INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of United Food Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company present fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

During the financial year ended 31 December 2017, the Group recognised employee benefits expense of RMB14.5 million (2016 - RMB20.3 million) in the consolidated statement of profit or loss and other comprehensive income of which an estimated RMB3.4 million for the period from January 2017 to May 2017 (2016 - RMB7.1 million for the year ended 31 December 2016) relates to employees who were made redundant arising from the suspension of the soybean processing division and closure of one animal feed production centre.

Based on local management's representation, these redundant employees had been retained on the payroll and were given a nominal monthly amount with the intention of rehiring them in future in the event of a resumption of the aforesaid businesses. These redundant employees have since moved on resulting in difficulties making payments to them individually. Former executive director cum chief executive officer handed out payments to the redundant employees on behalf of the local entity but did not obtain acknowledgment of receipt of payments from the redundant employees. These payroll expenses were incurred by Linyi Shengquan Grease Co., Ltd ("SQ Grease") which ceased payments to the retrenched employees from June 2017. During the financial year ended 31 December 2017, SQ Grease was transferred to disposal group classified as held for sale (Note 16) following the board of directors' committed plan to disposed of SQ Grease and several Group entities.

In the absence of evidence of receipt of wages by these redundant employees, we were unable to satisfy ourselves by alternative means concerning the occurrence and accuracy of the aforesaid payroll expenses of RMB3.4 million for the year ended 31 December 2017.

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

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

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

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

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

Information Other than the Financial Statements and Auditor's Report Thereon (Cont'd)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the occurrence and accuracy of payroll expenses for redundant employees for year ended 31 December 2017. Accordingly we are unable to conclude whether or not the other information is materially misstated with respect to this matter. We have nothing to report in this regard.

Key Audit Matters

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

Valuation of property, plant and equipment and land use rights (Refer to Notes 10 and 11 to the financial statements)

Risk:

Property, plant and equipment and land use rights collectively account for approximately 28% of the Group's total assets as at 31 December 2017. The Group has been incurring losses due to market conditions resulting in suspension of the soybean processing operations and closure of one animal feed production centre in prior years.

Management engaged an external professional valuer to assess the recoverable amount of property, plant and equipment and land use rights. The recoverable amount was determined to be the fair value less cost to sell of the assets, which was higher than the value in use of the assets.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and the underlying assumptions to be applied.

For the financial year ended 31 December 2017, the Group recognised an impairment loss of RMB20.9 million on property, plant and equipment and land use rights.

Our response and work performed:

We assessed the Group's processes for the selection of the external valuers, the determination of the scope of work of the external valuers, and the review and acceptance of the valuations reported by the external valuers. We have evaluated the competence, qualification and objectivity of management expert, obtained an understanding of the work of that expert, and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion. We also read the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We have evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for our purposes. Through our appointed auditor's expert, we considered the valuation methodologies used against those applied by the external valuers for similar property types. We have examined the valuation assumptions with regards to the market conformity. We have reviewed the mathematical correctness of fundamental calculation steps.

We also considered the adequacy of the descriptions in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Key Audit Matters (Cont'd)

Acquisition of subsidiaries – purchase price allocation (Refer to Note 8 to the financial statements)

Risk:

In August 2017, the Group completed the acquisition of Really Time Trading Limited and its subsidiary (the "RTTL Group").

IFRS 3 Business Combinations requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of the acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill.

Management has engaged an independent valuer to issue a valuation report on the fair values of the identified assets and liabilities at the acquisition date. The purchase price allocation exercise was completed before the reporting date and goodwill of RMB12.7 million was recognised. This process involves estimation and judgement of future performance of the business and discount rate applied to future cash flow forecasts.

Our response and work performed:

We assessed the competence, objectivity and capabilities of the external specialist enagaged by management to assess the purchase price allocation.

We engaged our valuation specialist to assess the valuation methodologies used by management and its external specialist in determining the fair value of the assets acquired and liabilities assumed.

We obtained the signed contractual agreement relating to the acquisition and read significant contract terms relevant to the accounting.

We discussed with management and its external specialisation on whether intangible assets may exist that are not included in the valuation report.

We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Test for goodwill impairment

Risk:

As of 31 December 2017, the total carrying amount of goodwill is approximately RMB12.7 million. In accordance with IAS 36 *Impairment of Assets*, the Group is required to annually test goodwill for impairment. This annual impairment test was significant to our audit because the assessment process is complex and judgemental and based on assumptions that are affected by expected future market or economic conditions.

Our response and work performed:

We engaged our valuation expert to assist us in evaluating the assumptions and methodologies used by management in estimating future cash flows using a value-in-use calculation. We reviewed management's cash flows projection and assessed the basis of determining the discount rate reflecting risk in the discounted cash flow evaluation. We assessed the annual growth rate and long-term growth rate applied within the model, including comparison to economic and industry forecasts where appropriate.

We have evaluated whether the auditors' expert has the necessary competence, capability and objectivity for our purpose.

We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

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

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Other matter

The independent auditor's report dated 5 April 2017 on the financial statements for the financial year ended 31 December 2016 of which we were auditors expressed a qualified audit opinion.

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

The engagement partner on this audit resulting in this independent auditor's report is Toh Kim Teck.

