# UNITED FOOD HOLDINGS LIMITED

## Fourth Quarter Financial Statements for the Twelve Months Ended 31 December 2018

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 ,Q3,Q4),**

**The figures presented below have not been audited.**

**1(a) An income statement and a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018**

| | | Group | | | | | |
|---|---|---|---|---|---|---|---|
| | | 3 months ended | | | 12 months ended | | |
| | | 31/12/2018 | 31/12/2017 | Change | 31/12/2018 | 31/12/2017 | Change |
| | Note | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| **CONTINUING OPERATIONS** | | | | | | | |
| Revenue | (A) | 35,307 | 10,192 | 246.4 | 76,391 | 34,932 | 118.7 |
| Cost of sales | | (32,529) | (9,300) | 249.8 | (70,295) | (33,463) | 110.1 |
| Gross profit / (loss) | (B) | 2,778 | 892 | 211.4 | 6,096 | 1,469 | 315.0 |
| Other income | (C) | 84 | 10 | N/M | 82,766 | 10 | N/M |
| Gain on disposal of subsidiary | (D) | - | - | N/M | 27,179 | - | N/M |
| Selling and distribution costs | | (50) | - | N/M | (52) | - | N/M |
| Administrative expenses | (E) | (3,795) | (1,839) | 106.4 | (7,120) | (4,157) | 71.3 |
| Finance expenses | | (288) | - | N/M | (381) | - | N/M |
| Profit/(loss) before tax from continuing operations | | (1,271) | (937) | 35.6 | 108,488 | (2,678) | N/M |
| Income tax expenses | | (869) | (317) | 174.1 | (913) | (393) | 132.3 |
| Profit/(loss) for the period from continuing operations | | (2,140) | (1,254) | 70.7 | 107,575 | (3,071) | N/M |
| | | | | | | | |
| **DISCONTINUED OPERATION** | | | | | | | |
| Loss for the period from a discontinued operation | | - | (30,292) | N/M | (17,100) | (65,343) | (73.8) |
| | | | | | | | |
| Profit/(loss) for the period | | (2,140) | (31,546) | (93.2) | 90,475 | (68,414) | N/M |
| | | | | | | | |
| Attributable to : | | | | | | | |
| Owners of the Company | | (2,125) | (31,886) | (93.3) | 90,004 | (68,804) | N/M |
| Non-controlling interest | | (15) | 340 | (95.6) | 471 | 390 | 20.8 |

**Note: For Notes (A) – (E), please refer to Item 8.**
**Note: N/A - Not applicable**
**N/M – Not meaningful**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 3 months ended | | | 12 months ended | | |
| | 31/12/2018 | 31/12/2017 | Change | 31/12/2018 | 31/12/2017 | Change |
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| Profit/(loss) for the period | (2,140) | (31,546) | (93.2) | 90,475 | (68,414) | N/M |
| Other comprehensive income/(loss) | | | | | | |
| Exchange differences on translation of financial statements of foreign operation | 793 | (1,348) | N/M | 890 | (1,202) | N/M |
| Total comprehensive profit/(loss) for the period | (1,347) | (32,894) | (95.9) | 91,365 | (69,616) | N/M |
| Attributable to : | | | | | | |
| Owners of the Company | (1,525) | (33,305) | (95.4) | 91,096 | (70,080) | N/M |
| Non-controlling interest | 178 | 411 | (56.7) | 269 | 464 | (42.0) |

**The Group's loss before tax is arrived at after charging:**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 3 months ended | | | 12 months ended | | |
| | 31/12/2018 | 31/12/2017 | Change | 31/12/2018 | 31/12/2017 | Change |
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| Depreciation of property, plant and equipment | 475 | 1,740 | (72.7) | 5,277 | 13,332 | (60.4) |
| Amortisation of land use rights and intangible assets | 112 | 848 | (86.8) | 2,489 | 6,638 | (62.5) |

