aggregate consideration receivable for the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any shares would have obtained had such additional shares or options or warrants or other rights been purchased at the Current Market Price per share at the time of such alteration; and

NSA : is the aggregate number of shares immediately after such alteration.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

5.3.7 *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this Condition 5.3.7, the issue wholly for cash by the Company or any Subsidiary (otherwise than as mentioned in Conditions 5.3.4, 5.3.5 or 5.3.6 above) or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90%of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities.

In such an event, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left({}^{(NSB + NS(CMP))}/_{(NSB + NS\ (ICP))} \right)$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

NSB : is the aggregate number of shares immediately before such alteration;

NS(CMP) : is the number of shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would have obtained had such conversion or exchange or exercise of the right of subscription been effected at the Current Market Price per share at the time of such alteration; and

NS(ICP) : is the maximum number of shares to be issued had such conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto been effected at the initial conversion or exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

5.3.8 *Modification of Rights of Conversion etc:* Any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 5.3.7 (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90% of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification.

In such an event, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left({}^{(NSB + NS\,(CMP))} / {}_{(NSB + NS\,(FMV))} \right)$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

NSB : is the aggregate number of shares immediately before such alteration;

NS(CMP) : is the number of shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities (in each case so modified) would have obtained had such conversion or exchange or exercise (in each case so modified) been effected at the Current Market Price per Share at the time of such alteration; and

NS(FMV) : is the maximum number of shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate, but giving credit in such manner as a leading investment bank of international repute selected by the Company (acting as an expert) considers appropriate (if at all) for any previous adjustment under this Condition 5.3.8 or Condition 5.3.7.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

5.3.9 *Other Offers to Shareholders:* The issue, sale or distribution by or on behalf of the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other company, person or entity pursuant to which offer the shareholders generally (meaning for these purposes the holders of at least 50% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 5.3.4, 5.3.5, 5.3.6 or 5.3.7).

In such an event, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \left({}^{(CMP - FMV)}/_{CMP} \right)$$

where:

NCP : is the new Conversion Price;

OCP : is the old Conversion Price;

CMP : is the Current Market Price of one share on the last Trading Day preceding the date on which such issue is publicly announced; and

FMV : is the Fair Market Value on the date of such announcement, of the portion of the rights attributable to one share.

Such adjustment shall become effective on the date of issue of the securities.

5.3.10 *Other Events:* If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 5.3, the Company shall at its own expense request a leading investment bank of international repute (acting as an expert) selected by the Company, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment shall be made and shall take effect in accordance with such determination PROVIDED THAT where the circumstances giving rise to any adjustment pursuant to this Condition 5.3 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.3 as may be advised by a leading investment bank of international repute (acting as an expert) selected by the Company, to be in such investment bank's opinion appropriate to give the intended result.

5.4 Calculation of Consideration Receivable: For the purpose of any calculation of the consideration receivable pursuant to Conditions 5.3.4, 5.3.5, 5.3.6, 5.3.7, 5.3.8 and 5.3.10:

5.4.1 *Issue of shares for cash:* the aggregate consideration receivable in respect of shares issued for cash shall be the amount of such cash, provided that in no case shall any deduction be made for any commission or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith.

5.4.2 *Issue of shares for consideration in whole or in part other than cash:* the aggregate consideration other than cash shall be decreased to be the fair value thereof as determined by a leading investment bank of international repute (acting as an expert) selected by the Company, or if pursuant to the law of England and Wales such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof.

5.4.3 *Issue of shares on conversion or exercise of securities:* (1) the aggregate consideration receivable in respect of the Shares to be issued on the conversion or exchange of any securities shall be deemed to be the consideration received or receivable by the Company for any such securities, and (2) the aggregate consideration receivable in respect of the Shares to be issued on the exercise of rights of subscription attached to any securities shall be deemed to be that part (which may be the whole) of the consideration received or receivable by the Company for such securities which is attributed by the Company to such rights of subscription or, if no part of such consideration is so attributed or the Bondholder so require by written notice to the Company, the Fair Market Value of such rights of subscription as at the date of the announcement of the terms of issue of such securities, plus in the case of each of (1) and (2) above, the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities, or on the exercise of such rights of subscription (the consideration in all such cases to be determined subject to the proviso in Condition 5.4.1, and (3) the consideration per Share receivable by the Company on the conversion or exchange of, or on the exercise of such rights of subscription attached to, such securities shall be the aggregate consideration referred to in (1) or (2) above (as the case may be) converted into Singapore Dollars if such consideration is expressed in a currency other than Singapore Dollars at such rate of exchange as may be determined in good faith by a leading investment bank of international repute (acting as an expert) selected by the Company, to be the spot rate prevailing at the close of business on the date of announcement of the terms of issue of such securities, divided by the number of Shares to be issued on such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate.

5.5 For the purposes of these Conditions:

5.5.1 "**Capital Distribution**" means: (i) any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid by way of capitalisation of reserves)); and (ii) any cash dividend or distribution of any kind by the Company for any financial period (whenever paid and however described).

5.5.2 "**Current Market Price**" means, in respect of a Share at a particular time on a particular date, the average of the daily volume-weighted average prices quoted by the SGX-ST for one share (being a Share carrying full entitlement to dividend) for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 20 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the shares shall have been quoted cum-dividend then:

(iii) if the shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the Fair Market Value thereof reduced by an amount equal to the amount of that dividend per share; or

(iv) if the shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the shares on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per share;

and provided further that:

(a) if such daily volume-weighted average prices are not available on each of the 20 Trading Days during the Relevant Period, then the arithmetic average of such daily volume-weighted average prices which are available in the Relevant Period shall be used (subject to a minimum of two such daily volume-weighted average prices); and

(b) if only one or no such daily volume-weighted average prices is available in the Relevant Period, then the Current Market Price shall be determined in good faith by a leading investment bank of international repute (acting as an expert) appointed by the Company.

5.5.3 "**Dividend**" means any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes, without limitation, an issue of shares or other securities credited as fully or partly paid up) provided that:

(i) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of shares be, satisfied by the issue or delivery of Shares or other property or assets, then, the Dividend in question shall be treated as a Dividend of (a) the cash Dividend so announced or (b) the Current Market Price on the date of announcement of such Dividend, of such Shares or the Fair Market Value of other property or assets to be issued or delivered in satisfaction of such Dividend (or which would be issued if all holders of shares elected therefor, regardless of whether any such election is made) if the Current Market Price of such shares or the Fair Market Value of other property or assets is greater than the cash Dividend so announced; and

(ii) any issue of shares falling within Condition 5.3.2 or Condition 5.3.3 shall be disregarded.

5.5.4 "**Fair Market Value**" means, with respect to any assets, securities, options, warrants or other rights on any date, the fair market value of that asset, security, option, warrant or other right as determined in good faith by a leading investment bank of international repute (acting as an expert), selected by the Company provided that (i) the fair market value of a cash Dividend paid or to be paid per Share shall be the amount of such cash Dividend per Share determined as at the date of announcement of such Dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily volume-weighted average prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights are publicly traded.

5.5.5 "**Relevant Period**" means the period beginning on the 30th Trading Day prior to the record day for the first dividend or distribution, and ending on the Trading Day immediately preceding the record date for the latest dividend or distribution, which when aggregated with any intervening dividends or distributions, causes an adjustment to the Conversion Price to be made pursuant to Condition 5.3.

5.5.6 "**Record Date**" means, in relation to the relevant transaction, the date as at the close of business (or such other time as may be notified by the Company) on which the Shareholders must be registered as such to participate therein.

5.5.7 "**Trading Day**" means a day when the SGX-ST is open for dealing business, provided that if no daily volume-weighted average price is reported in respect of the relevant shares on the SGX-ST for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

5.5.8 On any adjustment, the relevant Conversion Price, if not an integral multiple of one Singapore cent, shall be rounded down to the nearest one (1) Singapore cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholder in accordance with Condition 12 as soon as practicable after the determination thereof.

5.5.9 The Conversion Price may not be reduced so that, on conversion of Bonds, Conversion Shares would be issued in a manner and at a value not permitted by applicable law.

5.5.10 Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of a leading investment bank of international repute (acting as an expert) selected by the Company, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by a leading investment bank of international repute (acting as an expert) selected by the Company, to be in such investment banks' opinion appropriate in order to give such intended result.

5.5.11 No adjustment shall be made to the Conversion Price where share options are granted pursuant to an employee share option scheme of the Company ("**ESOS**") and where shares are issued pursuant to the exercise of the said shares options or pursuant to such said share awards.

5.5.12 No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 5.3.1 or to correct an error.

12. NOTICES

All notices to the Bondholder will be valid if sent to them by prepaid registered post or by facsimile at their respective addresses or facsimile (as appropriate) in the Register maintained by the Registrar. Any such notice shall be deemed to have been duly served (if given or made by facsimile) immediately (provided that the sender retains a mechanical or electronically generated confirmation of the successful transmission of such facsimile) or (if given or made by letter) seven days after posting or after it has been sent by prepaid first class courier and in proving the same it shall be sufficient to show that the envelope containing the same was duly addressed, stamped and posted by certified or registered mail or sent by courier.



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5 July 2018

The Board of Directors
United Food Holdings Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Dear Sirs

THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 5 July 2018 issued by United Food Holdings Limited (the "**Company**") to its shareholders (the "**Circular**") shall have the same meanings herein.*

1. INTRODUCTION

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 Chengde Xingxinda Shengwu Keji Co., Ltd. (承德兴新达生物科技有限公司) ("**Vendor A**"), Chengde Pumeida Shengwu Keji Co., Ltd. (承德普美达生物科技有限公司) ("**Vendor B**") and Lin Zhongshi (林忠师) ("**Vendor C**") (collectively, the "**Vendors**"), for the sale and purchase of (i) 80% equity interests in Hebei Xingrun Shengwu Keji Gufen Co, Ltd. (河北兴润生物科技股份有限公司) ("**HBXR**"), (ii) 80% equity interests in Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) ("**CDPR**"), and (iii) 25,641,026 ordinary shares representing 80% of the issued and paid-up share capital of Benchmark Trade Limited ("**Benchmark**") (collectively, the "**Sale Shares**") (the "**Proposed Acquisition**"). Subsequently, the Purchasers and the Vendors mutually agreed to vary and amend the terms of the SPA, by way of a supplemental agreement to the SPA entered into between the parties on 26 June 2018.

Crowe Horwath Capital Pte Ltd, acting as the financial adviser to the Company, has been requested to provide its opinion on whether the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders pursuant to Rule 1013(2)(b) of the Listing Manual. This Financial Adviser Letter sets out, *inter alia*, our evaluation and assessment of the financial terms of the Proposed Acquisition and our opinion thereon.

2. TERMS OF REFERENCE

In providing our opinion on whether the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders:

(a) we have confined our evaluation to the financial terms of the Proposed Acquisition and we have not evaluated (save to the extent deemed appropriate by us) (i) the strategic merits, long term or otherwise, and/or the commercial risks and/or commercial merits (if any) of the Proposed Acquisition; or (ii) the future prospects and earnings potential of the Target Companies;

(b) we have relied upon the assurances of the Directors and the management (the "**Management**") of the Company that, having made all reasonable enquiries and to the best of their respective knowledge and belief, all material information available to them in connection with the Proposed Acquisition has been disclosed in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Proposed Acquisition to be inaccurate, incomplete or misleading in any material respect. In addition, the Directors have collectively and individually accepted full responsibility for the accuracy of such information given in the Circular. We have, nonetheless, made reasonable enquiries and exercised our judgment (as we deemed necessary) in assessing the information and representations provided to us and those contained in the Circular, and have found no reason to doubt the reliability of such information or representations which we have relied on;

(c) we have not made an independent evaluation or appraisal of the assets and liabilities of the Target Companies or the Group (including, without limitation, property, plant and equipment) and we have not been furnished with any such evaluation or appraisal, save for the independent valuation report on the Sale Shares ("**Valuation Report**") prepared by Ascent Partners Valuation Service Pte Ltd ("**Ascent Partners**") dated 5 July 2018. Save as disclosed, we would like to highlight that all information relating to the Company and the Target Companies that we have relied upon in arriving at our opinion has been obtained from the Circular, publicly available information and/or from the Directors and/or Management of the Company and/or the Target Companies. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company, the Target Companies or the enlarged group at any time or as at the Latest Practicable Date;

(d) our opinion as set out in this Financial Adviser Letter is based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, and the information provided and representations made available to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein; and

(e) this Financial Adviser Letter is addressed to the Directors for their benefit in connection with and for the purpose of their consideration of the financial terms of the Proposed Acquisition and should not be relied upon by any other party. The recommendation made by the Directors to the Shareholders in relation to the Proposed Acquisition shall remain the sole responsibility of the Directors.

