Asset Acquisitions and Disposals::PROPOSED ACQUISITION OF 80% SHAREHOLDING INTERESTS IN THE TARGET COMPANIES AS A MAJOR TRANSACTION

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UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration No. 28925)

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

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1. INTRODUCTION

The Board of Directors of the Company (the "**Directors**") wishes to announce 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**") respectively (collectively, the "**Sale Shares**") (the "**Proposed Acquisition**"). For the purpose of this Announcement, HBXR, CDPR and Benchmark are collectively known as the "**Target Companies**" and each a "**Target Company**".

Pursuant to the terms of the SPA, Shenzhen Baoyao Agricultural Products Ltd. will purchase the (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 RMB1: S$4.8965 as at 4 October 2017) (the "**Purchase Consideration**"), details of which are set out in paragraph 5 of this Announcement.

In connection with the Proposed Acquisition, Brighten Ocean International Ltd. had also on 5 October 2017, entered into a shareholders' agreement in relation to Benchmark with Vendor C, who remains the 20% shareholder in Benchmark, to regulate the relationship between the shareholders of Benchmark ("**Benchmark SHA**"). The Benchmark SHA seeks to set out the basis on which the business affairs of Benchmark will be managed and controlled, as well as to provide for their rights and duties as shareholders of Benchmark.

2. DETAILS OF THE TARGET COMPANIES

2.1. Background on the Target Companies

The Target Companies are collectively in the agribusiness and animal feed operations in People's Republic of China ("**PRC**"), and are involved in the development, manufacture and sale of animal feed and animal feed-related products. The Target Companies also conducts extensive research and development into bio-chemical related technologies, and the development, synthesis and sale of antioxidants. The general incorporation details of the Target Companies are set out below:

Name	Principal Activities	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	People's Republic of China	RMB24,490,000
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	People's Republic of China	RMB30,000,000

Name	Principal Activities	Place of Incorporation	Issued and Paid up Share Capital
Benchmark Trade Limited	Investment Holding(1)	Marshall Islands	US$32,051,282

Note:

(1) As at the date of the Announcement, Benchmark is an investment holding company. Pursuant to the patent licence agreement dated 5 August 2017 granted by HBXR to Benchmark ("**Patent Licence Agreement**"), HBXR granted Benchmark a licence to manufacture L-AP both inside and outside of PRC, use of the know-how in connection with the Patent (as defined herein) and to import and export products manufactured in connection with the Patent, for a period of ten years. Please refer to Section 2.2 of this Announcement for more details.

2.2. Information of the Target Companies

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 feeds. The veterinary industry in 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 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 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 2013104618846 for the preparation process, technology and development of a special traditional Chinese medicine aimed at preventing diarrhoea in livestock and poultry, and 4 trademarks of its logo in various industries, 2 of which will expire on 27 October 2023, one on 6 November 2023 and the remaining one on 20 January 2024.

CDPR owns a land use right for 26,404 m^2 located in Luanping County, Chengde City, Hebei Province, where its premix plant and warehouse, and HBXR's production facilities are located. The production capacity for CDPR's premix plant is 8,000 tons per annum.

HBXR is located in Luanping County, Chengde City, Hebei Province, PRC. Through the Patent Licence Agreement, 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.

The enzymatic synthesis production method used to produce L-AP has been registered as a patent by HBXR under patent application number 2008102358542 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.

HBXR granted Benchmark a licence through the Patent Licence Agreement to manufacture L-AP both inside and outside of 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 ten years. In return, Benchmark shall pay royalties of RMB220,000,000, which was subsequently satisfied by way of issuance of new shares of Benchmark to HBXR's designated nominee, Lin Zhongshi (林忠师), pursuant to the Collaboration Agreement (as defined herein). 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 to belong to Benchmark, subject to HBXR and Benchmark obtaining the necessary approvals in accordance with prevailing outbound investments and remittance laws of the PRC.

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.

2.3. Net Tangible Asset Value and Book Value of the Sale Shares

As at 31 May 2017, the net liabilities attributed to 80% equity interests of HBXR is RMB-386,334. As at 31 May 2017, the audited book value attributed to 80% equity interests of CDPR is RMB 33,693,738. As at 15 August 2017, the audited book value attributed to 80% shareholding interests in Benchmark is US$25,637,831.

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 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 net tangible asset value ("**NTA**") of the Sale Shares is RMB24,126,186, computed upon a proportional 80% of the aggregate net tangible asset value of the Target Companies. This net tangible asset 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 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. The intangible asset value comprises the intellectual property rights of the Target Companies only and excludes the land use right held by CDPR.

2.4. Independent Valuation

The Company has appointed the Independent Valuer to perform a valuation of the Sale Shares. Based on the valuation report prepared by the Independent Valuer dated 5 October 2017 (the "**Valuation Report**"), 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 interest. 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.

