

COMBINED FINANCIAL STATEMENTS
PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED
(Registered in People's Republic of China)

For The Financial Period Ended 31 March 2015 And
For The Financial Years Ended 31 March 2016 and 31 March 2017

INDEX

	Page No.
Special Audit Report of the Independent Auditors	1-2
<u>Appendix A</u>	
Statement by Legal Representative	3
Combined Statement of Financial Position	4
Combined Statement of Comprehensive Income	5
Combined Statement of Changes in Equity	6
Combined Statement of Cash Flows	7
Notes to Combined Financial Statements	8 - 19

**PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED
SPECIAL AUDIT REPORT**

**SPECIAL AUDIT REPORT
TO THE MEMBERS' OF
PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED**

We have audited the combined financial statements of Pizhou Yinxingyuan Liquor Industry Co., Limited and Tianchang Jinguixiang Agriculture Co., Limited ("the Combined Group"), which comprise the statements of financial position as at 31 March 2015, 31 March 2016 and 31 March 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Combined Group for the following financial period/year then ended.

- (i) 31 March 2015
- (ii) 31 March 2016
- (iii) 31 March 2017

(the above is hereinafter referred to as "the Relevant Financial Periods")

and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 19.

Management's responsibility for the financial statements

Management is the Combined Group are responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error, selecting and apply appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is our responsibility to form an independent opinion, based on our audit, on the combined financial statements and to report our opinion to you as a body, and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED
SPECIAL AUDIT REPORT**

**SPECIAL AUDIT REPORT
TO THE MEMBERS' OF
PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED**

-Continued

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

In relation to the financial year ended 31 March 2015 and 31 March 2016

Basis for Qualified Opinion

We were engaged as auditors for the Combined Group after the financial year ended 31 March 2016. As a result, we did not observe the counting of physical inventories as at 31 March 2015 and 31 March 2016. We were unable to satisfy ourselves as to the inventory quantities by other audit procedures. Consequently we are unable to gather sufficient audit evidence to satisfy ourselves as to the appropriateness of the carrying amount of the inventory amounting to RMB9,347,415 as at 31 March 2015 and RMB74,381,613 as at 31 March 2016.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Combined Group as at 31 March 2015 and 31 March 2016 and of its financial performance and their cash flows for the financial year end 31 March 2015 and 31 March 2016 in accordance with International Financial Reporting Standards.

In relation to the financial year ended 31 March 2017

Opinion

In our opinion, the combined financial statements have been properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Combined Group as at 31 March 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

This report is made solely to the members of the Company and for no other purpose. We do not assume responsibility to any other person for the contents of this report.



J. K. TAN & CO
Chartered Accountants
Malaysia, 9 June 2017

J. K. TAN & CO, Chartered Accountants
Setia Tropika 14-02, Jalan Setia Tropika 1/24, Tmn Setia Tropika, 81200 Johor Bahru

APPENDIX A

STATEMENT BY LEGAL REPRESENTATIVE

I, He Ping, being the legal representative of each of the following companies which constitute:-

- (a) Pizhou Yinxingyuan Liquor Industry Co., Limited
- (b) Tianchang Jinguixiang Agriculture Co., Limited

state that, in my opinion, the combined financial statements set out on pages 4 to 19 are drawn up in accordance with International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of Combined Group as at 31 March 2015, 31 March 2016 and 31 March 2017 and of their financial performance and cash flows for the financial period/years then ended.



He Ping
Legal Representative
Singapore, 9 June 2017

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2015, 2016 and 2017

	Notes	2017 RMB	2016 RMB	2015 RMB
ASSETS				
Non-Current Assets				
Property, plant and equipment	5	16,433,147	17,616,587	16,167,719
		16,433,147	17,616,587	16,167,719
Current Assets				
Inventories	6	94,449,956	74,381,613	9,347,415
Trade and other receivables	7	51,319,227	22,832,792	11,317,389
Cash and cash equivalents	8	2,176,128	163,662	141,646
		147,945,311	97,378,067	20,806,450
Total Assets		164,378,458	114,994,654	36,974,169
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	9	6,065,000	6,065,000	6,065,000
Retained earnings		27,029,006	13,813,456	1,903,689
		33,094,006	19,878,456	7,968,689
Current Liabilities				
Trade and other payables	10	50,638,666	32,917,392	17,569,428
Amount due to shareholders	11	78,882,489	61,322,194	11,346,468
Provision for income tax	13	1,763,297	876,612	89,584
		131,284,452	95,116,198	29,005,480
Total Liabilities		131,284,452	95,116,198	29,005,480
Total Equity and Liabilities		164,378,458	114,994,654	36,974,169

