

## UNITED FOOD HOLDINGS LIMITED

### Half-Year / Second Quarter Financial Statement

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

#### CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED

	Notes	3 months ended		Group			Change %
		30/06/11 RMB'000	30/06/10 RMB'000	Change %	30/06/11 RMB'000	30/06/10 RMB'000	
Revenue	(A)	1,387,258	525,291	164.09	2,642,062	1,031,021	156.26
Cost of sales	(B)	(1,380,240)	(513,498)	168.79	(2,622,767)	(1,006,142)	160.68
Gross profit		7,018	11,793	(40.49)	19,295	24,879	(22.44)
Other income and gains	(C)	2,574	325	N/M	4,361	1,715	154.29
Selling and distribution costs	(D)	(2,369)	(1,538)	54.03	(4,708)	(2,530)	86.09
Administrative expenses	(E)	(4,465)	(4,673)	(4.45)	(9,556)	(8,578)	11.40
Other expenses, net	(F)	(405)	(1,886)	(78.53)	(773)	(5,725)	(86.50)
Profit before tax		2,353	4,021	(41.48)	8,619	9,761	(11.70)
Tax	(G)	-	-		-	-	
Profit for the period		2,353	4,021	(41.48)	8,619	9,761	(11.70)
Attributable to: Owners of the Company		2,353	4,021	(41.48)	8,619	9,761	(11.70)
EARNINGS PER SHARE							
-Basic		RMB0.00	RMB0.00		RMB0.01	RMB0.01	
-Diluted		N/A	N/A		N/A	N/A	

**Note:** For Note (A) to (G), please refer to item 8 for further analysis.  
 N/M – Not Meaningful

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED**

	<b>Group</b>					
	<b>3 months ended</b>			<b>6 months ended</b>		
	<b>30/06/11</b>	<b>30/06/10</b>	<b>Change</b>	<b>30/06/11</b>	<b>30/06/10</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Profit for the period	2,353	4,021	(41.48)	8,619	9,761	(11.70)
Other comprehensive income	-	-		-	-	
Total comprehensive income attributable to owners of the Company	<u>2,353</u>	<u>4,021</u>	<u>(41.48)</u>	<u>8,619</u>	<u>9,761</u>	<u>(11.70)</u>

**The profit before tax is arrived at after charging the followings:**

	<b>Group</b>					
	<b>3 months ended</b>			<b>6 months ended</b>		
	<b>30/06/11</b>	<b>30/06/10</b>	<b>Change</b>	<b>30/06/11</b>	<b>30/06/10</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Amortization of land use rights	2,124	2,124	N/M	4,249	4,249	N/M
Depreciation	22,206	11,683	90.07	44,450	23,497	89.17
Research and development cost	322	444	(27.48)	766	912	(16.01)

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

**CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION  
 AS AT 30 JUNE 2011**

	Notes	Group		Company	
		30/06/11 RMB'000	31/12/10 RMB'000	30/06/11 RMB'000	31/12/10 RMB'000
<b>NON-CURRENT ASSETS</b>					
Investment in subsidiaries		-	-	223,738	223,738
Property, plant and equipment	(B)	628,855	673,301	-	-
Land use rights		92,389	96,638	-	-
Total non-current assets		<u>721,244</u>	<u>769,939</u>	<u>223,738</u>	<u>223,738</u>
<b>CURRENT ASSETS</b>					
Inventories	(H)	392,819	487,554	-	-
Biological assets		38,332	36,838	-	-
Trade receivables	(I)	47,211	56,019	-	-
Amounts due from subsidiaries		-	-	560,795	571,919
Prepayments, deposits and other receivables	(J)	185,011	91,708	-	-
Restricted bank deposits	(K)	383,196	273,730	-	-
Cash and bank balances	(K)	41,054	95,774	-	-
Total current assets		<u>1,087,623</u>	<u>1,041,623</u>	<u>560,795</u>	<u>571,919</u>
<b>CURRENT LIABILITIES</b>					
Trade payables		12,772	13,119	-	-
Other payables, deposits received and accruals	(L)	52,408	55,814	-	1,574
Total current liabilities		<u>65,180</u>	<u>68,933</u>	<u>-</u>	<u>1,574</u>
<b>NET CURRENT ASSETS</b>		<u>1,022,443</u>	<u>972,690</u>	<u>560,795</u>	<u>570,345</u>
<b>NET ASSETS</b>		<u>1,743,687</u>	<u>1,742,629</u>	<u>784,533</u>	<u>794,083</u>
<b>EQUITY</b>					
Equity attributable to Owners of the Company					
Issued capital		297,447	297,447	297,447	297,447
Reserves		1,446,240	1,437,621	487,086	489,075
Proposed final dividend		-	7,561	-	7,561
Total equity		<u>1,743,687</u>	<u>1,742,629</u>	<u>784,533</u>	<u>794,083</u>

**Note: For Note (B) & (H) to (L), please refer to item 8 for further analysis.**

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

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

<b>As at 30/06/11</b>		<b>As at 31/12/10</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
N/A	N/A	N/A	N/A

**Amount repayable after one year**

<b>As at 30/06/11</b>		<b>As at 31/12/10</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
N/A	N/A	N/A	N/A