3. DETAILS OF THE VENDORS

The Vendors of the Target Companies were introduced to the Company by our Non-Executive Chairman, Ms Song Yanan. The ultimate beneficial owners of Vendors A and B, Mr Xue Aiping (薛爱平) and Mr 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**"). The Vendors also jointly appointed Zhang Weiliang (张伟亮) as the authorised representative on all relevant documentation, and 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.

Vendor A is a company incorporated in the PRC on 26 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 22 December 2016 and is an investment holding company. Each of Mr Xue Aiping (薛爱平) and Mr Zhang Weiliang (张伟亮) owns 40% and 60% of the total equity interests in Vendor B, respectively.

Vendor C is 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. 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 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 a businessman in the business of real estate development. Together with Vendor C, they wish to work with each other to build the business in the Target Companies in the agribusiness and food industry, and also the development, synthesis and sale of antioxidants across various industries.

As at the date of this Announcement, none of the Vendors has any shareholding interest, direct or indirect in the Company, nor are any of the Vendors related to any of the Directors or controlling shareholder, or their respective associates. Our Directors, controlling shareholders and their respective associates do not have any shareholding interests, direct or indirect, in any of the Target Companies, nor are any of the Directors, controlling shareholders and their respective associates related to any of the Target Companies' directors or controlling shareholders, or their respective associates.

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 PRC, and allow the Group to expand its current production capacity and capabilities:

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

(b) In relation to the Group's production and sale of soyabean oil and animal feed, 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) 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 onto 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 in 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 Shareholders' value.

5. CONSIDERATION

5.1. Details of the Purchase Consideration

The aggregate purchase consideration of RMB120,000,000 ("**Purchase Consideration**") for the Sale Shares shall comprise:

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

(b) a further cash amount of RMB10,000,000 ("**Cash Consideration**") payable to Vendor B (as the designated nominee for and on behalf of the Vendors) at the date of completion of the Proposed Acquisition ("**Completion Date**"); and

(c) the balance purchase price of RMB85,000,000 payable to Vendor C by way of the issuance of zero per cent. convertible bonds, convertible at a price of S$0.45 (the "**Conversion Price**") with a conversion period of one year commencing on the first day of the financial year ended 31 December 2021 ("**FY2021**") (the "**Bonds**"), subject to the terms and conditions of the Profit Warranty (as defined herein).

The Deposit shall be distributed back to the Purchasers without interest in the event completion of the Proposed Acquisition ("**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 the financial years ended 31 December 2018 (“**FY2018**”), 31 December 2019 (“**FY2019**”) and 31 December 2020 (“**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 paragraph 7.4 of this Announcement.

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 and subject to the achievement of the Profit Warranty, and the rationale and benefits for the Proposed Acquisition.

5.2. Details 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 date falling at the end not more than 120 days from the end of FY2018, in the following manner:

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

Where:

A = Principal amount of Bonds to be issued to the Vendor, 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 = 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 ("**Adjusted Net Profit**") made in FY2018. This formula will not apply if the Adjusted Net Profit is negative

(b) On the date falling at the end not more than 120 days from the end of FY2019, in the following manner

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

B = Principal amount of Bonds to be issued to the Vendor, 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 date falling at the end not more than 120 days from the end of FY2020, in the following manner:

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

C = Principal amount of Bonds to be issued to the Vendor 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 share arising from the conversion of the Bonds (the "**Conversion Shares**" and each a "**Conversion Share**") represents a premium of approximately 21.62% to S$0.37, the volume weighted average price of the ordinary shares in the capital of the Company traded on the Singapore Exchange Securities Trading Limited ("**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 Company's existing issued and paid-up share capital of 157,901,384 Shares as at the date of this Announcement ("**Existing Issued Share Capital**") and will represent approximately 19.63% of the enlarged issued and paid-up share capital of 196,477,691 Shares on the first day of FY2021 ("**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 15.0% of the Enlarged Issued Share Capital of the Company, and Vendor C will be regarded as a Controlling Shareholder of the Company. Accordingly, pursuant to Rule 803 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), the Company will be seeking the approval of Shareholders for the transfer of controlling interest.

Rules 805 of the Listing Manual requires the approval of shareholders in a special 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 Bonds Issue, the Company will also be seeking a separate specific approval of Shareholders at a special general meeting for the Bonds Issue.

6. SOURCE OF FUNDS

The amount of RMB35,000,000 as a part of the Purchase Consideration (comprising the Deposit and Cash Consideration) will be funded by the Company's internal resources.

7. SALIENT TERMS OF THE SPA

7.1. 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 Company procuring, *inter alia*, the in-principal approval ("**AIP**") for the allotment and issuance of the Bonds and 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 a special general meeting 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 necessary waivers, consents and approvals regarding 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).