Our opinion in relation to the Proposed Acquisition should be considered in the context of the entirety of this Financial Adviser Letter and the Circular.

3. SALIENT TERMS OF THE PROPOSED ACQUISITION

The Proposed Acquisition involves the acquisition by two of the Company's wholly owned subsidiaries, Shenzhen Baoyao Agricultural Products Ltd. and Brighten Ocean International Ltd. (collectively, the "**Purchasers**") for (i) 80% equity interests in HBXR, (ii) 80% equity interests in CDPR, and (iii) 25,641,026 ordinary shares representing 80% of the issued and paid-up share capital of Benchmark (collectively, the "**Sale Shares**").

The Proposed Acquisition is subject to certain material conditions precedent between the Company, the Purchasers and the Vendors as set out in Section 2.6.5 of the Circular. Shareholders are advised to read the full details in relation to the Proposed Acquisition as set out in Section 2 of the Circular carefully.

3.1 Purchase Consideration

The aggregate Purchase Consideration for the Sale Shares is RMB120,000,000, which comprise:

(a) a Deposit of RMB25,000,000, which the Purchasers have deposited with Vendor B (as the designated nominee for and on behalf of the Vendors);

(b) a Cash Consideration of RMB10,000,000 payable to Vendor B (as the designated nominee for and on behalf of the Vendors) at Completion Date; and

(c) the balance purchase price of RMB85,000,000 payable to Vendor C by way of the issuance of Bonds, convertible at the Conversion Price with a Conversion Period of one year commencing on the first day of FY2021, subject to the terms and conditions of the Profit Warranty.

The Deposit shall be distributed back to the Purchasers without interest in the event Completion does not happen by the Longstop Date, and in such manner as the Purchasers shall notify Vendor B in writing not less than three Business Days prior to the proposed date of payment.

3.2 Profit Warranty

Under the terms of the SPA, the Vendors have guaranteed that the aggregate net profit after tax of the Target Companies and adjusted to include exceptional items (being items that are unusual and infrequent but in the ordinary course of business) and exclude extraordinary items (being items of material gains and losses which are unusual and infrequent, and outside the ordinary course of business), as ascertained from the relevant completion accounts of the Target Companies ("**Adjusted Net Profit**") shall not be less than RMB25,000,000 for each of FY2018, FY2019 and FY2020 (collectively, the "**Profit Warranty**").

The Bonds will not be issued by the Company until the relevant completion accounts of the Target Companies for each of FY2018, FY2019 and FY2020 have been presented to the Company and subject to the adjustment mechanisms set out in connection to the Profit Warranty. Details of the Profit Warranty and the relevant adjustment mechanisms are set out in Section 2.6.3 of the Circular.

4. ASSESSMENT OF THE FINANCIAL TERMS OF THE PROPOSED ACQUISITION

In assessing the financial terms of the Proposed Acquisition, we have considered, *inter alia*, the following:

(a) rationale for the Proposed Acquisition;

(b) analysis of the selected financial information of the Target Companies;

(c) valuation of the Sale Shares by the Independent Valuer;

(d) assessment of the Conversion Price of the Bonds;

(e) Profit Warranty provided by the Vendors and the adjustment mechanisms;

(f) financial effects of the Proposed Acquisition; and

(g) other relevant considerations.

4.1 Rationale for the Proposed Acquisition

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Acquisition or the future prospects of the Group after the Proposed Acquisition. Nonetheless, we have reviewed the rationale for the Proposed Acquisition. The full text of the rationale for the Proposed Acquisition is set out in Section 2.4 of the Circular, and is reproduced in italics below for your reference:

"As set out in our Annual Report 2016 for the financial year ended 31 December 2016, the Group has been exploring potential strategic acquisitions to augment and extend existing business operations, and to enhance the overall financial performance of the Group. This Proposed Acquisition is aligned with the Group's plans to diversify and expand into complementary business areas within the agricultural and food production industry, as well as gain access to new markets, customers and business opportunities in the veterinary science and bio-pharmaceutical industries.

The Proposed Acquisition will allow the Group to expand and strengthen its foothold in the agribusiness and food industry in the PRC, and allow the Group to expand its production capacity and capabilities:

(a) The utilisation of L-AP in feed additives in any of the animal feed products produced by the Group will enhance the quality of the Group's animal feed products and strengthen its product offering in the animal feed industry in the PRC; and

(b) Following the completion of the Proposed Acquisition, in relation to the Group's production and sale of animal feed through CDPR, the Group can leverage on the Target Companies' research and technical expertise to create mutually beneficial synergies to enhance shareholders' value, which include: (i) sharing of management, research and development capabilities, and (ii) providing a wider range of product offerings to customers of both parties and sharing of regional marketing and sales networks.

In addition, the Board is of the view that the Proposed Acquisition will allow the Group to tap on the demand for vitamin derivatives of antioxidants through the use of the patented enzymatic synthesis production of L-AP, which is effective, efficient and environmentally friendly, and can be used across many industries, including feed additives for animal feed.

The Board thus believes that this is in line with the Group's strategic plans and ongoing efforts to pursue a sustainable and environmentally conscious business to enhance shareholder value."

4.2 Analysis of the selected financial information of the Target Companies

Review of the operating results of the Target Companies

Set out below is a summary of the financial information of CDPR and HBXR, for the financial year ended 31 December 2016 and financial period from 1 January 2017 to 31 May 2017, and summary of the financial information of Benchmark for the period from 28 February 2017 (date of incorporation) to 15 August 2017, as extracted from the respective audited financial statements of the Target Companies provided to us by the Company.

	For the financial year ended 31 December 2016		For the period from 1 January 2017 to 31 May 2017	
	CDPR RMB	HBXR RMB	CDPR RMB	HBXR RMB
Revenue	1,559,878	–	242,380	–
Loss from operating activities	(7,637,378)	(17,928)	(3,824,794)	(379,771)
Profit / (loss) before tax	10,575,056	(17,928)	(4,305,348)	(379,771)
Tax	(3,939)	–	–	–
Profit / (loss) after tax	10,571,117	(17,928)	(4,305,348)	(379,771)
Other comprehensive income				
Revaluation surplus on property, plant and equipment	15,493,316	–	–	–
Revaluation on intangible assets	25,701,503	–	–	–
Total comprehensive income / (loss) for the year / period	51,765,936	(17,928)	(4,305,438)	(379,771)

For the period from 28 February 2017 (date of incorporation) to 15 August 2017

	Benchmark US$
Loss before tax	(3,993)
Tax	–
Loss for the period	(3,993)

CDPR recorded a loss from operating activities for the financial year ended 31 December 2016 and the five months period from 1 January 2017 to 31 May 2017. We understand from the Management that the loss from operating activities was primarily due to (a) the high overhead fixed costs (such as depreciation, amortisation, research and development costs) compared to the sales level and (b) limited sales personnel to promote their products, because the management of CDPR and HBXR were focused on establishing and developing the L-AP product for HBXR. Going forward, now that HBXR's food production licence to produce L-AP has been obtained and its production is on track, they will be devoting more personnel and marketing resources to CDPR to return it to profitability. For the financial year ended 31 December 2016, CDPR recorded a net profit after tax of approximately RMB10.6 million due primarily to a waiver of amounts due to the shareholders. We understand from the Management that as at the Latest Practicable Date, CDPR has secured order book of approximately RMB58.8 million for the sale of animal feed.

HBXR was loss-making for the financial year ended 31 December 2016 and the five months period from 1 January 2017 to 31 May 2017. This was because HBXR only obtained its food production licence for L-AP in July 2017. HBXR recorded its first sale of L-AP in November 2017 for approximately 5 tonnes of L-AP. As at the Latest Practicable Date, HBXR has secured orders of 360 tonnes of L-AP amounting to sales of approximately RMB86.1 million.

Benchmark was loss-making for the financial period from 28 February 2017 (date of incorporation) to 15 August 2017. In accordance with the Patent Licence Agreement, 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.

Review of the financial position of the Target Companies

Based on the audited financial statements of the Target Companies, a summary of the financial position of the Target Companies is set out below:

	As at 31 December 2016		As at 31 May 2017	
	CDPR RMB	HBXR RMB	CDPR RMB	HBXR RMB
Non-current assets	63,384,813	–	61,787,380	–
Current assets	2,195,340	214	993,173	114,993
Total assets	65,580,153	214	62,780,553	114,993
Current liabilities	19,157,633	103,360	20,663,381	597,910
Non-current liabilities	–	–	–	–
Total liabilities	19,157,633	103,360	20,663,381	597,910
Net assets / (liabilities)	46,422,520	(103,146)	42,117,172	(482,917)

CDPR's material assets are non-current assets comprising property, plant and equipment and intangible assets consisting of (a) the patent for the preparation process, technology and development of a special traditional Chinese medicine aimed at preventing diarrhoea in livestock and poultry and (b) land use right for 26,404 sq m located in Luanping County, Chengde City, Hebei Province, PRC, where CDPR's premix plant and warehouse and HBXR's production facilities are located. HBXR does not have significant assets. CDPR's current liabilities consists of primarily short-term interest-bearing loans.

	As at 15 August 2017	
	Benchmark	
	US$	RMB*
Non-current assets	32,051,282	219,579,487
Total assets	32,051,282	219,579,487
Current liabilities	3,993	27,356
Total liabilities	3,993	27,356
Net assets	32,047,289	219,552,131

**Using exchange rate of US$1: RMB6.85088 for illustrative purposes.*

Benchmark's material asset is the non-current asset consisting of the Patent Licence Agreement to manufacture L-AP.

Based on the Purchase Consideration of RMB120,000,000, it represents approximately 57.4% of the proportional 80% of the aggregate net assets value of CDPR and HBXR as at 31 May 2017 and Benchmark as at 15 August 2017.

4.3 Valuation of the Sale Shares by the Independent Valuer

In connection with the Proposed Acquisition, the Company has appointed the Independent Valuer, Ascent Partners, to express an independent opinion on the fair value of the Target Companies as at 30 June 2017.

We note from the Valuation Report that the Independent Valuer has considered the following approaches in the valuation of the Target Companies:

(a) Cost Approach: The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economic) present, taking into consideration past and present maintenance policy and rebuilding history. This approach is the most practical way to produce a reliable valuation without a known established market.

Unlike market and income approaches which incorporate either market sentiments or future earnings capacity of an asset as a function to determine its current value, the cost approach considers the fundamental cost that takes to form the asset.

(b) Market Approach: In this approach, the value of an asset is appraised with reference to market prices of similar assets. A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. Assets for which there is an established market may be appraised by this approach. There are two methods to implement the market approach:

The Guideline Transaction Method – In the first market approach, transaction data for private and public companies is used to compute the value. In this method, a database of buy and sale records of enterprises with financial fundamentals on companies similar to the subject company is used as basis for transaction prices.

The Guideline Public Company Method – In the second market approach, the valuation multiples derived from the market prices and financial data of listed companies in a similar business is used to appraise the subject company.

(c) Income Approach: In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present market value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its business operation.

Of the three approaches, we note that the Independent Valuer has adopted the Market Approach in the appraisal for the fair value of the Target Companies. The fair value of the Target Companies has been developed through the Guideline Public Company method. Since there are sufficient public companies in a similar business and with a similar business model and shares of those companies being valued are traded freely and actively on the markets, their market values are good indicators of the industry.