The accounting policies and explanatory notes form an integral part of the financial statements.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD
 ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017**

	Notes	1.4.2016 to 31.3.2017 RMB	1.4.2015 to 31.3.2016 RMB	1.1.2014 to 31.3.2015 RMB
Revenue	12	42,669,870	25,375,285	17,386,656
Other items of income		639	815	1,254
Items of expense				
Direct costs		(25,470,602)	(10,876,039)	(13,826,147)
Employee benefits expense		(1,205,550)	(1,018,820)	(618,688)
Other operating expense		(1,892,122)	(784,446)	(1,129,106)
		(28,568,274)	(12,679,305)	(15,573,941)
Profit before taxation		14,102,235	12,696,795	1,813,969
Taxation	13	(886,685)	(787,028)	(89,584)
Profit after taxation		13,215,550	11,909,767	1,724,385
Other comprehensive income		-	-	-
Total comprehensive income For the year		13,215,550	11,909,767	1,724,385

The accounting policies and explanatory notes form an integral part of the financial statements.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

	Share capital RMB	Retained earnings RMB	Total equity RMB
As at 01.01.2014	2,400,000	179,304	2,579,304
Issue of shares	3,665,000	-	3,665,000
Total comprehensive income for the year	-	1,724,385	1,724,385
Balance as at 31.03.2015	<u>6,065,000</u>	<u>1,903,689</u>	<u>7,968,689</u>
	Share capital RMB	Retained earnings RMB	Total equity RMB
Balance as at 01.04.2015	6,065,000	1,903,689	7,968,689
Total comprehensive income for the year	-	11,909,767	11,909,767
Balance as at 31.03.2016	<u>6,065,000</u>	<u>13,813,456</u>	<u>19,878,456</u>
	Share capital RMB	Retained earnings RMB	Total equity RMB
Balance as at 01.04.2016	6,065,000	13,813,456	19,878,456
Total comprehensive income for the year	-	13,215,550	13,215,550
Balance as at 31.03.2017	<u>6,065,000</u>	<u>27,029,006</u>	<u>33,094,006</u>

The accounting policies and explanatory notes form an integral part of the financial statements.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

COMBINED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

	1.4.2016 to 31.3.2017 RMB	1.4.2015 to 31.3.2016 RMB	1.1.2014 to 31.3.2015 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	14,102,235	12,696,795	1,813,969
Adjustment for:			
Depreciation expenses	1,538,379	1,102,781	1,297,146
Operating profit before working capital changes	15,640,614	13,799,576	3,111,115
(Increase) in inventories	(20,068,343)	(65,034,198)	(5,362,732)
(Increase) in trade and other receivables	(28,486,435)	(11,515,403)	(10,502,417)
Increase in trade and other payables	5,621,187	10,304,956	8,391,419
Cash flow (used in) operations	(27,292,977)	(52,445,069)	(4,362,615)
Tax paid	-	-	-
Net cash flows (used in) operating activities	(27,292,977)	(52,445,069)	(4,362,615)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment	(354,939)	(2,551,649)	(3,035,538)
Net cash flows (used in) investing activities	(354,939)	(2,551,649)	(3,035,538)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increased from related parties	12,100,087	5,043,008	7,329,144
Proceeds from issuance of shares	-	-	4,465,000
Increased/(decrease) in amount due to shareholders	17,560,295	49,975,726	(4,555,048)
Net cash flows from financing activities	29,660,382	55,018,734	7,239,096
Net increased/(decrease) in cash and bank balance	2,012,466	22,016	(159,057)
Cash and cash balance at beginning of the year	163,662	141,646	300,703
Cash and bank balance at end of the year	2,176,128	163,662	141,646

The accounting policies and explanatory notes form an integral part of the financial statements.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

These notes form an integral part of and should be read in conjunction with the accompanying combined financial statements.