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

**CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2018**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| | Note | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investment in subsidiary | | - | - | 9 | 9 |
| Property, plant and equipment | (F) | 25,150 | 3 | - | - |
| Land use rights | (F) | 21,602 | - | - | - |
| Intangible asset | (F) | 234,903 | - | - | - |
| Goodwill | (G) | 12,742 | 12,742 | - | - |
| Other non-current assets | | 17 | - | - | - |
| | | 294,414 | 12,745 | 9 | 9 |
| **Current assets** | | | | | |
| Inventories | | 2,097 | - | - | - |
| Trade receivables | (H) | 7,437 | 11,695 | - | - |
| Other receivables | (I) | 89,278 | 60,107 | 15,111 | 106 |
| Amount due from subsidiaries | | - | - | 101,089 | 43,630 |
| Cash and cash equivalents | | 74,376 | 62,973 | 487 | 1,006 |
| | | 173,188 | 134,775 | 116,687 | 44,742 |
| Disposal group classfied as held for sale | | - | 77,850 | - | - |
| | | 173,188 | 212,625 | 116,687 | 44,742 |
| **Total assets** | | 467,602 | 225,370 | 116,696 | 44,751 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Issued capital | | 15,975 | 15,975 | 15,975 | 15,975 |
| Reserves | | 260,219 | 169,123 | 86,068 | 14,106 |
| Equity attributable to owners of the company | | 276,194 | 185,098 | 102,043 | 30,081 |
| Non-controlling interest | (J) | 52,182 | 1,278 | - | - |
| | | 328,376 | 186,376 | 102,043 | 30,081 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | (K) | 40,885 | 25,147 | 462 | 1,131 |
| Amounts due to subsidiaries | | - | - | 14,191 | 13,539 |
| Amount due to a shareholder | (L) | 2,938 | 321 | - | - |
| Current tax payable | | 403 | 598 | - | - |
| | | 44,226 | 26,066 | 14,653 | 14,670 |
| Disposal group classfied as held for sale | | - | 12,928 | - | - |
| | | 44,226 | 38,994 | 14,653 | 14,670 |
| **Non-current liabilities** | | | | | |
| Bank loan | | 10,000 | - | - | - |
| Convertible liability | (M) | 85,000 | - | - | - |
| | | 95,000 | - | - | - |
| **Total equity and liabilities** | | 467,602 | 225,370 | 116,696 | 44,751 |

**Note: For Notes (F) to (M), please refer to Item 8.**

## 1(b)(ii) Aggregate amount of group's borrowings and debt securities

### Amount repayable in one year or less, or on demand

| As at 31/12/2018 | | As at 31/12/2017 | |
|---|---|---|---|
| **Secured** | **Unsecured** | **Secured** | **Unsecured** |
| **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| N/A | 2,938 | N/A | 321 |

### Amount repayable after one year

| As at 31/12/2018 | | As at 31/12/2017 | |
|---|---|---|---|
| **Secured** | **Unsecured** | **Secured** | **Unsecured** |
| **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| N/A | 95,000,000 | N/A | N/A |

### Details of any collateral

**N/A**

## 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018**

| | Group | |
|---|---|---|
| | 12 months ended | |
| | 31/12/2018 | 31/12/2017 |
| | RMB'000 | RMB'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit/(loss) before tax | | |
| From continuing operations | 108,488 | (2,678) |
| From a discontinued operation | (17,100) | (65,343) |
| Adjustments for: | | |
| Amortisation of land use rights and intangible assets | 2,489 | 6,638 |
| Depreciation of property, plant and equipment | 5,277 | 13,332 |
| Impairment loss on land use rights | - | 9,019 |
| Impairment loss on property, plant and equipment | - | 11,925 |
| Translation difference | - | (1,115) |
| Gain on disposal of subsidiary | (27,179) | - |
| Other income from acquisition of subsidiary | (82,453) | - |
| Bank interest income | (315) | (10) |
| Cash flow used in operating activities before working capital changes | (10,792) | (28,232) |
| Change in inventories | 6,392 | 5,568 |
| Change in trade and other receivables | (18,343) | 28,145 |
| Change in trade and other payables | (14,128) | 1,225 |
| Cash used in operations | (36,871) | 6,706 |
| Interest received | 315 | 10 |
| Net cash generated from / (used in) operating activities | (36,556) | 6,716 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Cash received for disposal of a subsidiary | 40,000 | - |
| Cash used for disposal of subsidiary | (53) | - |
| Cash received (used) for acquisition of a subsidiary | 334 | (15,849) |
| Cash used for fixed asset | (239) | - |
| Net cash used in investing activities | 40,042 | (15,849) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Advance from a shareholder | 2,618 | - |
| Repayment of advance to a shareholder | (26) | (671) |
| Proceeds from issue of new shares | - | 52,925 |
| Net cash generated from financing activities | 2,592 | 52,254 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 6,078 | 43,121 |
| Exchange differences | 890 | (5) |
| Cash and cash at the beginning of period | 67,408 | 24,292 |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | 74,376 | 67,408 |