Foo Kon Tan LLP
Public Accountants
and Chartered Accountants

Toh Kim Teck

Singapore
8 May 2018

8 Subsidiaries

The Company	2017 RMB'000	2016 RMB'000
Unquoted equity shares, at cost	223,747	223,747
Less: Impairment loss on net investment in subsidiaries	(223,738)	(223,738)
Net carrying value	9	9
Accumulated impairment losses		
At beginning and end of the year	223,738	223,738

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group		Principal activities
		2017 %	2016 %	
Directly held by the Company				
Post-Ante Trading Limited	British Virgin Islands	100	100	Investment holding
Brighten Ocean International Limited ("Brighten Ocean")	Hong Kong	100	100	Investment holding
Held by Post-Ante				
Globe Bright Limited ("GBL")`	Hong Kong	100	100	Provision of administrative services
Linyi Shengquan Grease Co., Ltd	PRC	100	100	Production and sale of soybean meal and soybean oil and feed production
Held by Brighten Ocean				
Yi Kei International Limited ("Yi Kei")	Hong Kong	100	100	Investment holding
Pearlfield China Limited ("Pearlfield")	Hong Kong	100	100	Investment holding
Held by Pearlfield				
Shenzhen Bao Yao Agricultural Products Limited	PRC	100	100	Trading of agricultural products
Really Time Trading Limited ("RTTL")	Hong Kong	80	–	Trading of food products
Held by RTTL				
Shenzhen Hualitai Food Trading Co., Ltd	PRC	80	–	Trading of food products

8 Subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group		Principal activities
		2017 %	2016 %	
Held by Yi Kei				
Shenzhen Yi Kei Logistics Supply-chain Limited	PRC	100	100	Logistics services
Held by GBL				
Linyi Jiang Tian Trading Limited	PRC	100	100	Trading of food products

All subsidiaries of the Group, as listed above, are audited by Foo Kon Tan LLP for consolidation purposes.

Acquisitions of subsidiaries

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

From the date of acquisition to 31 December 2017, the RTTL Group contributed revenue of RMB34,932,000 and net profit of RMB1,950,000 to the Group's results.

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

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

Measurement of fair value

Financial assets and financial liabilities

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

8 Subsidiaries (Cont'd)

Measurement of fair value (Cont'd)

Non-controlling interests

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

Acquisition-related costs

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

Summarised financial information in respect of the Group's subsidiaries that have non-controlling interests (NCI) is set out below. The summarised financial information without adjusting for equity interest of NCIs in the subsidiaries represents amounts before inter-company eliminations.

	RTTL Group RMB'000
2017	
Revenue	34,932
Profit for the year	1,950
Other comprehensive income ("OCI")	369
Total comprehensive income	2,319
Attributable to NCI:	
Profit for the year	390
OCI	74
Total comprehensive income attributable to NCI	464
Non-current assets	3
Current assets	52,676
Current liabilities	(46,289)
Net assets	6,390
Net assets attributable to NCI:	1,278
Net cash outflow from operating activities	(1,220)
Net cash outflow from investing activities	(39,928)
Net cash inflow from financing activities	41,978
Net changes in cash and cash equivalents	830

10 Property, plant and equipment

The Group	Buildings RMB'000	Leasehold Improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2016 and 31 December 2016	471,036	74,271	541,658	769	5,369	1,093,103
Additions	–	–	–	3	–	3
Reclassified to assets held for sale (Note 16)	(471,036)	(74,271)	(541,658)	(769)	(5,369)	(1,093,103)
At 31 December 2017	–	–	–	3	–	3
Accumulated depreciation and impairment loss						
At 1 January 2016	417,096	72,710	451,056	598	5,369	946,829
Depreciation for the year	7,884	1,561	16,678	47	–	26,170
Impairment loss	6,515	–	45,032	–	–	51,547
At 31 December 2016	431,495	74,271	512,766	645	5,369	1,024,546
Depreciation for the year	8,651	–	4,635	46	–	13,332
Impairment loss	11,925	–	–	–	–	11,925
Reclassified to assets held for sale (Note 16)	(452,071)	(74,271)	(517,401)	(691)	(5,369)	(1,049,803)
At 31 December 2017	–	–	–	–	–	–
Net book value						
At 31 December 2017	–	–	–	3	–	3
At 31 December 2016	39,541	–	28,892	124	–	68,557

Impairment tests for property, plant and equipment and land use rights

During the financial year, management carried out a review of the recoverable amount of its property, plant and equipment, and land use rights attributable to the related CGUs. An impairment loss of RMB11,925,000 (2016 - RMB51,547,000) and RMB 9,019,000 (2016 – Nil), being the excess of the carrying amounts over the recoverable amounts, was recognised on property, plant and equipment, and land use rights, respectively, for the year ended 31 December 2017.

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

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

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

11 Land use rights

The Group	2017 RMB'000	2016 RMB'000
Cost		
At 1 January	216,000	216,000
Reclassified to assets held for sale (Note 16)	(216,000)	–
At 31 December	–	216,000
Accumulated amortisation and impairment		
At 1 January	179,913	172,194
Amortisation for the year	6,638	7,719
Impairment for the year (Note 10)	9,019	–
Reclassified to assets held for sale (Note 16)	(195,570)	–
At 31 December	–	179,913
Net book value		
At 31 December	–	36,087

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

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

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

In compliance with IFRS 105 Non-Current Assets Held for Sale and Discontinued Operations, the assets and liabilities of the Disposal Group are classified as a disposal group held for sale on the consolidated balance sheet and its results are presented separately in the consolidated statement of profit or loss as "Discontinued Operations".

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

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

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