1. CORPORATE INFORMATION

Pizhou Yinxingyuan Liquor Industry Co., Limited

Pizhou Yinxingyuan Liquor Industry Co., Limited is a limited liability company registered in the People's Republic of China.

The registered office of the Company is located at 58 West Huandao Road, Pizhou City, People's Republic of China.

The main office of the Company is located at BLKD, #11-08, Hexi Wanda Plaza, 110 Middle Jiangdong Road, Jianye District, Nanjing City, People's Republic of China.

The principal activities of the Company are manufacture and sale of baijiu products.

There have been no significant changes in the nature of these activities during the financial period ended ended 31 March 2015 and financial year ended 31 March 2016 and 2017.

Tianchang Jingguixiang Agriculture Co., Limited

Tianchang Jingguixiang Agriculture Co., Limited is limited liability company registered in the People's Republic of China.

The registered office and planting base of the Company is located at Qinlan Town, Tianchang City, Anhui Province, People's Republic of China.

The main office of the Company is located at BlkD, #11-08, Hexi Wanda Plaza, 110 Middle Jiangdong Road, Jianye District, Nanjing City, People's Republic of China.

The principal activities of the Company are growing grains, mainly wheat and rice for sale.

There have been no significant changes in the nature of these activities during the financial period ended ended 31 March 2015 and financial year ended 31 March 2016 and 2017.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

2. COMBINED GROUP AND BASIS OF PREPARATION OF COMBINED FINANCIAL STATEMENT

The manner of the presentation of the combined financial statements is to reflect the economic substance of the combining companies, which were under common control ("common control") throughout the financial period ended 31 March 2015, and the financial year ended 31 March 2016 and 31 March 2017 ("Relevant Financial Periods"), presented as a single economic enterprise, although the legal parent-subsidary relationships were not established as at the respective balance sheet dates.

The combined financial statements are therefore represented by the following entities:

- (a) Tianchang Jingguixiang Agriculture Co., Limited
- (b) Pizhou Yinxingyuan Liquor Industry Co., Limited

The above is hereinafter referred to as "the Combined Group".

The objective of the combined financial statements is to show what the historical information might have been had the Combined Group (as described above) been in place since 1 January 2014.

For the Relevant Financial Periods, these combined financial statements of the Combined Group are a combination or aggregation of the financial statement of the entities in the Combined Group.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

In addition to the explanation as set out in Note 2, the financial statements of the Combined Group are prepared under the historical cost convention, and modified to include other based of valuation as disclosed in other sections under significant accounting policies, and in compliance with International Financial Reporting Standards ("IFRS"). In the preparation of the combined financial statements, the Combined Group has adopted all the IFRSs and Interpretation to IFRS that are relevant to its operations and effective for the Relevant Financial Periods presented in the combined financial statements.

The combined financial statements are presented in Chinese Yuan or the *Renminbi*, the currency of the primary economic environment in which the Combined Group operates (*i.e.*, its functional currency).

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

3. SIGNIFICANT ACCOUNTING POLICIES -continued

3.2 Adoption of new and amended IFRSs

The Combined Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for financial periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Combined Group.

3.3 IFRS not yet effective

The IASB has issued a number of new and revised IAS and IFRS which were relevant to the Combined Group. The Combined Group have not early adopted the following IAS and IFRS that have been issued but are not yet effective.