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

| Group | Issued capital | Share premium | Contributed surplus | Accumulated losses | Exchange translation reserve | Statutory reserves | Capital redemption reserve | Non-contrilling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2018 | 15,975 | 48,729 | 397,141 | (298,067) | (1,093) | 19,431 | 2,982 | 1,278 | 186,376 |
| Transactions with the owners recognised directly in equity | | | | | | | | | |
| Issue of new shares | - | - | - | - | - | - | - | - | - |
| Acquisitions of subsidiaries | - | - | - | - | - | - | - | 50,635 | 50,635 |
| Total transactions with the owners recognised directly in equity | - | - | - | - | - | - | - | 50,635 | 50,635 |
| Total comprehensive income for the period | | | | | | | | | |
| Profit/(loss) for the period | - | - | - | 90,004 | - | - | - | 471 | 90,475 |
| Exchange differences on translation of financial statements of foreign operation | - | - | - | - | 1,092 | - | - | (202) | 890 |
| Total comprehensive profit/(loss) for the period | - | - | - | 90,004 | 1,092 | - | - | 269 | 91,365 |
| Balance at 31 December 2018 | 15,975 | 48,729 | 397,141 | (208,063) | (1) | 19,431 | 2,982 | 52,182 | 328,376 |

| Group | Issued capital | Share premium | Contributed surplus | Accumulated losses | Exchange translation reserve | Statutory reserves | Capital redemption reserve | Non-contrilling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2017 | 11,779 | - | 397,141 | (229,263) | 183 | 19,431 | 2,982 | - | 202,253 |
| Transactions with the owners recognised directly in equity | | | | | | | | | |
| Issue of new shares | 4,196 | 48,729 | - | - | - | - | - | - | 52,925 |
| Acquisitions of subsidiaries | - | - | - | - | - | - | - | 814 | 814 |
| Total transactions with the owners recognised directly in equity | 4,196 | 48,729 | - | - | - | - | - | 814 | 53,739 |
| Total comprehensive income for the period | | | | | | | | | |
| Loss for the period | - | - | - | (68,804) | - | - | - | 390 | (68,414) |
| Exchange differences on translation of financial statements of foreign operation | - | - | - | - | (1,276) | - | - | 74 | (1,202) |
| Total comprehensive loss for the period | - | - | - | (68,804) | (1,276) | - | - | 464 | (69,616) |
| Balance at 31 December 2017 | 15,975 | 48,729 | 397,141 | (298,067) | (1,093) | 19,431 | 2,982 | 1,278 | 186,376 |

| Company | Issued capital | Share premium | Contributed surplus | Accumulated losses | Exchange translation reserve | Capital redemption reserve | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2018 | 15,975 | 48,729 | 397,141 | (431,879) | (2,867) | 2,982 | 30,081 |
| Transactions with the owners recognised directly in equity | | | | | | | |
| Issue of new shares | - | - | - | - | - | - | - |
| Acquisitions of subsidiaries | - | - | - | - | - | - | - |
| Total transactions with the owners recognised directly in equity | - | - | - | - | - | - | - |
| Total comprehensive income for the period | | | | | | | |
| Profit for the period | - | - | - | 70,665 | - | - | 70,665 |
| Exchange differences on translation of financial statements of foreign operation | - | - | - | - | 1,297 | - | 1,297 |
| Total comprehensive loss for the period | - | - | - | 70,665 | 1,297 | - | 71,962 |
| Balance at 31 December 2018 | 15,975 | 48,729 | 397,141 | (361,214) | (1,570) | 2,982 | 102,043 |

| Company | Issued capital | Share premium | Contributed surplus | Accumulated losses | Exchange translation reserve | Capital redemption reserve | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2017 | 11,779 | - | 397,141 | (427,148) | (1,408) | 2,982 | (16,654) |
| Transactions with the owners recognised directly in equity | | | | | | | |
| Issue of new shares | 4,196 | 48,729 | - | - | - | - | 52,925 |
| Acquisitions of subsidiaries | - | - | - | - | - | - | - |
| Total transactions with the owners recognised directly in equity | 4,196 | 48,729 | - | - | - | - | 52,925 |
| Total comprehensive income for the period | | | | | | | |
| Loss for the period | - | - | - | (4,731) | - | - | (4,731) |
| Exchange differences on translation of financial statements of foreign operation | - | - | - | - | (1,459) | - | (1,459) |
| Total comprehensive loss for the period | - | - | - | (4,731) | (1,459) | - | (6,190) |
| Balance at 31 December 2017 | 15,975 | 48,729 | 397,141 | (431,879) | (2,867) | 2,982 | 30,081 |

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no treasury shares and subsidiary holdings. The Company does not have any shares that issued on conversion of any outstanding convertibles as at 31 December 2018 and 31 December 2017.

