

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Your management submits its report for the financial year ended 31 December 2018.

Corporate Information

Technico Horticultural (Kunming) Co Ltd (“Company”) is domiciled in Yunnan Province, People’s Republic of China. Its parent entity is Technico Asia Holdings Pty Ltd, a company incorporated in Australia.

The registered office of the Company is located at,

A-38 Yanglin Industrial Development Zone,
Songming,
Yunnan Province,
People’s Republic of China.

Principal activities

The Company is primarily engaged in production and supply of TECHNITUBER® Seed potatoes to export markets.

Business Review

For the year under review, the Company achieved a turnover of CNY

4,306,532 (2017: CNY 4,004,287) and posted a profit of CNY 614,966 (2017: CNY 468,263). Higher sales have led to improved financial performance in the year under review.

In view of the accumulated losses, no dividend has been paid or declared during the financial year.

Auditors

The Company has engaged M/s Ruihua Certified Public Accountant (LLP) Yunnan as auditors for the year under review whose report is annexed to the financial report.

Environmental regulation and performance

Your Company complies with the applicable environmental regulations set by the Songming Environmental Bureau.

**Haoxuan Shen
Legal Representative**

Place: Songming

Date: 25th April 2019

INDEPENDENT AUDITORS’ REPORT**To the Management**

Technico Horticultural (Kunming) Co. Ltd.,

I. Audit Opinion

We have audited the accompanying financial statements of Technico Horticultural (Kunming) Co. Ltd., which includes the Statements of Financial Position as of 31 December 2018, the Statements of Comprehensive Income, the Statements of Cash Flows for the year then ended and the notes to the financial statements.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Enterprises Accounting Standards of China and presented fairly, in all material respects, the financial position of Technico Horticultural (Kunming) Co. Ltd., as at 31 December 2018, and the Company’s results of operations and cash flows for the year then ended.

II. Basis of Forming the Audit Opinion

We conducted our audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The section “Auditors’ Responsibility for the Financial Statements” in the audit report further describes our responsibilities in accordance with these standards. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Technico Horticultural (Kunming) Co., Ltd. is responsible for preparing and presenting the financial statements in accordance with Enterprise Accounting Standards of China and for the purpose of fair presentation and designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

During the preparation of the financial statements, the management is responsible for assessing the Company’s going-concern capability; disclosing, where applicable, matters in relation to the going-concern status; and applying the going-concern assumption for preparation of the financial statements, unless the management plans to liquidate the Company, terminates operation of the Company or has no other practical alternative choice.

Those charged with governance are responsible for monitoring the Company’s financial reporting process.

IV. Auditors’ Responsibility for the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to frauds or errors, and issue an audit report with audit opinion. Reasonable assurance is a high level assurance, but there is no guarantee that a material misstatement will always be found in the audit performed in accordance with the auditing standards. Misstatements may be caused by fraud or error. Misstatements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users based on the financial statements.

During the performance of our audit in accordance with the auditing standards, we use professional judgment and maintain professional skepticism. We also perform the following procedures:

- A. Identify and assess the risks of material misstatement of the financial statements due to fraud and error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement resulting from a mistake.
- B. Understand the internal controls related to auditing in order to design appropriate audit procedures.
- C. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures made by management.
- D. Conclude on the appropriateness of management’s application of the going concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about the Company’s ability to continue as a going-concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If the disclosure is inadequate, we shall express a qualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may cause the Company not being able to continue as a going-concern.
- E. Evaluate the overall presentation, structure and content of financial statements (including disclosures), and evaluate whether the financial statements present fairly the relevant transactions and events.
- F. Obtain sufficient and appropriate audit evidence regarding to the Company’s financial information of the entities or business activities in order to express opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the scope and time schedule of the audit, and significant audit findings, etc., including deficiency of internal control that we identified during the audit which warrants attention.

We also provide a statement to those charged with governance regarding the fact that we comply with the requirements of professional ethics relating to independence, and also communicate with them about all relationships and other matters that may be reasonably deemed to affect our independence, as well as, where applicable, the relevant precautions.

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest, we do not disclose such items in the audit report.