Reference	Description	Effective for annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018
Amendments to IFRS11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IAS 7	Statement of Cash Flows	1 January 2017
Amendments to IAS 12	Income Taxes	1 January 2017
Amendments to IAS 16 And IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 And IAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IFRS 10	Investment Entities: Applying the Consolidation Exception	1 January 2016

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

3. SIGNIFICANT ACCOUNTING POLICIES -continued

3.4 Property, Plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight-line basis so as to write off the cost of plant and equipment net of the estimated residual values over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Workshop	20 years	5%
Computer	3 years	5%
Office equipment	5 years	5%
Motorcycle	5 years	5%
Plant and equipment	10 years	5%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

3.5 INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.6 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise bridging loans and other receivables in the statement of financial position. Subsequent to initial recognition, loan and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortization process.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

3. SIGNIFICANT ACCOUNTING POLICIES -continued

3.7 FINANCIAL LIABILITIES

Trade and other payables are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using effective interest rate method, with interest expenses recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.8 Cash and cash equivalents

Cash and bank balances comprise cash in hand and at bank that are subject to an insignificant risk of changes in value.

3.9 Impairment of tangible assets

At each statement of financial position date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset /cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset /cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairments loss been recognised for the asset/cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

3. SIGNIFICANT ACCOUNTING POLICIES -continued

3.10 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the buyer has accepted the goods; and

3.11 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.12 Employee benefits

Defined contribution plan

The employees of the Company are required to participate in a central pension scheme operated by the government. The company are required to contribute a certain percentage of its payroll costs to the central pension scheme.

These contributions are charged to the profit or loss in the period to which the contributions relate. The Company's obligations under those plans are limited to the fixed percentage contributions payable.

3.13 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) where as a result of a past event, and it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Leases

Finance leases, which transfer to the company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of comprehensive income. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss statement on a straight – line basis over the lease term. The aggregated benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight- line basis.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.15 Related Parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) Has control or joint over the Company
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the company
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint control venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a past-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Depreciation of plant and equipment

The Combined Group's management exercises its judgment in estimating the useful lives of the depreciable assets. The estimated useful lives reflect management's estimate of the periods the Combined Group intends to derive future economic benefits from the use of these assets based on historical experience. Changes in expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Inventories

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances.

Income Taxes

The Combined Group is subject to income taxes in the PRC. The Company recognises liabilities for anticipated tax issues based on estimations of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the income tax and deferred income tax provisions in the year in which such determinations are made.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

5. PLANT AND EQUIPMENT

	Computer RMB	Office equipment RMB	Motorcycle RMB	Plant & Machinery RMB	Workshop RMB	Total RMB
COST:						
As at 01.01.2014	-	-	-	3,285,397	13,990,032	17,275,429
Addition	10,558	5,500	16,000	3,003,480	-	3,035,538
As at 31.03.2015	10,558	5,500	16,000	6,288,877	13,990,032	20,310,967
Additions	-	-	-	2,551,649	-	2,551,649
As at 31.03.2016	10,558	5,500	16,000	8,840,526	13,990,032	22,862,616
Additions	-	38,540	-	316,399	-	354,939
As at 31.03.2017	10,558	44,040	16,000	9,156,925	13,990,032	23,217,555
ACC DEPRECIATION:						
As at 01.01.2014	-	-	-	686,391	2,159,711	2,846,102
Charge for the year	836	609	2,787	462,256	830,658	1,297,146
As at 31.03.2015	836	609	2,787	1,148,647	2,990,369	4,143,248
Charge for the year	3,343	1,045	3,040	430,827	664,526	1,102,781
As at 31.03.2016	4,179	1,654	5,827	1,579,474	3,654,895	5,246,029
Charge for the year	3,343	1,046	3,040	866,424	664,526	1,538,379
As at 31.03.2017	7,522	2,700	8,867	2,445,898	4,319,421	6,784,408
CARRYING AMOUNT:						
As at 31.03.2015	9,722	4,891	13,213	5,140,230	10,999,663	16,167,719
As at 31.03.2016	6,379	3,846	10,173	7,261,052	10,335,137	17,616,587
As at 31.03.2017	3,036	41,340	7,133	6,711,027	9,670,611	16,433,147

6. INVENTORIES

	2017 RMB	2016 RMB	2015 RMB
Work in progress	94,077,786	66,357,656	8,609,015
Finished goods	372,170	8,023,957	738,400
	<u>94,449,956</u>	<u>74,381,613</u>	<u>9,347,415</u>

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

7. TRADE AND OTHER RECEIVABLES

	2017	2016	2015
	RMB	RMB	RMB
Trade receivables	28,069,433	9,143,981	452,924
Prepayment	2,959,749	1,444,945	1,447,659
Other receivable-Third parties	6,384,820	5,412,192	3,522,512
Other receivable-Related parties	13,878,562	6,807,381	5,893,294
Amount due from staff	26,663	24,293	1,000
	<u>51,319,227</u>	<u>22,832,792</u>	<u>11,317,389</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition and denominated in Chinese Renminbi.