7.2. Pre-completion covenants

The Vendors undertakes that pending Completion:

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

(b) no change 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 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 or securities;

(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.

7.3. 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 30 June 2018 or such other date as the Parties may mutually agree in writing ("**Longstop Date**"). 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.

7.4. Profit Warranty

The Vendors have guaranteed that the Adjusted Net Profit of the Target Companies shall not be less than RMB25,000,000 for each of FY2018, FY2019 and FY2020 (collectively the "**Profit Warranty**").

Rule 1013(1) of the Listing Manual requires the Company to disclose the following information in respect of the Profit Warranty:

(a) The views of the board of directors of the issuer in accepting the profit guarantee or the profit forecast and the factors taken into consideration and basis for such a view;

(b) The principal assumptions including commercial bases and assumptions upon which the quantum of the profit guarantee or the profit forecast is based;

(c) The manner and amount of compensation to be paid by the vendor in the event that the profit guarantee or the profit forecast is not met and the conditions precedent, if any, and the detailed basis for such a compensation; and

(d) The safeguards put in place to ensure the issuer's right of recourse in the event that the profit guarantee or the profit forecast is not met, if any.

7.4.1 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 set out below) 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 PRC. The Group can also leverage on the Target Companies to immediately enhance its value proposition in both its existing and new markets.

7.4.2 Principal assumptions including commercial bases and 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 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;

(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.

7.4.3 Manner and Amount of Compensation to be paid by the Vendors and Safeguards

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 financial year ("**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, ie the Target Companies are loss making, the Vendors shall:

  (i) 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 below;

(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 paragraph 5.2 of this Announcement, 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 aggregate amount of Adjusted Net Profit of the Target Companies for the FY2018, FY2019 and FY2020 ("**Total Adjusted Net Profit**") is an amount:

(a) is 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 paragraph 5.2 of this Announcement; and

(b) is equal to or less than RMB0, any Bonds previously issued to Vendor C for the years of FY2018 and FY2019 in accordance with paragraph 5.2 of this Announcement and the Bond Conditions shall be cancelled in full, and no further Bonds shall be issued to Vendor C.

7.4.4 Appointment of External Auditor and Financial Adviser

The Target Companies have appointed Teamway & Partners (the "**External Auditor**") as its external auditor in relation to the Profit Warranty. As required under Rule 1013(2)(a) of the Listing Manual, the External Auditor will be providing its views on the bases, assumptions, policies and calculations of the profit projections, on which the Profit Warranty is based on, in the circular to be despatched to Shareholders.

The Company has appointed Crowe Horwath Capital Pte. Ltd. (the "**Financial Adviser**") as its financial adviser in relation to the Proposed Acquisition. As required under Rule 1013(2)(b) of the Listing Manual, the Financial Adviser will be providing its views on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interest of the Company and Shareholders, in the circular to be despatched to Shareholders.

8. SALIENT TERMS IN THE BENCHMARK SHA

8.1. 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.

8.2. 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.

8.3. Vendor C's Restrictive Covenants

Vendor C undertakes with Benchmark that he will not, *inter alia,* during his employment under any of the Target Companies as an employee, consultant, officer, or director of any of the Target Companies ("**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 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 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.

9. RELATIVE FIGURES BASED ON RULE 1006 OF THE LISTING MANUAL

Based on the latest announced unaudited consolidated financial statements of the Group for the period ending 30 June 2017, the relative figures in relation to the Proposed Acquisition pursuant to Rule 1006 of the SGX-ST Listing Manual, are:

(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 profit' means the profit before income tax, minority interests and extraordinary items and 'net loss' means the 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 Trading Day 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 Trading Day 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 Trading Day preceding the date of the SPA).

As the relative figure under Rule 1006 of the Listing Manual exceeds 20% but does not exceed 100%, the Proposed Acquisition constitutes a major transaction under Chapter 10 of the Listing Manual, and pursuant to Rule 1010 of the Listing Manual, it must be made conditional upon approval by shareholders of the Company in general meeting.

10. 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 2016 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 2016 and the Bonds were fully converted into 38,576,307 Conversion Shares as at 31 December 2016;

(c) for the purpose of computing the financial effects of the Proposed Acquisition on the earnings/losses of the Group, the Proposed Acquisition is assumed to have been completed on 1 January 2016;

(d) the financial effects of the Proposed Acquisition are based on the audited consolidated financial statements of the Group for FY2016, the audited financial statements for the financial year ended 31 December 2016 for each of CDPR and HBXR 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.

It should be noted that the financial effects set out below are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Company and the Group, after completion of the Proposed Acquisition.