Ruihua Certified Public Accountant(LLP) Chinese Certified Public Accountants:
Yunnan Branch Chinese Certified Public Accountants:
Kunming, The People’s Republic of China

Date: 25th April, 2019

BALANCE SHEET AS ON 31ST DECEMBER 2018

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	31-Dec-17		31-Dec-18	
		CNY	INR	CNY	INR
CURRENT ASSETS :	1				
Cash and cash equivalents	2	4,334,992	42,527,569	6,238,502	63,255,290
Transaction monetary assets	3	0	0	0	0
Short-term investments	4	0	0	0	0
Notes receivable	5	0	0	0	0
Accounts receivable	6	3,791,238	37,193,178	3,065,455	31,082,178
Advance to suppliers debts	7	0	0	0	0
Dividend receivable	8	0	0	0	0
Interest receivable	9	10,872	106,654	20,297	205,802
Other notes receivable	10	206	2,022		0
Inventories	11	1,001,699	9,826,971	1,167,744	11,840,337
Including : Raw materials	12	0	0	0	0
Finished goods	13	675,407	6,625,950	841,452	8,531,901
In one year expired noncurrent assets	14	0	0	0	0
Other current assets	15	14,588	143,108	14,436	146,376
Total current assets	16	9,153,594	89,799,501	10,506,433	106,529,982
NONCURRENT ASSETS :	17	0	0	0	0
Financial assets available for sale	18	0	0	0	0
Hold investment due	19	0	0	0	0
Long-term investment on bonds	20	0	0	0	0
Long-term account receivable	21	0	0	0	0
Long-term investment on stocks	22	0	0	0	0
Right to trade in previously non-tradable shares	23	0	0	0	0
Investment real estate	24	0	0	0	0
Fixed assets-cost	25	27,066,113	265,526,687	25,696,144	260,546,051
Less : Accumulated depreciations	26	23,739,550	232,892,107	22,984,255	233,048,851
Fixed assets-net value	27	3,326,563	32,634,580	2,711,889	27,497,200
Less : Fixed assets depreciation reserves	28	0	0	0	0
Fixed assets-net equity	29	3,326,563	32,634,580	2,711,889	27,497,200
Construction in progress	30	0	0	0	0
Project goods and material	31	0	0	0	0
Liquidation of fixed assets	32	0	0	0	0
Productive living assets	33	0	0	0	0
Oil and gas assets	34	0	0	0	0
Intangible assets	35	1,250,119	12,264,040	1,209,131	12,259,986
Including : right to use land	36	1,250,119	12,264,040	1,209,131	12,259,986
Development expenditures	37	0	0	0	0
Business reputation	38	0	0	0	0
Cost-book value differentials	39	0	0	0	0
Long-term deferred and prepaid expenses	40	0	0	0	0
Deferred income tax assets	41	0	0	0	0
Deferred taxes debit	42	0	0	0	0
Other noncurrent assets	43	0	0	0	0
Including : specially approved reserving materials	44	0	0	0	0
Total noncurrent assets	45	4,576,682	44,898,620	3,921,020	39,757,186
TOTAL ASSETS	46	13,730,275	134,698,121	14,427,454	146,287,168
CURRENT LIABILITIES	47		0		0
Short term loans	48	0	0	0	0
Transaction financial liabilities	49	0	0	0	0
Warrants payable	50	0	0	0	0
Notes payable	51	0	0	0	0
Accounts payable	52	0	0	0	0
Advances from customers	53	0	0	0	0
Employee pay payable	54	98,458	965,905	103,958	1,054,085
Including : accrued wages	55	98,458	965,905	103,958	1,054,085
accrued welfarism	56	0	0	0	0
Including : staff and worker' bonus and welfare fund	57	0	0	0	0

BALANCE SHEET AS ON 31ST DECEMBER 2018 (Contd.)