In their valuation, we further note that they have considered the following ratios:

(a) Price-to-Earnings;

(b) Price-to-Revenue; and

(c) Price-to-Book Value.

The Price-to-Book ratio is considered not appropriate for the valuation as the book value captures only the tangible assets of a company which, if a company creates any market value added (as reflected by a price to book ratio of larger than 1), should have its own competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price-to-book ratio and so it is not a good measurement of the market value of a company.

The Price-to-Revenue ratio is considered not appropriate since revenue does not take into account the profitability of a company, which affects its value.

The valuation multiple considered appropriate and adopted by the Independent Valuer is the Price-to-Earnings.

For more details on the valuation done by the Independent Valuer, please refer to Appendix E of the Circular.

Based on the Valuation Report, the Independent Valuer is of the opinion that the fair value of the 80% equity interest in the Target Companies is RMB160,000,000. Based on the Purchase Consideration of RMB120,000,000, it represents a discount of 25% to the indicative valuation of RMB160,000,000.

4.4 Assessment of the Conversion Price of the Bonds

We note that the Conversion Price of S$0.45 for each Conversion Share represents a premium of approximately 21.62% to S$0.37, being the volume-weighted average price of the ordinary Shares in the capital of the Company traded on the SGX-ST on the full Market Day on the date of the SPA. We further note that the Bonds are zero per cent. convertible bond with no interest payable on the Bonds. If the Bonds are not exercised within the Conversion Period, it will be automatically converted into Shares of the Company at the expiration of the Conversion Period.

Please refer to Section 2.6.2 of the Circular for more details on the principal terms and conditions of the Bonds.

4.5 Profit Warranty provided by the Vendors and the adjustment mechanisms

Under the terms of the SPA, the Vendors have guaranteed that the aggregate net profit after tax of the Target Companies, and adjusted to include exceptional items (being items that are unusual and infrequent but in the ordinary course of business) and exclude extraordinary items (being items of material gains and losses which are unusual and infrequent, and outside the ordinary course of business), as ascertained from the relevant completion accounts of the Target Companies ("**Adjusted Net Profit**") shall not be less than RMB25,000,000 for each of FY2018, FY2019 and FY2020 (collectively, the "**Profit Warranty**").

In this regard, we note that the external auditor of the Target Companies, Teamway & Partners, has reviewed the bases and assumptions, accounting policies and calculations for the profit projections of the Target Companies for the financial year ended 31 December 2018, 31 December 2019 and 31 December 2020, on which the Profit Warranty is based, and is of the opinion that (a) the profit projections as presented to them have been properly prepared in accordance with the bases and assumptions adopted by the respective directors of the Target Companies and is consistent with the accounting policies of the Target Companies; and (b) based on their examination of the evidence supporting the assumptions, nothing has come to their attention which causes them to believe that the assumptions do not provide a reasonable basis for the Profit Warranty provided by the Target Companies.

Subject to the Profit Warranty and in accordance with the terms and conditions of the SPA, the Bonds shall be issued to Vendor C in the following manner:

(a) On the First Bond Subscription Date, in the following manner:

$$A = \frac{X}{RMB25,000,000} \times RMB28,333,333$$

Where:

A = Principal amount of Bonds to be issued to Vendor C, based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017, provided it does not exceed S$5,786,446

X = Adjusted Net Profit of the Target Companies made in FY2018. This formula will not apply if the Adjusted Net Profit is negative

(b) On the Second Bond Subscription Date, in the following manner:

$$B = \frac{X}{RMB25,000,000} \times RMB28,333,333$$

Where:

B = Principal amount of Bonds to be issued to Vendor C, based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017, provided it does not exceed S$5,786,446

Y = Adjusted Net Profit of Target Companies made in FY2019. This formula will not apply if the Adjusted Net Profit is negative

(c) On the Third Bond Subscription Date, in the following manner:

$$C = \left(\frac{Z}{RMB75,000,000} \times RMB85,000,000 \right) - (A+B)$$

Where:

C = Principal amount of Bonds to be issued to Vendor C based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017, provided it does not exceed S$17,359,338

Z = Cumulative amount of Adjusted Net Profit of Target Companies for FY2018, FY2019 and FY2020. This formula will not apply if the Adjusted Net Profit is negative

The issuance of Bonds to Vendor C shall be adjusted as follows:

(a) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is equal to or exceeds RMB25,000,000, the Company shall issue Bonds equivalent to a principal amount of RMB28,333,333 (or S$5,786,446 based on a fixed foreign currency exchange rate of S$1: RMB4.8965 as at 4 October 2017) for each of FY2018, FY2019 and FY2010, provided the total principal amount of Bonds issued for all of FY2018, FY2019 and FY2020 is not more than RMB85,000,000 (or S$17,359,338 based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017);

(b) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is negative, ie the Target Companies are loss making:

(i) the Vendors shall pay the amount of losses in cash in the manner stipulated by the Purchasers. Such payment shall be the amount of the losses made by the Target Companies for the relevant FY (for illustration purposes, if the Adjusted Net Profit for the Target Companies for FY2018 is (RMB100,000), then the amount of losses to be paid in cash is RMB100,000); and

(ii) the Purchase Consideration shall be subject to any adjustments to the principal amount of Bonds to be issued to Vendor C based on the cumulative Adjusted Net Profit for FY2018, FY2019 and FY2020 as set out in Section 2.6.1 of the Circular;

(c) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is less than RMB25,000,000 but more than RMB0, the Purchase Consideration shall be subject to any adjustments to the principal amount of Bonds to be issued to Vendor C as set out in Section 2.6.1 of the Circular, provided that the total principal amount of Bonds to be issued for all of FY2018, FY2019 and FY2020 shall not exceed RMB85,000,000 (or S$17,359,338 based on a fixed foreign currency exchange rate of S$1:RMB4.8965 as at 4 October 2017).

Without prejudice to the above adjustment mechanisms applicable for each Bond Subscription Date, within 10 Business Days from the date of issue of the relevant completion accounts of the Target Companies for FY2020, in the event the aggregate amount of the Adjusted Net Profit of the Target Companies for FY2018, FY2019 and FY2020 ("**Total Adjusted Net Profit**") is an amount that is:

(a) equal to or exceeds RMB75,000,000, the total number of Bonds issued to Vendor C shall be equivalent to the principal amount of RMB85,000,000;

(b) less than RMB75,000,000 but more than RMB0, the total number of Bonds issuable to Vendor C shall correspond to the principal amount of Bonds due to Vendor C as set out under Section 2.6.1 of the Circular; and

(c) equal to or less than RMB0, any Bonds previously issued to Vendor C for the years of FY2018 and/or FY2019 in accordance with Section 2.6.1 of the Circular and the Bond Conditions shall be cancelled in full, and no further Bonds shall be issued to Vendor C.

We note that the above adjustment mechanisms help to safeguard the interests of the Shareholders. For example, if the Profit Warranty is not met, the number of Bonds issued will be reduced accordingly, and also in the event that the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 is negative, i.e. the Target Companies are loss-making, the Vendors shall pay the amount of losses in cash. In addition, the Bonds can only be converted to Shares during the 12 month period commencing on the first day of FY2021.

4.6 Financial effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition on the Group are set out in Section 3 of the Circular for illustrative purposes only and is prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 and a set of assumptions as set out in Section 3 of the Circular.

4.6.1 Net Tangible Assets ("NTA")

The effects on the NTA of the Group before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2017) are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**	**After the Proposed Acquisition and assuming full conversion of the Bonds[1]**
NTA[2] (RMB'000)	186,376	94,005	179,005
Number of Shares	157,901,384	157,901,384	196,477,691[3]
NTA per Share (RMB)	1.18	0.60	0.91

Notes:

(1) Assuming Completion of the Proposed Acquisition and the full conversion of the Bonds into 38,576,307 Conversion Shares.

(2) NTA is computed based on total assets less total liabilities and less intangible assets. For the purpose of this calculation, the asset value of CDPR and HBXR are computed based on the audited financial statements for the financial period from 1 January 2017 to 31 May 2017 for each of CDPR and HBXR, and does not take into account the Subsequent Events. In addition, the intangible assets of the Target Companies shall comprise the value of the intellectual property rights only, in order to maintain consistency in the accounting policies of the Group.

(3) The total number of issued shares includes 38,576,307 Conversion Shares.

The decrease in NTA per Share from RMB1.18 (before the Proposed Acquisition) to RMB0.60 (after the Proposed Acquisition) is due mainly to the decrease in NTA of the Group as a result of acquiring the Target Companies. The 80% proportional aggregate net tangible assets of CDPR and HBXR as at 31 December 2016 and Benchmark as at 15 August 2017 is approximately RMB27.6 million, compared to the Purchase Consideration of RMB120 million, therefore resulting in the decrease in NTA of the Group. The NTA per Share improved from RMB0.60 (after the Proposed Acquisition) to RMB0.91 (after the Proposed Acquisition and assuming full conversion of the Bonds) due primarily to the cash inflow from the conversion of the Bonds.

4.6.2 Net Asset Value ("NAV")

The effect on the NAV of the Group before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2017) are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**	**After the Proposed Acquisition and assuming full conversion of the Bonds[1]**
NAV[2] (RMB'000)	186,376	279,073	364,073
Number of Shares	157,901,384	157,901,384	196,477,691[3]
NAV per Share (RMB)	1.18	1.77	1.85

Notes:

(1) Assuming Completion of the Proposed Acquisition and the full conversion of the Bonds into 38,576,307 Conversion Shares.

(2) NAV is computed based on total assets less total liabilities. For the purpose of this calculation, the asset value of CDPR and HBXR are computed based on the audited financial statements for the financial period from 1 January 2017 to 31 May 2017 for each of CDPR and HBXR, and does not take into account the Subsequent Events.

(3) The total number of issued shares includes 38,576,307 Conversion Shares.

We note that the material assets of the Target Companies are mainly patents which are intangible assets. Thus, the effects on the NAV would be able to illustrate the value of these patents acquired. The 80% proportional aggregate net assets value of CDPR and HBXR as at 31 December 2016 and Benchmark as at 15 August 2017 is approximately RMB212.7 million, compared to the Purchase Consideration of RMB120 million. As a result, the NAV per Share increased from RMB1.18 (before the Proposed Acquisition) to RMB1.77 (after the Proposed Acquisition). The NAV per Share improved from RMB1.77 (after the Proposed Acquisition) to RMB1.85 (after the Proposed Acquisition and assuming full conversion of the Bonds) due primarily to the cash inflow from the conversion of the Bonds.

4.6.3 Loss Per Share ("LPS")

The effect on the LPS of the Group before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2017) are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition and assuming full conversion of the Bonds[1]
Net losses attributable to owners of the Company (RMB'000)	68,804	60,383	60,383
Weighted average number of Shares used in the computation of basic LPS	138,342,412	138,342,412	176,918,719[2]
Basic LPS (RMB)[3]	0.50	0.44	0.34

Notes:

(1) Assuming Completion of the Proposed Acquisition and the full conversion of the Bonds into 38,576,307 Conversion Shares.

(2) The total number of issued shares includes 38,576,307 Conversion Shares.

(3) Basic LPS is computed based on the weighted average number of Shares for the full financial year.

We note that the LPS for the Group (before the Proposed Acquisition) decreased from RMB0.50 to RMB0.44 (after the Proposed Acquisitions). This was primarily due to an aggregate net profits of the Target Companies for FY2016 for CDPR and HBXR and period ended 15 August 2017 for Benchmark. The LPS for the Group (after the Proposed Acquisition) decreased from RMB0.44 to RMB0.34 (after the Proposed Acquisition and assuming full conversion of the Bonds) due to the dilution of the LPS as a result of the conversion of the Bonds.

We note that in the SPA, the Vendors have guaranteed that the Adjusted Net Profit of the Target Companies shall not be less than RMB25 million for each of FY2018, FY2019 and FY2020. Going forward, taking into account the Profit Warranty, the Proposed Acquisition will be earnings accretive for the Group.