The acquisition of Hebei XingrunShengwuKejiGufen Co., Ltd. ("HBXR"), Chengde PurunShengwuZhiyao Co., Ltd. ("CDPR") and Benchmark Trade Limited ("Benchmark") (the "Acquisition") was approved by the shareholders at the Special General Meeting ("SGM") held on 20 July 2018, and completed in end September 2018. The balance purchase price of RMB85,000,000 payable to Vendors will be issued in three tranches of convertible bonds subject to the aggregate net profit after tax of the companies shall not less than RMB25,000,000 for each of FY2019, FY2020, and FY2021 (collectively). Assuming a full conversion of the principal amount of RMB85,000,000 in bonds to be issued, the 38,576,307 Conversion Shares will be issued in FY2022.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

| | Number of ordinary shares (par value of HK$0.10 each) | Number of ordinary shares (par value of HK$0.10 each) |
|---|---|---|
| | **2018** | **2017** |
| Issued and fully paid: | | |
| As at 1 January | 157,901,384 | 110,080,868 |
| Issuance of new shares during the nine months period | - | 47,820,516 |
| | | |
| As at 31 December | 157,901,384 | 157,901,384 |

The Company did not hold any treasury shares as at 31 December 2018 and 31 December 2017.

The Acquisition was approved by the shareholders at the SGM held on 20 July 2018, and completed in end September 2018. The balance purchase price of RMB85,000,000 payable to Vendors will be issued in three tranches of convertible bonds subject to the aggregate net profit after tax of the companies shall not less than RMB25,000,000 for each of FY2019, FY2020, and FY2021 (collectively). Assuming a full conversion of the principal amount of RMB85,000,000 in bonds to be issued, the 38,576,307 Conversion Shares will be issued in FY2022.

**1(d)(iv) A statement showing all sales, transfer, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

N/A

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

N/A

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited nor reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

N/A

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the preparation of the consolidated financial statements for the current reporting period compared with the audited financial statements as at 31 December 2017.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The adoption of the new or revised IFRS that are mandatory for financial year beginning on or after 1 January 2018, and such adoption has no significant impact on the Group's consolidated financial statements.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

| | Group | | | |
|---|---|---|---|---|
| | 3 months ended | | 12 months ended | |
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| | RMB | RMB | RMB | RMB |
| **EARNINGS PER ORDINARY SHARE** | | | | |
| | | | | |
| (i) Based on weighted average number of ordinary shares in issue | | | | |
| - For profit (loss) for the period | (0.01) | (0.20) | 0.57 | (0.50) |
| | | | | |
| - For profit (loss) from continuing operations for the period | (0.01) | (0.01) | 0.68 | (0.02) |
| | | | | |
| (ii) On a fully diluted basis | N/A | N/A | N/A | N/A |
| | | | | |

(i) Profit/(loss) per ordinary share on the existing issued share capital is computed based on the weighted average number of shares in issue during three and twelve months ended 31 December 2018 of 157,901,384 shares (three and twelve months ended 31 December 2017 of 157,901,384 shares).

(ii) There were no potential dilutive ordinary shares in existence for the three and twelve months ended 31 December 2018 and 31 December 2017, respectively and accordingly, no diluted loss per share has been presented.

(iii) The Acquisition was approved by the shareholders at the SGM held on 20 July 2018, and completed in end September 2018. The balance purchase price of RMB85,000,000 payable to Vendors will be issued in three tranches of convertible bonds subject to the aggregate net profit after tax of the companies shall not less than RMB25,000,000 for each of FY2019, FY2020, and FY2021 (collectively). Assuming a full conversion of the principal amount of RMB85,000,000 in bonds to be issued, the 38,576,307 Conversion Shares will be issued in FY2022.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number issued share excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

| | Group | | Company | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| | RMB | RMB | RMB | RMB |
| **NET ASSETS VALUE PER ORDINARY SHARE** | | | | |
| | | | | |
| Net asset backing per ordinary share based on existing | | | | |
| issued share capital as at the end of the period report on | 1.75 | 1.17 | 0.65 | 0.19 |
| | | | | |

The net asset value for the Group and the Company per ordinary share were calculated based on 157,901,384 shares and 157,901,384 shares in issue as at 31 December 2018 and 31 December 2017 respectively.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**Performance Review**

The Acquisition financial performance has been consolidated into the Group from 4Q2018. The main changes in the balance sheet resulted from the consolidation of the Acquisition.

**(A) Revenue from continuing operations**

The Group recorded revenue of RMB35.3 million in the fourth quarter ended 31 December 2018 ("4Q2018") compared to RMB10.2 million in 4Q2017, representing an increase of 246.4%. The revenue of RMB35.3 million was mainly from the Group's Trading Segment, with limited contribution from the newly acquired animal feed segment.