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	31-Dec-17		31-Dec-18	
		CNY	INR	CNY	INR
Taxes and dues payable	58	0	0	0	0
Including : Taxes payable	59	0	0	0	0
Interest payable	60	0	0	0	0
Dividends payable	61	0	0	0	0
Other payables	62	175,442	1,721,139	252,154	2,556,720
Due within one year of noncurrent liabilities	63	0	0	0	0
Other current liabilities	64	0	0	0	0
Total current liabilities	65	273,900	2,687,044	356,113	3,610,805
NONCURRENT LIABILITIES :	66	0	0	0	0
Long-term loans	67	0	0	0	0
Bonds payable	68	0	0	0	0
Long-term account payable	69	0	0	0	0
Special payable	70	0	0	0	0
Projected liabilities	71	0	0	0	0
Deferred income tax liabilities	72	0	0	0	0
Deferred taxes credit	73	0	0	0	0
Other noncurrent liabilities	74	0	0	0	0
Including : special reserve fund	75	0	0	0	0
Total non-current liabilities	76	0	0	0	0
Total liabilities	77	273,900	2,687,044	356,113	3,610,805
OWNERS' EQUITY :	78	0	0	0	0
Practical capital collected (or share capital)	79	19,013,598	186,529,101	19,013,598	192,788,377
National capital	80	0	0	0	0
Collective capital	81	0	0	0	0
Legal person's capital	82	0	0	0	0
Including : State-owned legal person's capital	83	0	0	0	0
Collective legal person's capital	84	0	0	0	0
Personal capital	85	0	0	0	0
Foreign businessmen's capital	86	19,013,598	130,328,708	19,013,598	192,788,377
Less : Investment returned	87	0	0	0	0
Net paid in capital	88	19,013,598	130,033,997	19,013,598	192,788,377
Capital reserves	89	42,667	441,992	42,667	432,618
Less : treasury stock	90	0	0	0	0
Surplus reserves	91	0	0	0	0
Including : Legal surplus	92	0	0	0	0
Free surplus reserves	93	0	0	0	0
Reserve fund	94	0	0	0	0
Enterprise expansion fund	95	0	0	0	0
Profits capitalized on return of investment	96	0	0	0	0
Unaffirmed investment loss	97	0	0	0	0
Undistributed profit	98	(5,599,889)	(22,726,964)	(4,984,924)	(16,592,740)
Including : cash dividends	99	0	0	0	0
*Margin of Translation of Foreign Currency Financial Statements	100	0	24,262,053	0	(33,951,891)
Total equity attributable to equity holders of the Parent	101	13,456,375	132,011,077	14,071,341	142,676,363
*minority stockholder's interest	102	0	0	0	0
Total owners' equity	103	13,456,375	132,011,077	14,071,341	142,676,363
Less : assets loss	104				
Total owners'equity (net value less loss on assets)	105	13,456,375	132,011,077	14,071,341	142,676,363
TOTAL LIABILITIES AND OWNERS' EQUITY	106	13,730,275	134,698,121	14,427,454	146,287,168

Income statement and profit appropriation 2018

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	2018		2017	
		CNY	INR	CNY	INR
Income for main business	1	4,306,532.37	42,957,229.74	4,004,287.43	39,039,399.87
Less: cost of main business	2	3,126,846.20	31,189,978.16	3,174,131.85	30,945,881.01
Taxation and additional of main	3				
Main business profit	4	1,179,686.17	11,767,251.58	830,155.59	8,093,518.86
Add: other profit	5				
Less: Operating expenses	6	163,570.98	1,631,604.17	148,815.05	1,450,857.45
Management expenses	7	290,471.01	2,897,419.28	342,295.14	3,337,172.24
Including : Business entertainment	8				
Research and development expense	9				
Financial Expenses	10	(5,308.68)	(52,953.55)	(138,740.69)	(1,352,638.48)
Including : Interest exchange	11				
Interest income	12	71,277.56	710,986.53	68,449.34	667,340.00
Foreign exchange profit and loss	13	64,934.11	647,711.25	(72,321.69)	(705,093.08)
Operation Profit	14	730,952.86	7,291,181.68	477,786.09	4,658,127.66
Add: Investment income	15				
Including : for the investment benefits from the invested business and the united business and joint venture	16				
Subsidy Income	17				
Non-operating income	18	509.96	5,086.80		
Including : income from disposal of long term assets	19				
Income from non-monetary assets exchange	20				
Government grants (subsidy income)	21				
Income from debt restructuring	22				
Less : Non-operating expenses	23	116,496.89	1,162,044.83	9,523.18	92,845.29
Including : Loss on disposal of long-term assets	24				
Loss on non-monetary assets exchange	25				
Loss on debt restructuring	26				
Total Profit	27	614,965.93	6,134,223.66	468,262.91	4,565,282.37
Less: Income tax	28				
Net Profit	29	614,965.93	6,134,223.66	468,262.91	4,565,282.37
Add : Undistributed Profit at the beginning of year	30	(5,599,889.44)	(55,858,337.13)	(6,068,152.34)	(59,160,844.42)
Other transfer-in	31				
Profit available for distribution	32				
Less: Appropriation of statutory surplus reserves	33				
Appropriation of Company expand fund	34				
Appropriation of staff incentive and welfare fund	35				
Capital redemption	36				
Profit available for owners' distribution	37	(4,984,923.51)	(49,724,113.47)	(5,599,889.44)	(54,595,562.06)
Less: Appropriated profit	38				
Common stock turn to capital	39				
Undivided Profit	40	(4,984,923.51)	(49,724,113.47)	(5,599,889.44)	(54,595,562.06)
Supplementary Information:	41				
Gains on disposal of operating divisions or investments	42				
Losses from natural disaster	43				
Increase (decrease) in profit due to changes in accounting policies	44				
Increase (decrease) in profit due to changes in accounting estimates	45				
Losses from debt restructuring	46				
Other	47				