4.6.4 Gearing

The effect on the gearing ratio of the Group before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2017) are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition and assuming full conversion of the Bonds[1]
Gearing Ratio	–	0.04	0.03

Note:

(1) Assuming the full conversion of the Bonds into 38,576,307 Conversion Shares.

The Proposed Acquisition does not have a material impact on the gearing of the Group.

4.7 Other relevant considerations

Safeguards to the Company based on the terms of the SPA

The principal terms of the Proposed Acquisition are set out in Section 2 of the Circular. We note that the terms of the SPA provide various safeguards to the Company, which includes the following:

(a) Fully Refundable Deposit

The deposit of RMB25 million which has been paid shall be released and returned to the Purchasers in the event that the completion of the Proposed Acquisition does not occur by the Longstop Date.

(b) Restrictive and non-competition clause

We note that the ultimate beneficial owners of Vendors A and B (being Xue Aiping and Zhang Weiliang), are part of the key management of CDPR and HBXR, and accordingly, they will be entering into deeds of restrictive covenants containing non-compete provisions with the Company pursuant to one of the conditions precedent for the completion of the Proposed Acquisition.

We note that Vendor C has undertaken with Benchmark that he will not, *inter alia*, during his employment under Benchmark as an employee, consultant, officer, or director of Benchmark ("**Employee**") or as a shareholder of Benchmark and within a period of 24 calendar months thereafter upon either (i) the date on which Vendor C's employment as an Employee or (ii) the date on which Vendor C ceases to be a shareholder of Benchmark, whichever is earlier (the "**Effective Termination Date**"), in any of the territories of the business of the Target Companies directly or indirectly, except with Benchmark's prior written consent, *inter alia*, directly or indirectly carry on or be engaged in any business which is in direct competition with the business of the Target Companies and/or business proposed to be carried on by the Target Companies as at the Effective Termination Date (the "**Relevant Business**"), and either on his own account or in conjunction with or on behalf of any other firm, or corporation, solicit or entice away, or attempt to solicit away from any person who was employed in an executive, technical or managerial capacity in any of the Target Companies.

Vendor C also undertakes that he shall not, during his employment as an Employee or as a shareholder of Benchmark, except with Benchmark's prior written consent, disclose to any person, and shall use his best endeavours to prevent the disclosure of any information concerning the business, accounts or finances of the Target Companies which may have come to his knowledge, save for, *inter alia*, information which is or becomes generally available to the public.

5. OUR OPINION

In arriving at our opinion, we have taken into account, *inter alia*, the following:

(a) rationale for the Proposed Acquisition;

(b) analysis of the selected financial information of the Target Companies;

(c) valuation of the Sale Shares by the Independent Valuer;

(d) assessment of the Conversion Price of the Bonds;

(e) Profit Warranty provided by the Vendors and the adjustment mechanisms;

(f) financial effects of the Proposed Acquisition; and

(g) other relevant considerations.

Having regard to the considerations set out in this Financial Adviser Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

Whilst a copy of the Financial Adviser Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote the Financial Adviser Letter (or any part thereof) for any other purpose other than for the purpose of the Proposed Acquisition and for the purpose of the SGM, at any time and in any manner without the prior written consent of Crowe Horwath Capital in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Crowe Horwath Capital Pte Ltd

Clement Leow
Chief Executive Officer
Head of Corporate Finance

Sheila Ong
Director
Corporate Finance

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5 July 2018

The Board of Directors
United Food Holdings Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Dear Sirs,

United Food Holdings Limited ("the Company")

External auditor's report on the Profit projections for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 (the "Profit Projections") of the Target Companies

Unless defined otherwise, capitalised terms used in this letter shall have the same meaning as ascribed to them in the circular of the Company dated 5 July 2018.

This letter is provided to the Directors of United Food Holdings Limited in connection with the Proposed Acquisition. The Vendors have guaranteed that the aggregate net profit after tax of the Target Companies, and adjusted to include exceptional items (being items that are unusual and infrequent but in the ordinary course of business) and exclude extraordinary items (being items of material gains and losses which are unusual and infrequent, and outside the ordinary course of business), as ascertained from the relevant completion accounts of the Target Companies ("Adjusted Net Profit") shall not be less than RMB25,000,000 for each of FY2018, FY2019 and FY2020 (collectively, the "Profit Warranty").

We have examined the Profit Projections on which the Profit Warranty is based.

The respective board of directors of the Target Companies is responsible for the preparation of the Profit Projections, including the assumptions on which it is based.

The principal assumptions, including commercial bases upon which the quantum of the Profit Warranty is based would include, inter alia, the following:

(a) Operating expenses will either remain constant or that there will be a corresponding increase in revenue when operating expenses increase;

(b) There will be no material changes in existing political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in the PRC and Marshall Islands where the Target Companies operates;

(c) There will be no material changes in the bases or rates of taxation or duties applicable to the Target Companies in the jurisdictions of the PRC and Marshall Islands;

(d) There will be no interruption of the operations that will adversely affect the Target Companies as a result of a shortage in supply of raw materials or any other circumstances such as natural disasters, or changes in the regulatory regime in the which are beyond management control; and

(e) There will be no material changes in the key personnel of the Target Companies.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express our opinion on the bases and assumptions, accounting policies and calculations for the Profit Projections based on our procedures.

We conducted our engagement in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 500, Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness issued by the HKICPA and with reference to the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information of the International Auditing and Assurance Standards Board (the "IASB"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, the Target Companies' directors have properly compiled the Profit Projections in accordance with the bases and assumptions adopted by the directors. Our work is substantially less in scope than an audit conducted in accordance with International Standards on Auditing issued by the IASB. Accordingly, we do not express an audit opinion.

The Profit Projections are intended to show possible outcome based on the stated assumptions and the assumptions used in the Profit Projections (which include hypothetical assumptions about future events which may not necessarily occur) are subjective.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the assumptions occurs, actual results are still likely to be different from the Profit Projections since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those projected. For these reasons, we do not express any opinion as to the possibility of achievement of the Profit Projections.

Opinion

In our opinion, the Profit Projections have been properly prepared in accordance with the bases and assumptions, and is consistent with the accounting policies of the Target Companies. Further, based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Projections.

Yours faithfully,

Teamway & Partners
Certified Public Accountants
Hong Kong

Partner-in-charge: Li Wing Sum Steven

ASCENT PARTNERS
Together We Flourish

Date : 5 July 2018

The Board of Directors
United Food Holdings Limited
Shenquan Village, Luozhuang District
Linyi City, Shandong Province
The People's Republic of China

Dear Sir/Madam,

RE: Valuation of 80% Equity Interest in 承德普润生物制药有限公司, 河北兴润生物科技股份有限公司 & Benchmark Trade Limited

In accordance with the instruction of **United Food Holdings Limited** (the "**Company**") we have undertaken a valuation task to determine the fair value of the 80% equity interest in **承德普润生物制药有限公司** ("**普润**"), **河北兴润生物科技股份有限公司** ("**兴润**") **& Benchmark Trade Limited** ("**Benchmark**") (collectively the "**Target Group**") as at **30 June 2017** (the "**Valuation Date**").

This report outlines the factors considered, valuation methodology, basis and assumptions employed in formulating our opinion and our conclusion of value.

Ascent Partners Valuation Service Pte Limited ("**Ascent Partners**") is an independent firm providing full range of valuation and advisory services. This report is prepared independently in accordance with the International Valuation Standards. Neither Ascent Partners nor any authors of this report hold any interest in the Company, the Target Group or their related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

1. Purpose of Valuation

The purpose of this valuation is to express an independent opinion on the fair value of the Target Group as at the Valuation Date. This report outlines our latest findings and valuation conclusion, and is prepared solely for the senior management of the Company for public disclosure purpose.

2. Scope of Work

In conducting this valuation exercise, we have:

- coordinated with the Company and Target Group representatives to obtain the required information and documents for our valuation;
- gathered the relevant information of the Target Group, including the legal documents, licenses, financial statements, projections, etc. made available to us;
- visited the underlying business premises;
- discussed with the senior management of the Target Group (the "**Management**") and the Company to understand the history, business model, operations, customer base, business development plan and profit forecast, etc. of the business enterprises for valuation purpose;
- carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;



- investigated into the information of the Target Group made available to us and considered the basis and assumptions of our conclusion of value;

- designed an appropriate valuation model to analyze the market data and derived the estimated fair value of the Target Group; and

- compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Group and its authorized representatives.

3. Background of the Target Group

承德普润生物制药有限公司

承德普润生物制药有限公司 was incorporated in 2012, and it immediately began to adopt the standards of Good Manufacturing Practice ("**GMP**") in order to obtain the certification from the National Agricultural Department of China. The GMP certification for the manufacture of veterinary medicine was obtained in 2014, and in that same year, the company was granted approval to set up three productions lines to produce Chinese veterinary medicine and other related products.

Premixes for feed and feed additives will be core products for the company and these products can be used to apply the related licenses for manufacturing as the design of products and the new production line are completed. As premixes use plants and herbs that can either be feed or veterinary medicine for livestock, the waiting time for approval will be largely shortened for these new products. Based on the function, new products of premixes can be classified into nutrition improvement and antibiotics. Especially, the 5% premixes of feed additives adopted the company's specific technology in developing antioxidants--- L-Ascorbyl Palmitate.

河北兴润生物科技股份有限公司 & Benchmark Trade Limited

河北兴润生物科技股份有限公司 is a biomedical enterprise established in 2015, with CNY24.49 million in registered capital. Its main focus is the production of food additives and pharmaceutical intermediates through the processes of fermentation, biocatalytic synthesis and separation processes. The core product of the company is L-Ascorbyl Palmitate ("**L-AP**"), which will soon start producing and can be used as a highly efficient antioxidant and preservative for food products and pharmaceuticals.

As at the date of this Report, it owns a patent (patent number ZL200810235854.2, the "**Patent**") for the manufacturing of L-AP using enzyme method, which was jointly developed with Professor Tang Luhong from Jiang Nan University. Since it is the first enzyme-based production in the world with zero discharge of pollutants, it took more time to acquire the government approval for manufacturing. The necessary production license was expected to be granted in July 2017. At present, the company has an annual production capacity of 300 tons with an estimated unit cost of CNY60,000 per ton. It plans to expand its production capacity to 5000 tons in the future, with the intention of having L-AP replacing tert-Butyhydroquinone ("**TBHQ**") that is chemically synthesized in the market. TBHQ is widely used in China, but its use is already prohibited in many other foreign countries. With close collaboration with Professor Tang, the Company is confident to diversify L-AP's uses to other application fields. According to the management of the Company, 兴润 will license exclusively the right to use of the Patent to Benchmark Trade Limited.



Benchmark Trade Limited is a company incorporated in the Republic of the Marshall Islands with limited liability. It is an investment holding company created solely to hold the exclusive right of the Patent, which is expected to be licensed by 兴润.

4. Industry Overview

Industry of Feed Additives

Feed Additives Definition

Feed additives are products used in animal nutrition for purposes of improving the quality of feed and the quality of food from animal origin, or to improve the animals' performance and health, e.g. providing enhanced digestibility of the feed materials. Feed additives may not be put on the market unless authorisation has been given following a scientific evaluation demonstrating that the additive has no harmful effects, on human and animal health and on the environment.[1]

Global Feed Additives Industry

According to the report published by Coherent Market Insights, the global market size of animal feed additives was valued at USD16.27 billion in 2016 and is expected to reach USD23.93 billion with a CAGR of 4.43% in terms of revenue during the forecast period 2017 to 2025.[2] The main growth driver for feed additives is the growing population and economy advancement in developing countries.