Receivables that are past due but not impaired

	2017	2016	2015
	RMB	RMB	RMB
Trade receivables past due:			
- More than 90 days	<u>24,709,346</u>	<u>9,111,541</u>	<u>352,582</u>

8. CASH AND CASH EQUIVALENTS

	2017	2016	2015
	RMB	RMB	RMB
Cash on hand and at bank	<u>2,176,128</u>	<u>163,662</u>	<u>141,646</u>

The cash and bank balances are denominated in Chinese Renminbi.

9. SHARE CAPITAL

	2017	2016	2015
	RMB	RMB	RMB
Paid up capital:			
Tianchang Jingguixiang Agriculture Co., Limited	4,465,000	4,465,000	4,465,000
Pizhou Yinxingyuan Liquor Industry Co., Limited	1,600,000	1,600,000	1,600,000
	<u>6,065,000</u>	<u>6,065,000</u>	<u>6,065,000</u>

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED
(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

10. TRADE AND OTHER PAYABLES

	2017	2016	2015
	RMB	RMB	RMB
Trade payables	3,882,627	9,212,005	-
Prepayment in advance	10,170,322	854,096	40,850
Other payable-Third parties	8,951	25,975	5,767,256
Other payable-Related parties	36,570,735	22,810,900	11,686,886
Amount due from staff	6,031	14,416	74,436
	<u>50,638,666</u>	<u>32,917,392</u>	<u>17,569,428</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing cost.

The average credit period on purchases of goods is 30 days. No interest is charged on the trade payable.

The amount due to related parties is non-trade in nature, unsecured, interest-free and is payable on demand.

11. AMOUNT DUE TO SHAREHOLDERS

The amount due from shareholders is non-trade in nature, unsecured, interest-free and is repayable on demand.

12. REVENUE

	1.4.2016	1.4.2015	1.1.2014
	to	to	to
	31.3.2017	31.3.2016	31.3.2015
	RMB	RMB	RMB
Sales of goods	<u>42,669,870</u>	<u>25,375,285</u>	<u>17,386,656</u>

The cash and bank balances are denominated in Chinese Renminbi.

PIZHOU YINXINGYUAN LIQUOR INDUSTRY CO., LIMITED
TIANCHANG JINGUIXIANG AGRICULTURE CO., LIMITED

(Registered in the People's Republic of China)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 AND FINANCIAL YEAR ENDED 31 MARCH 2016 AND 2017

13. INCOME TAX EXPENSE

	1.4.2016 to 31.3.2017 RMB	1.4.2015 to 31.3.2016 RMB	1.1.2014 to 31.3.2015 RMB
Current income tax	<u>886,685</u>	<u>787,028</u>	<u>89,584</u>

Current tax represents PRC enterprise income tax ("EIT"). The provision for PRC EIT is calculated based on the PRC statutory income tax rate of 25%.

Numerical reconciliation of income tax expense:

	2017 RMB	2016 RMB	2015 RMB
Profit before income tax	<u>14,102,235</u>	<u>12,696,795</u>	<u>1,813,969</u>
Income tax	<u>3,525,559</u>	<u>3,174,199</u>	<u>453,492</u>
Tax effect on non-taxable income	<u>(2,682,546)</u>	<u>(2,387,171)</u>	<u>(363,908)</u>
Tax effect on non-taxable expenses	<u>43,672</u>	<u>-</u>	<u>-</u>
	<u>886,685</u>	<u>787,028</u>	<u>89,584</u>

14. FAIR VALUES AND FAIR VALUES HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, trade and other receivables, other payables and amount due to shareholders approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the combined financial statements.