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	2018		2017	
		CNY	INR	CNY	INR
1. Cash Flow from Operating Activities:	1				
Cash received from sales of goods or rendering services	2	5,277,214.06	53,508,311.96	4,106,485.94	40,285,859.02
Refunds of taxes	3				
Cash received relating to other operating activities	4	66,311.20	672,362.41	192,943.15	1,892,830.18
Sub-total of cash inflows	5	5,343,525.26	54,180,674.37	4,299,429.09	42,178,689.20
Cash paid for goods or receiving services	6	966,555.26	9,800,387.06	1,289,052.90	12,645,995.66
Cash paid to and on behalf of employees	7	1,995,352.46	20,231,876.27	1,856,882.42	18,216,573.60
Tax payments	8	236,042.47	2,393,352.62	452,483.13	4,438,995.25
Cash paid relating to other operating activities	9	263,110.41	2,667,808.00	335,875.45	3,295,038.93
Sub-total of cash outflows	10	3,461,060.60	35,093,423.95	3,934,293.90	38,596,603.45
Net Cash Flow from Operating Activities	11	1,882,464.66	19,087,250.42	365,135.19	3,582,085.75
2. Cash Flow from Investing Activities:	12				
Cash received from disposal of investments	13				
Cash received from investments income	14				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15	20,500.00	207,859.75		
Cash received relating to other investing activities	16				
Sub-total of cash inflows	17	20,500.00	207,859.75		
Cash paid to acquire fixed assets, intangible assets and other long-term assets	18				
Cash paid to acquire investments	19				
Cash payments relating to other investing activities	20				
Sub-total of cash outflows	21				
Net Cash Flow from Investing Activities	22	20,500.00	207,859.75		
3. Cash Flow from Financing Activities:	23				
Cash received by investors	24				
Cash received from borrowings	25				
Cash received relating to other financing activities	26				
Sub-total of cash inflows	27				
Repayments of borrowings	28				
Dividends paid, profit distributed or interest paid	29				
Cash payments relating to other financing activities	30				
Sub-total of cash outflows	31				
Net Cash Flow from Financing Activities	32				
4. Effect of Foreign Currency Translation	33	545.51	5,531.20	(615.54)	(6,038.63)
5. Net Increase (Decrease) in Cash and Cash Equivalents	34	1,903,510.17	19,300,641.37	364,519.65	3,576,047.12

STATEMENT OF CASHFLOW (II) 2018

Printed by Technico Horticultural (Kunming) Co. Ltd.

ITEMS	LINE NO.	2018		2017	
		CNY	INR	CNY	INR
Supplementary Information	1				
1. Reconciliation of Net Profit to Cash Flow from Operating Activities:	2				
Net Profit	3	614,965.93	6,235,447.05	468,262.91	4,747,951.73
Add: Impairment losses on assets	4	(3,647.14)	(36,980.18)	1,094.79	11,100.62
Depreciation of fixed assets	5	477,676.86	4,843,404.52	494,002.03	5,008,933.58
Amortisation of intangible assets	6	40,987.50	415,592.76	40,987.50	415,592.76
Amortisation of long-term deferred expenses	7				
Decrease (increase) in deferred expenses	8	151.35	1,534.61	791.89	8,029.37
Increase (decrease) in accrued expenses	9				
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	10	116,496.89	1,181,220.22		
Losses on write-off of fixed assets	11				
Finance expense (income)	12	545.51	5,531.20	(615.54)	(6,241.27)
Losses (gains) arising from investments	13				
Deferred tax credit (debit)	14				
Decrease (increase) in inventories	15	(166,044.34)	(1,683,606.59)	(167,053.38)	(1,693,837.70)
Decrease (increase) in receivables under operating activities	16	720,210.69	7,302,576.29	(219,493.10)	(2,225,550.29)
Increase (decrease) in payables under operating activities	17	81,121.41	822,530.54	(252,841.91)	(2,563,690.55)
Others	18				
Net cash flow from operating activities	19	1,882,464.67	19,087,250.47	365,135.19	3,702,288.26
2. Investing and Financing Activities that do not Involve Cash Receipts and Payments:	20				
Conversion of debt into capital	21				
Fixed assets acquired under finance leases	22				
3. Net Increase in Cash and Cash Equivalents:	23				
Cash at the end of the period	24	6,238,501.87	63,255,289.71	4,334,991.70	43,954,648.34
Less: Cash at the beginning of the year	25	4,334,991.70	43,954,648.34	3,970,472.05	40,258,601.35
Add: Cash equivalents at the end of the period	26				
Less: Cash equivalents at the beginning of the period	27				
Net increase in cash and cash equivalents	28	1,903,510.17	19,300,641.37	364,519.65	3,696,046.99