The animal feed additives market is expected to be highly driven by the antibiotics market in the next decade, which is expected to expand with a CAGR of 4.41% in terms of revenue during 2017-2025 and to retain the trend during the forecast period. Whereas, amino acid is the leading product segment in terms of value, representing a 45% share of the total market in 2016 and is expected to remain dominated during the forecast period.[3]

Feed Additives Industry in China

By regions, China is the biggest consumer of additives in 2016, followed by North America, South America and European. China has become the largest feed producer in the world since 2011. Accordingly, the feed additives industry has experienced fast growth in recent years and is expected to continuously grow, especially for amino acids and enzymes. For some key feed additives such as vitamin C, vitamin E, choline and lysine, China has been the main production base. For feed additives that are previously supplied from imports, such as methionine, the country has started to develop domestic production capabilities.

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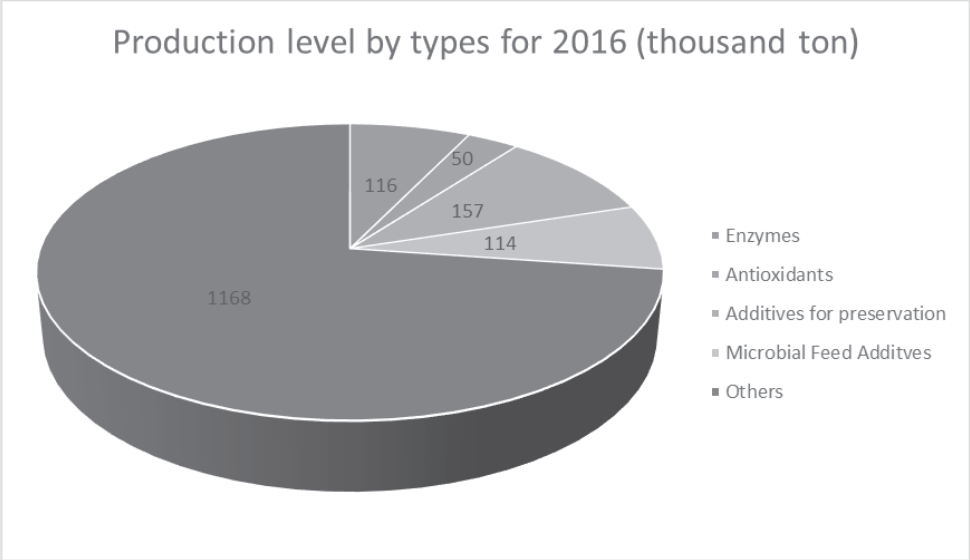
1 *Feed Additives*, European Commission < https://ec.europa.eu/food/safety/animal-feed/feed-additives_en>

2 *Global Animal Feed Additives Market, Coherent* <https://www.coherentmarketinsights.com/market-insight/animal-feed-additives-market-538

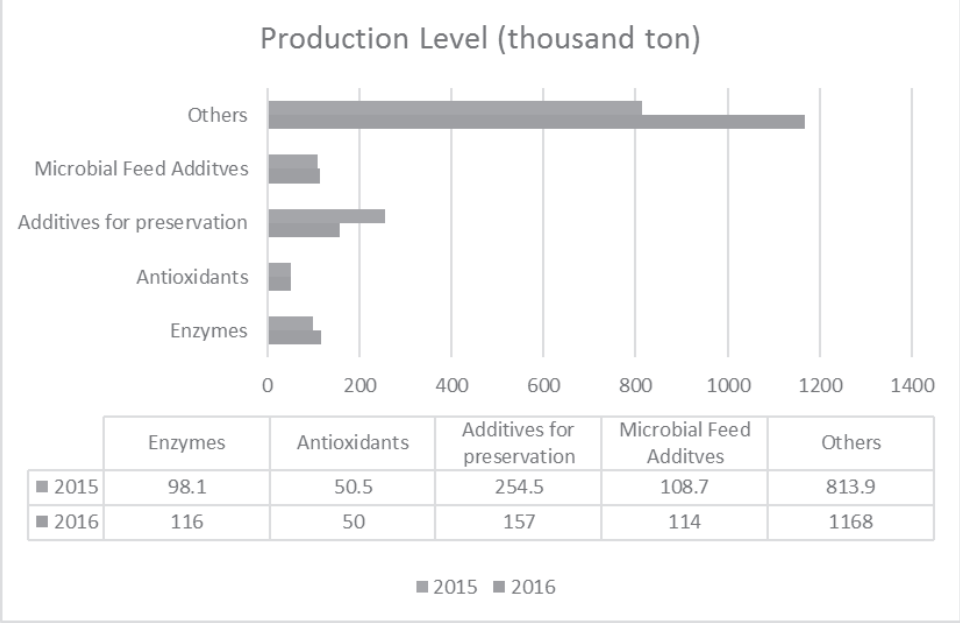
3 *Feed Additives, HIS Markit* < https://www.ihs.com/products/chemical-feedadditives-scup.html>

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The direct consumers of feed additives are producers of compound feed, formula feed, premixes, and concentrates. The statistics released by Chinafeed shows that the total output of feed additives in 2016 reached CNY65.4 billion, with a year-over-year increase of 6.2%.[4] Specifically, pure feed additives accounted for CNY58.5 billion while the remaining CNY6.9 billion is attributable to compounded feed additives. The major types of feed additives by production volume are displayed in the following chart in year 2015 and 2016:



Source: Chinafeed



	Enzymes	Antioxidants	Additives for preservation	Microbial Feed Additves	Others
2015	98.1	50.5	254.5	108.7	813.9
2016	116	50	157	114	1168

Source: Chinafeed

[4] *2016 Feed Industry Statistics Summary, Chinafeed,* <http://www.chinafeed.org.cn/pages/fagui/browser.php?id=1910>

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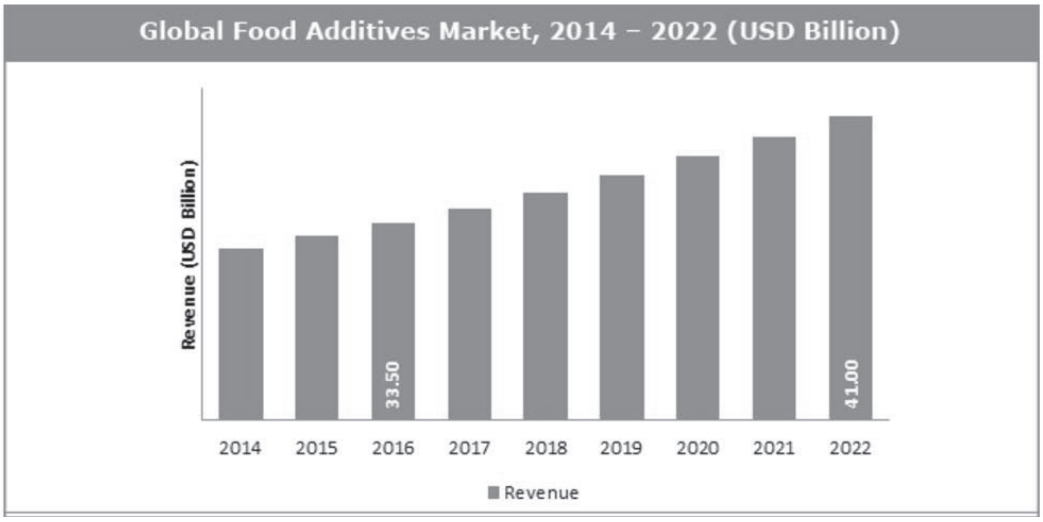
Industry of Food Additives

Food Additives Definition

Food additives are substances that are added to food to maintain or improve the safety, freshness, taste, texture, or appearance of food. Some food additives have been in use for centuries for preservation – such as salt (in meats such as bacon or dried fish), sugar (in marmalade), or sulfur dioxide (in wine).[5] Based on functions, food additives are classified into three main categories: flavouring agents, enzyme preparations and other additives (preservation, colouring, and sweetening).

Global Food Additives Market

The global food additives market has been continuously growing since 2014 and achieved USD33.5 billion revenues in 2016. It is expected that by 2020, the total market will be valued at USD41.0 billion, with Compounded Annual Growth Rate (CAGR) of around 3.5% between 2017 and 2022. North America was the largest food additives market in 2016 because of rich consumption for convenience foods, bakery & confectionery, beverage and sauces, while the Asia Pacific is going to witness a fastest-growing market trend for food additives demand due to the increasing demand of natural, healthy and organic food.[6]



Source: Zion Market Research 2017

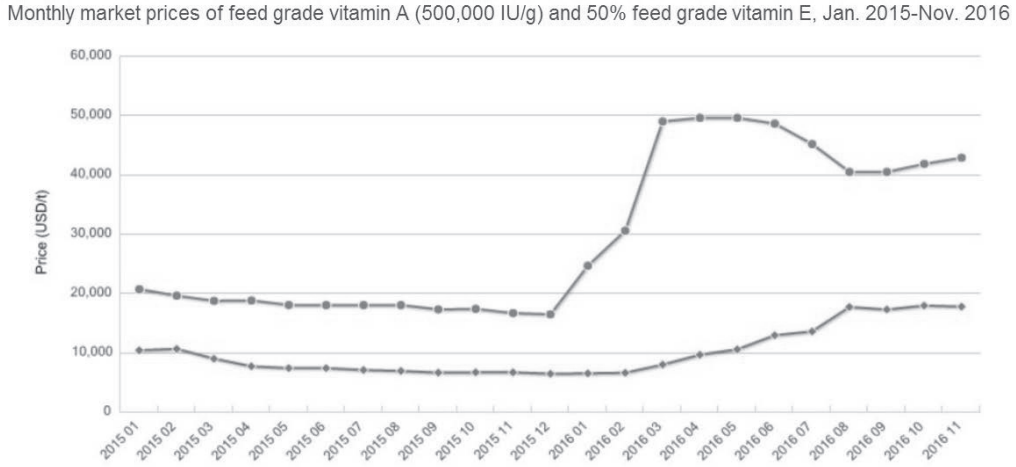
[5] *Food Additives, WHO* < http://www.who.int/mediacentre/factsheets/food-additives/en/>

[6] *Global Food Additives Market is Expected to Reach around USD41.00 Billion by 2022, Zion* < https://www.zionmarketresearch.com/news/food-additives-market>

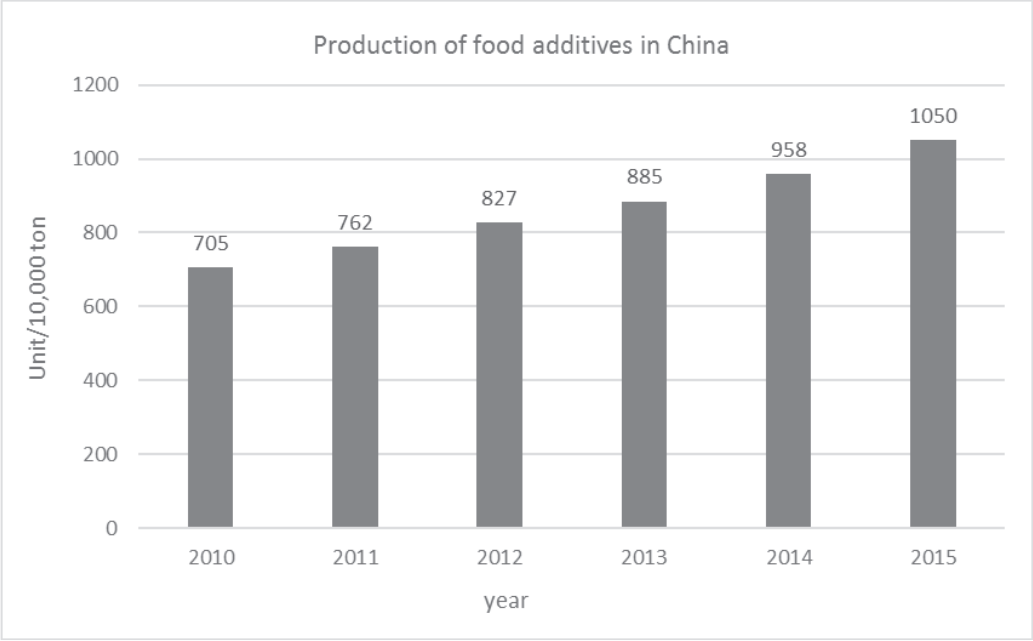
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Food Additives Market in China

The food additive market in China has been growing steadily from 2010 to 2015, with major products volume reaching 9,010,000 tons valued at CNY1.05 trillion.[7] Among major types of food additives, antioxidants for food such as Vitamin A & E saw great price surges in the first three-quarters of 2016 due to the rising demand and the massive reduction of supply from a major foreign manufacturer.