**Revenue from discontinued operations**

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

**(B) Gross profit /(loss) margin**

The Group recorded a gross profit margin of 7.87% for the continuing operations in 4Q2018 compared to 8.75% in 4Q2017 which was mainly contributed by the trading segment.

**(C) Other income**

Other income of RMB0.084 million in 4Q2018 compared to RMB0.01 million in 4Q2017, due mainly to a higher interest income.

**(D) Gain on disposal of subsidiary**

Gain on disposal of subsidiary resulted from the disposal of Post-Ante Trading Limited, Globe Bright Limited, Linyi Shengquan Grease Co., Ltd ("SQ Grease") and Linyi Jiang Tian Trading Limited related to the soybean processing, feed production and pig rearing operating segments, which are classified as assets held for sale at 31 December 2017. The Group has received approval at the SGM on 29 March 2018 to dispose of the operations. The disposal was completed on 10 May 2018.

**(E) Administrative expenses**

Administrative expenses increased by 106.4% in 4Q2018 compared to 4Q2017, mainly due to professional fees incurred for the Acquisition.

**(F) PPE, land use rights, intangible assets**

PPE, land use rights and intangible assets were generated from the Acquisition. The Acquisition was approved by the shareholders at the SGM held on 20 July 2018 and completed in end September 2018.

**(G) Goodwill**

Goodwill resulted from the acquisition of Really Time Trading Limited, which was completed in August 2017.

**(H) Trade receivables**

Trade receivables were mainly the receivables from Really Time Trading Limited.

**(I) Other receivables**

Other receivables include deposits paid to the vendors of one potential acquisition projects amounting to RMB35 million, which will become part of the consideration after the completion of the acquisitions and/or refundable after the cancellation of the acquisitions. The potential acquisition projects have business operations which are similar in scope to the Group. The remaining proceeds from disposal of SQ Grease of RMB15 million is also expected to be received in 2Q2019.

**(J) Non-controlling interest.**

Non-controlling interest is the Minority shareholder interest from Really Time Trading Limited, HBXR, CDPR and Benchmark.

**(K) Trade and other payables**

The increase in trade and other payables were mainly due to the increase in other payables from HBXR, CDPR and Benchmark compared to 4Q2017.

**(L) Amount due to a shareholder**

Amount due to a shareholders are denominated in Hong Kong dollars, unsecured, non- interest bearing and repayable on demand.

**(M) Convertible liability**

Convertible liability arose from the Acquisition. This is the convertible bond contingent on the profit guarantee of the vendors.

**(N) Cash flow statement**

Net cash flow of RMB6.1 million was generated in 4Q2018.

## 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

**N/A**

## 10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group will continue to improve shareholders' value for the Group for the financial year ending 31 March 2019 and beyond. Following the completion of the Acquisition, in relation to the Group's production and sale of animal feed through CDPR, the Group can leverage on the Acquisition companies' research and technical expertise to create mutually beneficial synergies which include: (i) sharing of management, research and development capabilities, and (ii) providing a wider range of product offerings to customers and sharing of regional marketing and sales networks.

Moving forward, the Group believes that the future pursuit of the Company would mainly aim at sustainable developments within the food industry, and to also achieve continuous ethical issues in maximizing on i) transparency ii) fairness iii) humanitarian iv) socially responsibility and v) food safety and quality assurance. In addition, the trade war has proven to hinder both the PRC domestic economy and the global economy as a whole. It has caused a challenging outlook for the ongoing Chinese and global economic growth, the Group will continue to exert rigorous control over its business operations and strategies, with aims to safeguard the shareholders' assets, and be prudent and risk averse.

## 11. Dividend

***a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?
**No**

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?
**No**

***(c) Date Payable***

**N/A**

*(d) Books Closure Date*

**N/A**

## 12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared as the Group has incurred a loss for the 4Q2018.

## 13. Confirmation that the issue has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Board of Directors of United Food Holdings Limited hereby confirms that the undertakings from all its Directors and Executive Officers as required in the format as set out under Rule 720(1) of the Listing Manual were procured.

## 14. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained a statement to that effect.

The Company does not have an IPT Mandate.

## 15. Confirmation by Directors pursuant to Clause 705(5) of the Listing Manual of the SGX-ST

On behalf of the Board of Directors of the Company, we, Song Yanan and Wu Xiaoran, being Directors of the Company, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of United Food Holdings Limited which may render the unaudited financial statements for the twelve months ended 31 December 2018 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**
**UNITED FOOD HOLDINGS LIMITED**

**Wu Xiaoran**
**Director**
**13 February 2019**