NOTES TO THE FINANCIAL STATEMENTS

1. Brief information on the Company

Technico Horticultural (Kunming) Co. Ltd., (the "company") was established as a wholly foreign-owned enterprise invested by Technico Asia Holdings Pty Limited, under the "laws of the People's Republic of China (the "PRC") on Enterprises Operated Exclusively with Foreign Capital" and through the approval by the Foreign Economic and Trade Department of Yunnan province in the certification Dian zi (1997) No.0049. The Company of the registered capital USD2,300,000.00 was registered, with the business license number of Qi Du Zong zi No.000716, on 8 December 1997. The tenure of the Company is 50 years and may be extended upon application by the board of directors and approval of the relevant government authorities. The principal activities of the Company are the development, production and supply of microtuber potato.

2. Significant accounting policies and accounting estimates

(1) Accounting regulations

The Company implements "The Accounting Standards for Enterprises" and "The Accounting Regulations of Enterprises" and the supplementary stipulate.

(2) Fiscal year

The fiscal year for the Company is from 1 January to 31 December of each calendar year.

(3) Accounting currency

The Company's financial records are maintained and the financial statements are stated in Renminbi ("RMB").

(4) Accounting basis and principle

The accounting basis of The Company is accrual principle, and the accounting principle is historical cost principle.

(5) Foreign currency transactions

All foreign currency transactions have been translated into RMB at the market rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the market rates of exchange ruling at that date. The resulting exchange gains or losses are capitalized if they have relation to acquiring fixed assets before the fixed assets intended-use have been commenced; or are accounted as long-term prepaid expense in the preparative duration or are dealt with in the profit and loss account in the operating duration, if they have not relation to acquiring fixed assets.

(6) Cash equivalents

Cash equivalents are the short-term investments, which are held by the Company at the short-term (generally within 3 months from the purchasing date to the date due), are easy in currency and conversion to known-account cashes, are of little value fluctuations.

(7) Allowances for uncollectible accounts

The Company uses the allowance method in which the allowances for uncollectible accounts for the receivable items (including the accounts receivable and other receivable) are recognized in the aging receivable account method and are dealt with in the profit and loss account at the balance sheet. The aging receivable account method is made as follows:

- a. Within 1 year, at 0.5 percent on the amount of the part;
- b. 1-2 year, at 10 percent on the amount of the part;
- c. 2-3 year, at 30 percent on the amount of the part.

If any receivable is evidently different from the others, the specific identification method is made for the receivable item.

(8) Inventories

Inventories, which are recorded at actual cost, include finished goods, work-in-progress and raw material.

For the unrecoverable inventory cost due to the damage, partly or wholly obsolescence, or market price lower than the cost, the provision for decline in value of inventories is determined according to the difference of the actual cost lower than net realizable value on an item-by-item basis, at the end of the period.

(9) Fixed assets and depreciation

Fixed assets are recorded based on the actual cost. At the inception of a lease, the fixed assets by a lessee under a finance lease are recorded at an amount equal to the lower of the carrying amount of the leased asset originally recorded in the books of the lessor and the present value of the minimum lease payments. (If the proportion of the recorded amount of the leased assets to the total amount of assets is lower than 30 percent, the leased assets are recorded at an amount equal to the total minimum lease payments.)