Source: CCM Research



Source: CHYXX

[7] *Chinanews*, <http://finance.chinanews.com/life/2016/03-28/7814466.shtml>

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5. Market Overview

Overview of China Economy

In 2016, faced with complicated domestic and international environment, China has carried forward the overall plan for promoting all-round economic, political, cultural, social and ecological progress as well as the "Four Pronged Comprehensive Strategies" (「四個全面」) in a coordinated way. As a result, the national economy has achieved moderate yet steady and sound development, getting off to a good start during the 13th Five-Year Plan period.

According to the preliminary estimation by the National Bureau of Statistics of China, the gross domestic product (GDP) of China was CNY74,413 billion in 2016, an increase of 6.7% compared with last year. Of which, the year-on-year growth of GDP for the first, second, third, and fourth quarter was 6.7%, 6.7%, 6.7%, and 6.8%, respectively. The value added of the primary industry was CNY6,367 billion, up by 3.3% over the previous year; that of the secondary industry was CNY29,624 billion, up by 6.1%; and CNY38,422 billion for the tertiary industry, up by 7.8%.

Consumer Price

In 2016, the consumer price went up by 2.0% over last year, the same level as that in the first three quarters. Specifically, the price went up by 2.1% in urban areas and up by 1.9% in rural areas. Grouped by commodity categories, prices for food, tobacco and liquor went up by 3.8%; clothing up by 1.4%; residence up by 1.6%, household facilities, articles and services up by 0.5%; transportation and communications down by 1.3%; education, culture and recreation up by 1.6%; health care and medical services up by 3.8%; and miscellaneous goods and services up by 2.8%. In terms of food, tobacco and liquor prices, grain went up by 0.5%, pork up by 16.9% and fresh vegetables up by 11.7%. In December, the consumer prices went up by 2.1% year-on-year, or up by 0.2% month-on-month. The producer prices for industrial products went down by 1.4% in 2016 compared with last year. After 54 consecutive months of decline which ended in September, the year-on-year growth continued to expand. The year-on-year growth in December was 5.5% and the month-on-month growth was 1.6%. The purchasing prices for manufactured goods was down by 2.0% compared with last year and in December, it was up by 6.3% year-on-year and up by 1.9% month-on-month.

Disposable Income of Residents

The nationwide per capita disposable income of residents was CNY23,821 in 2016, a nominal growth of 8.4% over last year (a real increase of 6.3% after deducting price factors). In terms of permanent residence, the per capita disposable income of urban households was CNY33,616, up by 7.8% (a real growth of 5.6% after deducting price factors). The per capita disposable income of rural households was CNY12,363, up by 8.2% (6.2% in real terms after deducting price factors). The per capita income of urban households was 2.72 times of the rural households, 0.01 less than last year. The median of the nationwide disposal income was CNY20,883, a nominal increase of 8.3%. Taking the per capita disposable income of nationwide households by income quintiles, that of the low-income group reached CNY5,529, the lower-middle-income group CNY12,899, the middle-income group CNY20,924, the upper-middle-income group CNY31,990, and the high-income group CNY59,259. In 2016, the nationwide per capita consumption expenditure was CNY17,111, a nominal increase of 8.9% (a real increase of 6.8% after deducting price factors). The number of rural migrant workers in 2016 totalled 281.71 million, which was 4.24 million more than last year, or up by 1.5%. Of which, the numbers of local and outside migrant workers were 112.37 million and 169.34 million, up by 3.4% and 0.3%, respectively. The average monthly income of migrant workers was CNY3,275, up by 6.6%.



Population and Urbanization

By the end of 2016, the total population of China was 1,382.71 million (including population of 31 provinces, autonomous regions and municipalities, and servicemen in Chinese People's Liberation Army (CPLA); but not including residents in Hong Kong SAR, Macao SAR, Taiwan Province and overseas Chinese), an increase of 8.09 million over that at the end of 2015. In 2016, the number of births was 17.86 million, an increase of 1.31 million and the birth rate was 12.95 in a thousand; the number of deaths was 9.77 million with a death rate of 7.09 in a thousand; the natural growth rate was 5.86 in a thousand, an increase of 0.9 in a thousand. In terms of gender, the male population was 708.15 million, and female population was 674.56 million; the sex ratio of the total population was 104.98 (the female is 100). Population at the working age of 16-59 (inclusive) was 907.47 million, accounting for 65.6% of the total population; population aged 60 and over was 230.86 million, which was 16.7% of the total population; population aged 65 and over was 150.03 million, accounting for 10.8% of the total population.

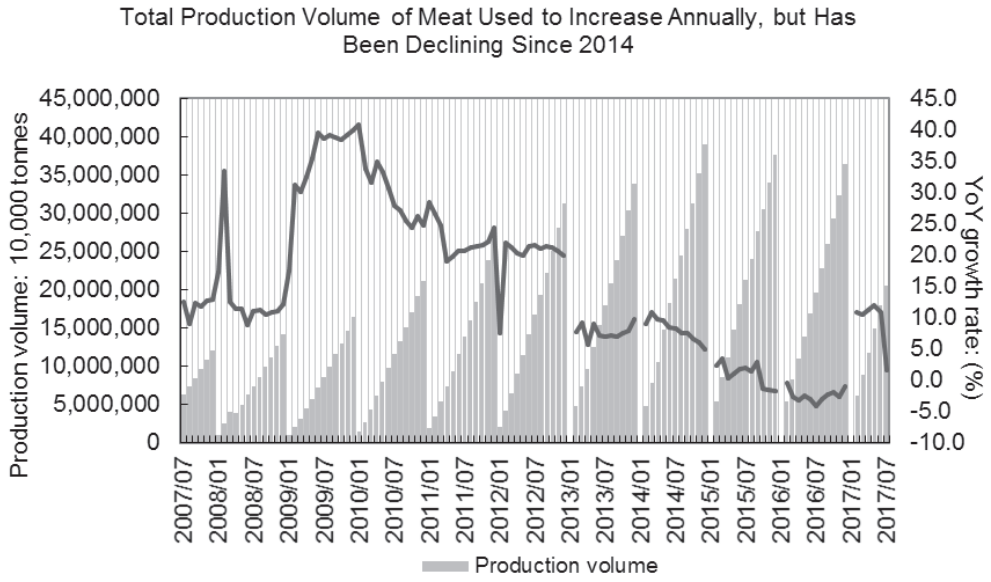
In terms of urban-rural structure, the usual residents in urban areas was 792.98 million, an increase of 21.82 million over last year; and the usual residents in rural areas was 589.73 million, a decrease of 13.73 million. The proportion of the urban population to the total population (urbanization rate) was 57.35%. The population who reside in areas other than their household registration and have been away from there for over 6 months reached 292 million, which was 2.03 million less than that in the last year. Of which, the floating population was 245 million, or 1.71 million less than that by the end of 2015. By the end of 2016, the total number of employed persons was 776.03 million and the number of urban employed persons was 414.28 million.

Meat Production and Consumption

The meat in China can be divided into four main categories: pork, chicken, beef and lamb. According to the National Bureau of Statistics (NBS), the total production volume of meat decreased 1% year-over-year to 85.4 million tonnes in 2016, of which pork accounted for 62% at 52.99 million tonnes, chicken accounted for 22% at 18.88 million tonnes, and lamb accounted for 5% at 4.59 million tonnes. Pork and chicken together contributed more than 80% of total meat production, while beef and lamb had an extremely small share. Compared to 2015, the production volume of pork decreased 3.4% year-over-year, while that of chicken, lamb, and beef increased 3.4%, 4.2%, and 2.4% year-over-year, respectively.

Meat consumption in China is largely different from that in foreign countries as the percentage of raw meat processed into ham, sausages and other products is less than 10%, compared to the proportion of processed meat is 30-40% in developed countries. The eating habit is the major factor determining this unique structure. On the other hand, the chilled raw meat is also in low demand for the country. In major cities such as Beijing and Shanghai, chilled raw meat accounts for the majority of meat consumed. However, in terms of nationwide meat consumption in 2016, chilled raw meat makes up just around 20%, which is noticeably low compared to 90% in developed countries.

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Source: Speeda

6. Basis of Valuation

Our valuation is carried out on a fair value basis. Financial Reporting Standard (FRS) 113 *Fair Value Measurement* defines 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 as at the measurement date*".

7. Basis of Opinion

We have conducted our valuation with reference to International Valuation Standards issued by International Valuation Standards Council (IVSC)[8]. The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by the Target Group. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- assumptions on the market and on the subject business that are considered to be fair and reasonable;
- historical financial performance that shows a consistent trend of the operation of the subject business;

[8] The IVSC has been in existence for more than 25 years. Its origins were in the need identified by a number of professional bodies from around the world for uniformity in the valuation approaches used in real estate markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses. The International Valuation Standards are already recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India and the European Public Real Estate Association amongst others. IVSC has also worked in liaison with the International Accounting Standards Board (IASB) in producing guidance on valuations required under IFRS, an increasingly important need as IFRS is adopted in more a states.



- consideration and analysis on the micro- and macro-economic factors; and
- analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

8. Sources of Information

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and from the public:

- overview of the business nature of the Target Group;
- historical financial reports of the Target Group;
- publications and research reports regarding the related industry; and
- Bloomberg, Singapore Stock Exchange and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company and the Target Group. We have also assumed that the assignment of the Patent was completed as at 30 June 2017, even though the assignment of the Patent to 河北兴润生物科技股份有限公司 was only made on 1 August 2017.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon existing economic, market, financial and other conditions which can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

9. Valuation Approach and Methodology

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. This approach is the most practical way to produce a reliable valuation without a known established market.

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Unlike market and income approaches which incorporate either market sentiments or future earnings capacity of an asset as a function to determine its current value, the cost approach considers the fundamental cost that takes to form the asset.

Market Approach – In this approach, the value of an asset is appraised with reference to market prices of similar assets. A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. Assets for which there is an established market may be appraised by this approach. There are two methods to implement the market approach:

The Guideline Transaction Method – In the first market approach, transaction data for private and public companies is used to compute the value. In this method, a database of buy and sale records of enterprises with financial fundamentals on companies similar to the subject company is used as basis for transaction prices.

The Guideline Public Company Method – In the second market approach, the valuation multiples derived from the market prices and financial data of listed companies in a similar business is used to appraise the subject company.

Income Approach – In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present market value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its business operation.

Approach Adopted – In this valuation exercise, we believed that the Market Approach would be appropriate and reasonable in the appraisal for the fair value of the Target Group. The fair value of the Target Group has been developed through the Guideline Public Company Method. Since there are sufficient public companies in a similar business and with a similar business model and shares of those companies being valued are traded freely and actively on the markets, their market values are good indicators of the industry. Hence, this method is adopted in this valuation.

10. Assumptions and Notes to Valuation

The following assumptions considered, having significant sensitivity effects in this valuation, have been evaluated and validated in arriving at our assessed values.

General Assumptions

a) We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Target Group.

b) We have not investigated any financial data to determine the earning capacity of the operation in which the assets are used, and we assumed that based on the information provided by the Management, the prospective earnings would provide a reasonable return on the fair market value of the assets.

c) As part of our analysis, we have reviewed the information related to this valuation, which is made available to us. We have no reason to doubt the accuracy and fairness of such information on which we have relied to a considerable extent in arriving at our opinion of value.