10.1. Net Tangible Assets

The effect on the net tangible assets of the Company before and after the Proposed Acquisition, based on the latest audited consolidated financial statements of the Group as at 31 December 2016 are as follows:

	Before the Proposed Acquisition	**Before the Proposed Acquisition and after the 2017 Placements**	**After the Proposed Acquisition**	**After the Proposed Acquisition and assuming full conversion of the Bonds**[(1)]
NTA[(3)] (RMB'000)	202,253	255,349	162,978	247,978
Number of Shares	110,080,868[(3)]	157,901,384[(4)]	157,901,384[(4)]	196,477,691[(5)]
NTA per Share (RMB)	1.84	1.62	1.03	1.26

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 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 as at 31 December 2016 excludes the issuance of 22,016,173 Shares of S$0.038 per Share on 20 February 2017 pursuant to the announcements released by the Company on 16 January 2017, 13 February 2017, 20 February 2017, 12 May 2017 and 1 August 2017("**2017 February Placement Shares**") and the issuance of 25,804,343 Shares of S$0.39 per Share on 22 August 2017 pursuant to the announcements released by the Company on 12 July 2017, 7 August 2017 and 22 August 2017 ("**2017 August Placement Shares**").

(4) The total number of issued shares includes both the 2017 February Placement Shares and the 2017 August Placement Shares.

(5) The total number of issued shares includes the 2017 February Placement Shares, the 2017 August Placement Shares and 38,576,307 Conversion Shares.

10.2. Net Asset Value

The effect on the net asset value of the Company before and after the Proposed Acquisition, based on the latest audited consolidated financial statements of the Group as at 31 December 2016 are as follows:

	Before the Proposed Acquisition	**Before the Proposed Acquisition and after the 2017 Placements**	**After the Proposed Acquisition**	**After the Proposed Acquisition and assuming full conversion of the Bonds**(1)
NAV(2) (RMB'000)	202,253	255,349	348,046	433,046
Number of Shares	110,080,868(3)	157,901,384(4)	157,901,384(4)	196,477,691(5)
NAV per Share (RMB)	1.84	1.62	2.20	2.20

Notes:

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

(2) Net Asset Value ("**NAV**") is computed based on total assets less total liabilities.

(3) The total number of issued shares as at 31 December 2016 excludes the 2017 February Placement Shares and the 2017 August Placement Shares.

(4) The total number of issued shares includes both the 2017 February Placement Shares and the 2017 August Placement Shares.

(5) The total number of issued shares includes the 2017 February Placement Shares, the 2017 August Placement Shares and 38,576,307 Conversion Shares.

10.3. Loss Per Share

The effect on the loss per Share ("**LPS**") of the Company before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2016) are as follows:

	Before the Proposed Acquisition	**Before the Proposed Acquisition and after the 2017 Placements**	**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)	229,263	229,263	220,842	220,842
Weighted average number of Shares used in the computation of basic LPS	110,080,868[(2)]	137,029,127[(3)]	137,029,127[(3)]	175,605,434[(4)]
Basic LPS (RMB) [(5)]	2.08	1.67	1.61	1.26

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 as at 31 December 2016 excludes the 2017 February Placement Shares and the 2017 August Placement Shares.

(3) The total number of issued shares includes both the 2017 February Placement Shares and the 2017 August Placement Shares.

(4) The total number of issued shares includes the 2017 February Placement Shares, the 2017 August Placement Shares and 38,576,307 Conversion Shares

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

10.4. Gearing

The effect on the gearing ratio of the Company before and after the Proposed Acquisition (based on the latest audited consolidated financial statements of the Group as at 31 December 2016) are as follows:

	Before Proposed Acquisition	Before Proposed Acquisition and after the 2017 Placements	After the Proposed Acquisition	After the Proposed Acquisition and assuming full conversion of the Bonds[(1)]
Gearing Ratio	-	-	0.03	0.02

Note:

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

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date hereof, none of the Directors or controlling shareholders of the Company or their respective associates have any interest, direct or indirect, in the Proposed Acquisition, other than through their shareholdings in the Company.

12. SERVICE CONTRACTS

No person will be appointed to the Board of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company with any such person.

13. DESPATCH OF SHAREHOLDERS CIRCULAR

The Company will in due course despatch to the Shareholders a circular containing, *inter alia,* information relating to the Proposed Acquisition and seeking the approval of the Shareholders for the same at a special general meeting to be convened.

14. TRADING CAUTION

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

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement 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 announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

16. DOCUMENTS FOR INSPECTION

A copy of the following documents is available for inspection during normal business hours at the Company's corporate secretarial office, TMF Singapore H Pte. Ltd., at 38 Beach Road, #29-11, South Beach Tower, Singapore 189767 for three (3) months from the date of this Announcement:

(a) the Memorandum and Bye-laws of the Company;
(b) the SPA;
(c) the Benchmark SHA; and
(d) the Valuation Report.

By Order of the Board

Song Yanan
Non-Executive Chairman
Date: 5 October 2017