The standard about fixed asset: House and building, machinery and equipment, Motor vehicle and so on of the useful life more than one year, and non-principle operating equipment of the unit value over 2000 yuan and the useful life more than two years.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life after deducting the estimated residual value. The categories, useful life and residual value, annual depreciation rate are as follows:

Category	Estimated useful life	Annual depreciation rate	Residual value
House and building	20years	4.50%	10.00%
Production equipment	10years	9.00%	10.00%
Motor vehicle	5years	18.00%	10.00%
Office equipment and other	5years	18.00%	10.00%

Provision for impairment: At the end of each period, The Company examines its fixed assets and if market value of the fixed asset has declined continually, become obsolete in technology, been not in use in the long term, or been damage, and the recoverable amount of the fixed asset is less than its carrying amount, the provision for impairment is determined according to the difference of the recoverable amount of the fixed asset lower than its carrying amount on an item-by-item basis.

(10) Intangible assets

An intangible asset, which is acquired separately, is recorded based on the actual purchase price paid.

The cost of an intangible asset is amortized evenly over its expected useful life starting in the month in which it is obtained.

If the expected useful life exceeds the beneficial period stipulated in the relevant contract or the effective period stipulated by law, the amortization period of an intangible asset is determined in accordance with the following rules:

- a. If the relevant contract stipulates the beneficial period but the law does not stipulate the effective period, the amortization period is not longer than the beneficial stipulated by the relevant contract;
- b. If the relevant contract does not stipulate the beneficial period but the law stipulates the effective period, the amortization period is not longer than the effective period stipulated by law;
- c. If the relevant contract stipulates the beneficial period but the law also stipulate the effective period, the amortization period is not longer than the shorter of the beneficial period and the effective period.

If the relevant contract does not stipulate the beneficial period and the law does not stipulate the effective period, the amortization period does not exceed 10 years.

If an intangible asset is no longer expected to be able to generate any economic benefits that flow to the enterprise, the carrying amount of the intangible asset is written off and is recognized as gain or loss the current period.

The Company reviews the carrying amount of the intangible asset at the end of each period. The difference of the expected receivable amount lower than the carrying amount of the intangible asset is recognized as provision for impairment on an item-by-item basis.

(11) Long-term prepaid expense

Long-term prepaid expenses are recorded based on the actual payments and amortized on the straight-line basis in the beneficial period.

The expenses (except for acquiring fixed assets), which occur in the preparative duration, are recorded as long-term expense, and are amortized in the month starting the operating

(12) Principle for recognition of revenue

- a. Revenue from the sale of goods
The revenue is recognized when all the following conditions have been satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that the economic benefits will flow to the Company; the relevant amount of revenue and costs can be measured reliably.
- b. Revenue from rendering of services
When the provision of services is started and completed within the same accounting year, revenue is recognized at the time of completion of the services, and receipt of money or holding the qualification of acquiring money;

When the provision of services is started and completed in different accounting year, the total income and the completion degree involving the service contract can be estimated reliably, it is probable that the economic benefits will flow to the Company, the outcome of a transaction involving the rendering of services can be estimated reliably, the service revenue is recognized at the balance sheet date by the use of the percentage of completion method.

The revenue referred to above is recognized when all the following conditions have been satisfied:

- a. It is probable that the economic benefits will flow to the Company;
- b. The amount of the revenue can be measured reliably.

(13) Corporation income tax

Corporation income tax is accounted on the tax payable basis.

3. Tax

VAT: According to the relevant tax laws in the PRC, the Company is exempted from VAT for the sales of the agricultural produce harvested by the Company.

Corporation income tax is accounted on the tax payable basis at a rate of 25% on its taxable income. However, according to the new income tax-laws in the PRC, the Company is an agricultural production company which is exempted from corporate income tax.

4. Notes to significant items in the financial statements

(1) Cash

Items	Ending Balance	Beginning Balance
Cash on hand	7,999.16	12,822.71
Cash in bank	6,230,502.71	4322,168.99
Total	6,238,501.87	4,334,991.70

(2) Account receivable

Aging	Ending Balance			Beginning Balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	3,080,858.99	100.00	15,404.29	3,810,289.01	100.00	19,051.44
Total	3,080,858.99	100.00	15,404.29	3,810,289.01	100.00	19,051.44

(3) Other receivables

Aging	Ending Balance			Beginning Balance		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year				206.08	100.00	
Total				206.08	100.00	

(4) Inventories and provision for loss on realization of inventory

	Ending balance	Beginning balance
Work-in-progress	326,291.82	326,291.82
Finished goods	841,451.82	675,407.48
Total	1,167,743.64	1,001,699.30
Less: Provision for loss on realization of inventory	-	-
Total	1,167,743.64	1,001,699.30