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Other Assumptions and Notes

a) A control premium of 20.0% is applied to account for the Company acquiring 80% controlling interest of the Target Group, according to "Value of Corporate Control: Some International Evidence" by Paul Hanouna, Atulya Sarin & Alan C. Shapiro.

b) A discount for lack of marketability (DLOM) of 25.0% is applied to account for the lack of marketability of the Target Group due to the Target Group is a group of closely held companies which are not marketable, according to the paper "Marketability and Value: Measuring the Illiquidity Discount" by Aswath Damodaran.

11. Analysis and Valuation

In this valuation task, following ratios have been considered:

- Price-to-Earnings
- Price-to-Revenue
- Price-to-Book Value

The valuation multiples considered inappropriate in this valuation are:

The Price-to-Book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any market value added (as reflected by a price to book ratio of larger than 1), should have its own competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price-to-book ratio and so it is not a good measurement of the market value of a company. As per Pablo Fernandez, PricewaterhouseCoopers Professor of Corporate Finance, IESE Business School, book value bears little relationship to market value.

The Price-to-Revenue ratio is considered not appropriate since revenue does not take into account the profitability of a company, which affects its value.

The valuation multiple considered appropriate and adopted in this valuation is:

Price-to-Earnings multiple (the "PEM") – This is one of the most commonly employed valuation multiples. It relates the market value of a company's equity to its normalized earnings, an important driver of shareholder value. This trailing price/earnings multiple (the "Trailing PEM") is derived by dividing the market capitalization of the underlying company as of the Valuation Date to its Trailing Twelve Months (TTM) historical earnings (excludes non-operating gain/loss) as at the Valuation Date.

Following the mid-year convention of the Discounted Cash Flow method, the equity value of a company is given by

$$\text{Equity Value} = FCFE_1/(1+k_e)^{0.5} + FCFE_2/(1+k_e)^{1.5} + FCFE_3/(1+k_e)^{2.5} + \ldots \qquad \text{Equation (1)}$$

where:

a) $FCFE_i$ is the Free Cash Flow to Equity i years in the future with FCFE defined by
FCFE = Net Income + (Depreciation + Amortization) - (Capital Expenditure + Change in Net Working Capital) + New Debt Issued - Debt Repayment

and

b) k_e is the cost of equity of the underlying company.

In the framework of Gordon's model, Equation (1) could be simplified to

Equity Value $= FCFE_1(1+k_e)^{0.5}/(k_e-g)$ or
$= FCFE_0(1+k_e)^{0.5}(1+g)/(k_e-g)$

where g is the implied industry growth rate.

Now the forward Price-to-Earnings multiple (the "Forward PEM"), can be derived from the relation below by using the forward earnings of the Target Group in one and a half years from the Valuation Date (same as the first profit guarantee period from 31 December 2017 to 31 December 2018).

Forward PEM = Trailing PEM/$(1+g)^{1.5}$

According to the Capital Asset Pricing Model (CAPM), the cost of equity is given by

Cost of Equity, k_e = Risk-free Rate + $\beta_l\beta_l$ x Market Risk Premium

where:

a) market risk premium is the difference between the expected market return, i.e. the expected rate of return on the market portfolio, and the risk-free rate; and

b) $\beta_l\beta_l$, the levered beta, is a measure of the levered sensitivity of return on equity of the company to the market risk premium.

The value of $\beta_l\beta_l$ is given by

$$\beta_l = \beta_u + \beta_u(1-t)\frac{D}{E}$$

where:

a) $\beta_u\beta_u$, the unlevered beta, a measure of the unlevered sensitivity of return on equity of the company to the market risk premium;

b) tt is the applicable corporate tax rate; and

c) D/E is the debt-to-equity ratio.

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Since the size of the company being valued may be significantly different from those guideline public companies, an appropriate company size premium and a company-specific risk premium will be applied. Thus, the relevant cost of equity of the subject company with adjustments in company size and company-specific risks, k'_e, is given by

Cost of Equity, k'_e = Risk-free Rate + $\beta_i\beta_i$ x Market Risk Premium + Size Premium + Company-Specific Risk Premium

The adjusted Forward PEM of the company being valued is calculated as:

Unadjusted Forward PEM x $\sqrt{[(1 + k'_e)(1 + k_e)]}$ x $(k_e – g)/(k'_e - g)$

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The table below shows the market capitalization, free cash flow to equity ($FCFE_0$), cost of equity (k_e) and implied growth rate (g) of the adopted guideline public companies for the valuation of普润.

Stock Code / Ticker	Company name	Date	Market capitalization million	Free cash flow to equity ($FCFE_0$), million	Cost of equity (K_e)	Implied growth rate (g)	Trailing Earnings Adjusted million	Trailing 12M P/E	Adopted?
002019 CH Equity	Yifan Pharmaceutical Co., Ltd.	2017-06-30	18361.31	1,275.26	12.32%	4.61%	821.62	22.35	Y
002365 CH Equity	Qianjiang Yongan Pharmaceutical Company Ltd	2017-06-30	5658.62	68.63	12.59%	11.16%	99.10	57.10	N
002626 CH Equity	Xiamen Kingdomway Group Co	2017-06-30	8784.87	17.74	12.93%	12.68%	318.28	27.60	Y
2317 HK Equity	Vedan International (Holdings) Limited	2017-06-30	169.71	40.26	8.38%	-13.09%	17.91	9.47	N
603027 CH Equity	Qianhe Condiment and Food Co Ltd	2017-06-30	5916.80	(176.01)	13.91%	17.65%	100.09	59.12	N
954 HK Equity	Changmao Biochemical Engineering Company Limited	2017-06-30	454.44	(38.20)	7.89%	18.22%	13.06	34.79	N

Source: Bloomberg

Details and the selection process and criteria of these guideline public companies can be found in Appendix II (a).

Guangdong VTR Bio-tech Company Limited is excluded in the calculations of the average Trailing PEM and implied growth rate because it has negative $k_e – g$.

The average Trailing PEM and implied growth rate g are found to be 22.0 and 8.35% respectively. Hence, the Implied Forward PEM is 19.5.

The 10-year China Government Bond Yield as at the Valuation Date is employed as the risk-free rate of China. This rate, as obtained from Bloomberg, is 3.57%. The expected market return of China, as obtained from Bloomberg, is 11.32%. Therefore, the market risk premium, which is the difference between the expected market return and the risk-free rate, is 7.75%. The statutory corporate tax rate of China, which is 25%, is adopted as the tax rate.

The average unlevered beta of the adopted guideline companies is 1.00 and the average debt-to-equity ratio is 6.87%. The levered beta is estimated to be 1.05. The cost of equity of 普润, unadjusted for its size and company specific risks, is therefore 11.75%. A small company risk premium of 3.58% suggested by Duff & Phelps Valuation Handbook 2016, is applied to compensate for the relatively small size of 普润. Another risk premium of 2% is applied to compensate for the risks specific to 普润. The resulting adjusted cost of equity of 普润 is found to be 17.33%.

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By using the formula below, the Forward PEM of 普润, adjusted for size and company specific risks, is estimated to be 7.60.

Since 普润 is a private company, its shares are lack of liquidity, i.e. they are non-marketable, unlike the shares of the adopted guideline public companies which are traded on stock exchanges and are therefore liquid and marketable. In addition, as a controlling equity interest in the 普润 is considered in this valuation, compensation must be made to its value for the controlling right. Adjustment for the lack of marketability of the equity interest in 普润 is made by means of a discount for lack of marketability (DLOM). The DLOM of 25.0% suggested by the paper "Marketability and Value: Measuring the Illiquidity Discount" by Aswath Damodaran is applied. Similarly, a premium of 20.0% suggested by the paper "Value of Corporate Control: Some International Evidence" by Paul Hanouna, Atulya Sarin, and Alan C. Shapiro is applied. The final adjusted Forward PEM for 普润 is 6.80.

河北兴润生物科技股份有限公司 & Benchmark Trade Limited

The table below shows the market capitalization, Free Cash Flow to Equity ($FCFE_0$), cost of equity (k_e) and implied growth rate (g) of the adopted guideline public companies for the valuation of 兴润 & Benchmark.

Stock Code / Ticker	Company name	Date	Market capitalization million	Free cash flow to equity ($FCFE_0$), million	Cost of equity (K_e)	Implied growth rate (g)	Trailing Earnings Adjusted million	Trailing 12M P/E	Adopted?
002019 CH Equity	Yifan Pharmaceutical Co., Ltd.	2017-06-30	18361.31	1,275.26	12.32%	4.61%	821.62	22.35	Y
002365 CH Equity	Qianjiang Yongan Pharmaceutical Company Ltd	2017-06-30	5658.62	68.63	12.59%	11.16%	99.10	57.10	N
002626 CH Equity	Xiamen Kingdomway Group Co	2017-06-30	8784.87	17.74	12.93%	12.68%	318.28	27.60	Y
2317 HK Equity	Vedan International (Holdings) Limited	2017-06-30	169.71	40.26	8.38%	-13.09%	17.91	9.47	N
603027 CH Equity	Qianhe Condiment and Food Co Ltd	2017-06-30	5916.80	(176.01)	13.91%	17.65%	100.09	59.12	N
954 HK Equity	Changmao Biochemical Engineering Company Limited	2017-06-30	454.44	(38.20)	7.89%	18.22%	13.06	34.79	N

Source: Bloomberg

Details and the selection process and criteria of these guideline public companies can be found in Appendix II (b).

Vedan International (Holdings) Limited, Qianhe Condiment and Food Co Ltd and Changmao Biochemical Engineering Company Limited are excluded in the calculations of the average Trailing PEM and growth rate because they either have negative k_e – g or negative g. Qianjiang Yongan Pharmaceutical Company Ltd is also excluded in the calculations as its Trailing PEM is an outlier.

The average Trailing PEM and implied growth rate g are found to be 25.0 and 8.65% respectively. Hence, the Implied Forward PEM is 22.1.

The 10-year China Government Bond Yield as at the Valuation Date is employed as the risk-free rate of China. This rate, as obtained from Bloomberg, is 3.57%. The expected market return of China, as obtained from Bloomberg, is 11.32%. Therefore, the market risk premium, which is the difference between the expected market return and the risk-free rate, is 7.75%. The statutory corporate tax rate of China, which is 25.00%, is adopted as the tax rate.



The average unlevered beta of the adopted guideline companies is 1.09 and the average debt-to-equity ratio is 9.16%. The levered beta is estimated to be 1.17. The cost of equity of 兴润, unadjusted for its size and company specific risks, is therefore 12.62%. A small company risk premium of 3.58% suggested by Duff & Phelps Valuation Handbook 2016, is applied to compensate for the relatively small size of 兴润. Another risk premium of 2% is applied to compensate for the risks specific to 兴润. The resulting adjusted cost of equity of 兴润 is found to be 18.20%.

By using the formula below, the Forward PEM of 兴润, adjusted for size and company specific risks, is estimated to be 9.40.

Since 兴润 is a private company, its shares are lack of liquidity, i.e. they are non-marketable, unlike the shares of the adopted guideline public companies which are traded on stock exchanges and are therefore liquid and marketable. In addition, as a controlling equity interest in 兴润 is considered in this valuation, compensation must be made to its value for the controlling right. Adjustment for the lack of marketability of the equity interest in 兴润 is made by means of a discount for lack of marketability (DLOM). The DLOM of 25.0% suggested by the paper "Marketability and Value: Measuring the Illiquidity Discount" by Aswath Damodaran is applied. Similarly, a premium of 20% suggested by the paper "Value of Corporate Control: Some International Evidence" by Paul Hanouna, Atulya Sarin, and Alan C. Shapiro is applied. The final adjusted Forward PEM for 兴润 is 8.50.

Valuation of the Target Group

The value of 80% equity interest in the Target Group is estimated by applying the weighted average forward PEM of 7.98 estimated for the Group, after all the adjustments, to the guaranteed profit of CNY25,000,000 provided by its major shareholder and is estimated to be approximately CNY160,000,000.

12. Valuation Comments

As part of our analysis, we have reviewed the financial and business information, such as project documents and other pertinent data concerning the Target Group, provided to us by the Target Group and the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries, and have obtained such further information as is considered necessary for the purpose of this valuation.