(5) Fixed assets

Item	Beginning balance	Increase of this year	Decrease of this year	Ending book balance
(1) Total original book value	27,066,112.82		1,369,968.94	25,696,143.88
Including: Houses and building	11,705,911.00			11,705,911.00
Production equipment	14,869,595.66		1,369,968.94	13,499,626.72
Transportation	159,347.00			159,347.00
Office and other equipment	331,259.16			331,259.16
(2) Total accumulated Depreciation	23,739,549.96	477,676.86	1,232,972.06	22,984,254.76
Including: Houses and building	10,254,426.30	363,437.57		10,617,863.87
Production equipment	13,040,398.34	114,239.29	1,232,972.06	11,921,665.58
Transportation	143,412.31			143,412.31
Office and other equipment	301,313.01			301,313.01
(3) Total net book value	3,326,562.86			2,711,889.12
Including: Houses and building	1,451,484.70			1,088,047.13
Production equipment	1,829,197.32			1,577,961.14
Transportation	15,934.69			15,934.69
Office and other equipment	29,946.15			29,946.15
(4) Total impairment provision				
Including: Houses and building				
Production equipment				
Transportation				
Office and other equipment				
(5) Total book value	3,326,562.86			2,711,889.12
Including: Houses and building	1,451,484.70			1,088,047.13
Production equipment	1,829,197.32			1,577,961.14
Transportation	15,934.69			15,934.69
Office and other equipment	29,946.15			29,946.15

(6) Intangible assets

Item	Beginning balance	Increase of this year	Decrease of this year	Ending balance
(1) Total original price	2,049,375.00			2,049,375.00
Including:Land use rights	2,049,375.00			2,049,375.00
(2) Total accumulated amortization	799,256.25	40,987.50		840,243.75
Land use rights	799,256.25	40,987.50		840,243.75
(3) Total impairment provision				
Including:Land use rights				
(4) Total book value	1,250,118.75			1,209,131.25
Including:Land use rights	1,250,118.75			1,209,131.25

(7) Other payables

Aging	Ending balance	Beginning balance
Within 1 year (including 1 year)	252,154.40	175,442.00
1-2 years (including 2 years)		
2-3 years (including 3 years)		
Over 3 years		
Total	252,154.40	175,442.00

(8) Paid-in capital

Investors	Beginning balance		Ending balance	
	Shareholding percentage	Contributed amount	Shareholding percentage	Contributed amount
Technico Asia Holdings Pty Limited	100.00	19,013,598.02	100.00	19,013,598.02
Total	100.00	19,013,598.02	100.00	19,013,598.02

(9) Capital surplus

Item	Beginning balance	Increase of this year	Decrease of this year	Ending balance	Change reason
Translation reserve	42,666.57			42,666.57	
Total	42,666.57			42,666.57	

(10) Retained Earning

Items	Ending balance
Undistributed Profit at the beginning of year	(5,599,889.44)
Add: Net Profit	614,965.93
Other	
Less: Appropriation of statutory surplus reserves	
Appropriation of Company expand fund	
Appropriation of staff incentive and welfare fund	
Capital redemption	
Appropriated profit	
Common stock turn to capital	
Undivided Profit	(4,984,923.51)

(11) Primary operating profit

Item	Operating revenue		Operating cost	
	Amount incurred this year	Amount incurred last year	Amount incurred this year	Amount incurred last year
Sales income TT	4,306,532.37	4,004,287.43	3,126,846.20	3,174,131.85
Total	4,306,532.37	4,004,287.43	3,126,846.20	3,174,131.85

(12) Finance expense

	Amount incurred this year	Amount incurred last year
Interest expense		
Less: Interest income	71,277.56	68,449.35
Foreign exchange loss	155,481.10	82,493.91
Less: Foreign exchange gain	90,546.99	154,815.59
Bank fee	1,034.77	2,030.34
Total	(5,308.68)	(138,740.69)

5. Contingencies

Up to 31 December 2018, there are no material contingencies for the Company.

6. Promised events

Up to 31 December 2018, there are no material promised events for the Company.

7. Non-adjusting events subsequent to the balance sheet date

Not material non-adjusting events subsequent to the balance sheet date for the Company.

8. Other material events stated

Up to 31 December 2018, there are no other material matters specially stated for the Company.