The conclusion of value is based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Group, the Company, and Ascent Partners.

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13. Risk Factors

a) *General economic, political and social considerations*

Due to the uncertainties in economic situation, there is no guarantee that the expected financial performance will materialize. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of the Target Group. None of these changes can be foreseen with certainty.

b) *Inflation*

The concurrent loosening of monetary policies by the central banks in many developed and developing countries pose a significant risk of inflation, which will erode the profitability of the Target Group.

c) *Company specific risk*

The performance of the Target Group may be better or worse than the expectation, and the resulting earnings and cash flows can be very different from our estimates. The possibility of severe operational incidence, whether it is exogenous or endogenous, cannot be precluded.

d) *Technological changes*

Any changes in the technological developments and advancements may have significant impacts on the projections of the future income of the Target Group. To remain competitive in the industry, the Target Group may be required to make substantial capital expenditures to keep up with technological changes.

e) *Concentration risk*

The revenue of the Target Group is heavily dependent on a single business segment. There is no guarantee that this business relationship can be maintained and that the products of the Target Group will remain popular.

14. Opinion of Value

Based on the result of our investigations and analyses outlined in this report, we are of the opinion that the fair value of the 80% equity interest in the Target Group as at the Valuation Date, free from any encumbrances, is **CNY160,000,000 (CHINESE YUAN ONE HUNDRED SIXTY MILLION ONLY)**.

Yours faithfully,

For and on behalf of
Ascent Partners Valuation Service Pte Limited



William Yuen
Director
CFA, FRM



Notes:

1. *Mr. William Yuen is a Chartered Financial Analyst® charterholder and Financial Risk Manager - Certified by the Global Association of Risk Professionals. He also holds a Master degree of Science in Finance. Mr. Yuen has over 10 years' experience in valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries.*

2. *This valuation report is co-authored by Mr. Wayne Hu.*



Appendix I Limiting Conditions

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation and other pertinent data concerning this valuation made available to us. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper documentation is maintained, and the financial statements and other information give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the valuation subject.

6. We assume that there are no hidden or unexpected conditions associated with valuation subject that might adversely affect the reported value(s). Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any other party without Ascent Partners' prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers and is for the use only of the party to whom it is addressed. No responsibility is accepted with respect to any third party for the whole or any part of its contents.



Appendix II (a) Guideline Public Companies

The Bloomberg database is searched exhaustively for all listed companies principally providing feed additives related business, resulting in a short-list consisting of 10 companies. The business model and product profiles of the short-listed companies are examined in further screening, with the information obtained from the companies' web-sites and/or other reliable sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of the 普润, are adopted as guideline public companies for the valuation:

a. the companies are principally engaged in producing feed additives related business;

b. the principal business of the companies is located in China or Hong Kong;

c. shares of the companies are listing in a major stock exchange and have been actively trading for a reasonable period of time; and

d. detailed financial and operational information in respect of the companies are available at the Bloomberg terminal or other publicly available sources.

By studying the companies' operations in detail, 5 guideline public companies are adopted:

- ***Guideline Public Company 1: Bluestar Adisseo Co (600299 CH Equity)***

  Bluestar Adisseo Co manufactures and markets feed additives. The company's products include organic silicone monomer, epoxy resin, bisphenol A, PBT resin, phenol, acetone, and other related chemicals. Bluestar Adisseo designs, produces and markets nutritional solutions for sustainable animal feed globally.

- ***Guideline Public Company 2: Zhejiang NHU Co., Ltd. (002001 CH Equity)***

  Zhejiang NHU Co., Ltd. manufactures and markets organic chemical products and feed additive. The company's products include EMME, Vitamin E and Vitamin A.

- ***Guideline Public Company 3: Xiamen Kingdomway Group Co (002626 CH Equity)***

  Xiamen Kingdomway Group Co produces and sells fortified food and feed additives. The company's major products include Coenzyme A10, VA, VD3, microalgae DHA, vegitable ARA.

- ***Guideline Public Company 4: Tecon Biology Co., Ltd. (002100 CH Equity)***

  Tecon Biology Co., Ltd. manufactures and sells animal feeds, feed additives, agricultural, and livestock products throughout China.

- ***Guideline Public Company 5: Guangdong VTR Bio-tech Company Limited (300381 CH Equity)***

  Guangdong VTR Bio-tech Company Limited manufactures and sells feed additive, feed additive premix, veterinary medicine powder and granules. The company's main product is Yiduozyme.

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Appendix II (b) Guideline Public Companies

The Bloomberg database is searched exhaustively for all listed companies principally providing food additives related business, resulting in a short-list consisting of 16 companies. The business model and product profiles of the short-listed companies are examined in further screening, with the information obtained from the companies' web-sites and/or other reliable sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of the 兴润, are adopted as guideline public companies for the valuation:

a. the companies are principally engaged in producing food additives related business;

b. the principal business of the companies is located in China or Hong Kong;

c. shares of the companies are listing in a major stock exchange and have been actively trading for a reasonable period of time; and

d. detailed financial and operational information in respect of the companies are available at the Bloomberg terminal or other publicly available sources.

By studying the companies' operations in detail, 6 guideline public companies are adopted:

- ***Guideline Public Company 1: Yifan Pharmaceutical Co., Ltd. (002019 CH Equity)***

  Yifan Pharmaceutical Co., Ltd. manufactures biochemicals. The company's main products include food additives, pharmaceuticals, fine chemical products, calcium pantothenate, and polymer materials. The company also offers technology development and transfer, in addition to technical advice and services.

- ***Guideline Public Company 2: Qianjiang Yongan Pharmaceutical Company Ltd (002365 CH Equity)***

  Qianjiang Yongan Pharmaceutical Company Ltd develops, manufactures, and sells taurine. The company's taurine products include medical taurine and food additive taurine.

- ***Guideline Public Company 3: Xiamen Kingdomway Group Co (002626 CH Equity)***

  Xiamen Kingdomway Group Co produces and sells fortified food and feed additives. The company's major products include Coenzyme A10, VA, VD3, microalgae DHA, vegitable ARA.

- ***Guideline Public Company 4: Vedan International (Holdings) Limited (2317 HK Equity)***

  Vedan International (Holdings) Limited manufactures and sells fermentation-based food additive and biochemical products, cassava starch-based industrial products, specialty chemical products, and beverages.

- ***Guideline Public Company 5: Qianhe Condiment and Food Co Ltd (603027 CH Equity)***

  Qianhe Condiment and Food Co Ltd develops and sells food additives. The company sells soy sauce, vinegar, spices, caramel color and more.

- ***Guideline Public Company 6: Changmao Biochemical Engineering Company Limited (954 HK Equity)***

  Changmao Biochemical Engineering Company Limited produces and sells organic acids, which are derived from maleic anhydride or crude maleic anhydride, and mainly used as pharmaceutical intermediates and/or food additives.

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Appendix III FRS 113 Disclosure

Inputs to valuation technique are categorized into three levels in accordance with FRS 113.

Definitions of levels of inputs are as follows:

Level 1 inputs	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 inputs	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs	Unobservable inputs for the asset or liability.

Below are the inputs to valuation technique adopted:

Level 3 Fair Value Measurement

Valuation Technique	Input(s)	Effect on fair value for increase of inputs
Market Approach	P/E ratio	Increase
	DLOM	Decrease
	Control Premium	Increase

UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration Number: 28925)

NOTICE IS HEREBY GIVEN that a Special General Meeting ("**SGM**") of United Food Holdings Limited (the "**Company**") will be held at Room 502, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on 20 July 2018 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the following resolution as an ordinary resolution:-

*All capitalised terms used in this Notice of SGM which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the circular dated 5 July 2018 to Shareholders of the Company (the "**Circular**").*

AS ORDINARY RESOLUTION

RESOLUTION: THE PROPOSED ACQUISITION OF THE TARGET COMPANIES AS A MAJOR TRANSACTION

That approval be and is hereby given for:

(a) the acquisition of (i) 80% of the total equity interests in Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司), (ii) 80% of the total equity interests in Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) and (iii) 80% of the issued and paid-up share capital of Benchmark Trade Limited (the "**Target Companies**") from Chengde Xingxinda Shengwu Keji Co., Ltd. (承德兴新达生物科技有限公司) ("**Vendor A**"), Chengde Pumeida Shengwu Keji Co., Ltd. (承德普美达生物科技有限公司) ("**Vendor B**") and Lin Zhongshi (林忠师) ("**Vendor C**") (collectively, the "**Vendors**") for an aggregate consideration of RMB120,000,000 which shall be satisfied by (i) a refundable cash deposit of RMB25,000,000; (ii) a further cash amount of RMB10,000,000 and (iii) an aggregate amount of up to RMB85,000,000 payable by way of issuance of convertible bonds ("**Bonds**"), subject to the terms and conditions of the sale and purchase agreement dated 5 October 2017 as entered into between the Vendors, Shenzhen Baoyao Agricultural Products Ltd. and Brighten Ocean International Ltd., (both of which are wholly owned subsidiaries of the Company (the "**Purchasers**")) and the Company (the "**SPA**") as amended and supplemented by the supplemental agreement dated 26 June 2018 (the "**Proposed Acquisition**");

(b) the allotment and issuance of Bonds by the Company to Vendor C equivalent to RMB85,000,000 of the Purchase Consideration, at an initial Conversion Price of S$0.45 and subject to the terms of the SPA;

(c) the allotment and issuance of up to 38,576,307 Conversion Shares upon the conversion of all the Bonds at the Conversion Price of S$0.45 on and subject to the terms of the SPA, whereby such Conversion Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the Record Date of which is before the date of issuance of the Conversion Shares, and will be admitted to listing on the Mainboard of the SGX-ST;

(d) the allotment and issuance of up to 38,576,307 Conversion Shares upon the conversion of all the Bonds at the Conversion Price of S$0.45 on and subject to the terms of the SPA, and such issuance of Conversion Shares constituting the transfer of a controlling interest in the Company to Vendor C pursuant to Rule 803 of the Listing Manual;

(e) the issuance of Conversion Shares and/or the adjustment to the Conversion Price of the Bonds as may be required or permitted to be issued on and subject to the Bond Conditions;

(f) the allotment and issuance of such further Conversion Shares as may be required to be allotted and issued upon the exercise of any Bonds subsequent to any adjustment to the Conversion Price of the Convertible Bonds pursuant to the Bond Conditions, whereby such further Conversion Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the Record Date of which is before the date of issuance of the Conversion Shares, and will be admitted to listing on the Mainboard of the SGX-ST, and such further Conversion Shares together with any existing Conversion Shares allotted and issued prior to any such adjustments of the Conversion Price of the Convertible Bonds may constitute a transfer of controlling interest in the Company to Vendor C pursuant to Rule 803 of the Listing Manual; and

(g) the Directors of the Company and each of them be and are hereby authorised to complete and to do all acts and things as they and/or each of them may consider desirable, necessary or expedient for the purposes of or in connection with the Proposed Acquisition and to give effect to this resolution (including any amendment to the SPA, execution of any other agreements or documents and procurement of third party consents as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company).

By Order of the Board
United Food Holdings Limited

Yoo Loo Ping
Chiang Wai Ming
Joint Company Secretaries
5 July 2018

IMPORTANT: Please read notes below.

Notes:

1. A depositor holding Shares through The Central Depository (Pte) Limited ("**Depositor**") who is an individual and who wishes to attend the SGM in person need not take any further action and can attend and vote at the SGM 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 SGM 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 the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the SGM. Similarly, a Depositor who is a corporation and who wishes to attend the SGM must submit the Depositor Proxy Form for the appointment of nominee(s) to attend and vote at the SGM on its behalf.

3. If a member with Shares registered in his name in the Register of Members is unable to attend the SGM and wishes to appoint a proxy to attend and vote at the SGM 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 the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the SGM.

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 SGM and wishes to be represented at the SGM, he should use the Depositor Proxy Form and the Member Proxy Form, respectively, for 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 the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the SGM.

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 SGM 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 SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the SGM (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.