**Details of any collateral**

N/A

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Group</b>	
	<b>3 months ended</b>	
	<b>30/6/11</b>	<b>30/6/10</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,353	4,021
Adjustment for:		
Amortization of land use rights	2,124	2,124
Depreciation	22,206	11,683
Interest income	(1,004)	(159)
	<u>25,679</u>	<u>17,669</u>
Increase in inventories	(69,008)	(68,939)
Decrease / (increase) in biological assets	815	(346)
Decrease in trade receivables	5,689	47,988
Decrease in prepayments, deposits and other receivables	48,340	14,843
Decrease in trade payables	(1,976)	(6,134)
Decrease in other payables, deposits received and accruals	(3,431)	(1,963)
Cash generated from operation	<u>6,108</u>	<u>3,118</u>
Interest received	1,004	159
Net cash inflow from operating activities	<u>7,112</u>	<u>3,277</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4)	(27,898)
Increase in restricted deposits	(535)	(42,700)
Net cash outflow from investing activities	<u>(539)</u>	<u>(70,598)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(7,561)	-
Net cash outflow from financing activities	<u>(7,561)</u>	<u>-</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(988)	(67,321)
Cash and bank balances at beginning of period	<u>42,042</u>	<u>83,713</u>
<b>CASH AND BANK BALANCES AT END OF PERIOD</b>	<b>(K)</b> 41,054	16,392

**Note: For Note (K), please refer to item 8 for further analysis.**

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

<b>Group</b>	<b>Issued capital RMB'000</b>	<b>Proposed dividend RMB'000</b>	<b>Retained profits RMB'000</b>	<b>Statutory reserve RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total RMB'000</b>
Balance as at 1 January 2011	297,447	7,561	908,156	19,431	510,034	1,742,629
Profit for 1Q11	-	-	6,266	-	-	6,266
Balance as at 31 March 2011	297,447	7,561	914,422	19,431	510,034	1,748,895
Profit for 2Q11	-	-	2,353	-	-	2,353
Dividend paid – 2010 final	-	(7,561)	-	-	-	(7,561)
Balance as at 30 June 2011	<u>297,447</u>	<u>-</u>	<u>916,775</u>	<u>19,431</u>	<u>510,034</u>	<u>1,743,687</u>
<b>Group</b>	<b>Issued capital RMB'000</b>	<b>Proposed dividend RMB'000</b>	<b>Retained profits RMB'000</b>	<b>Statutory reserve RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total RMB'000</b>
Balance as at 1 January 2010	297,447	-	877,924	19,431	510,034	1,704,836
Profit for 1Q10	-	-	5,740	-	-	5,740
Balance as at 31 March 2010	297,447	-	883,664	19,431	510,034	1,710,576
Profit for 2Q10	-	-	4,021	-	-	4,021
Balance as at 30 June 2010	<u>297,447</u>	<u>-</u>	<u>887,685</u>	<u>19,431</u>	<u>510,034</u>	<u>1,714,597</u>
<b>Company</b>	<b>Issued capital RMB'000</b>	<b>Proposed dividend RMB'000</b>	<b>Accum. losses RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total RMB'000</b>	
Balance as at 1 January 2011	297,447	7,561	(20,959)	510,034	794,083	
Loss for 1Q11	-	-	(1,199)	-	(1,199)	
Balance as at 31 March 2011	297,447	7,561	(22,158)	510,034	792,884	
Loss for 2Q11	-	-	(790)	-	(790)	
Dividend paid – 2010 final	-	(7,561)	-	-	(7,561)	
Balance as at 30 June 2011	<u>297,447</u>	<u>-</u>	<u>(22,948)</u>	<u>510,034</u>	<u>784,533</u>	
<b>Company</b>	<b>Issued capital RMB'000</b>	<b>Proposed dividend RMB'000</b>	<b>Accum. losses RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total RMB'000</b>	
Balance as at 1 January 2010	297,447	-	(14,934)	510,034	792,547	
Loss for 1Q10	-	-	(1,399)	-	(1,399)	
Balance as at 31 March 2010	297,447	-	(16,333)	510,034	791,148	
Loss for 2Q10	-	-	(1,407)	-	(1,407)	
Balance as at 30 June 2010	<u>297,447</u>	<u>-</u>	<u>(17,740)</u>	<u>510,034</u>	<u>789,741</u>	

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

N/A, see 1 (d) (iii) below

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

There were 1,111,953,740 ordinary shares in issue as at 30 June 2011 and 31 December 2010.

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

N/A

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

The figures have not been audited nor reviewed by the auditors.

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

N/A

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

There were no changes in accounting policies and methods of computation adopted by the Group and the Company for the preparation of the interim financial information for the three and six months ended 30 June 2011 as compared to the audited financial statements for the year ended 31 December 2010.

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

N/A

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

	Group			
	3 months ended		6 months ended	
	30/06/11	30/06/10	30/06/11	30/06/10
<b>EARNINGS PER ORDINARY SHARE</b>				
(i) Based on weighted average number of ordinary shares in issue	RMB0.00	RMB0.00	RMB0.01	RMB0.01
(ii) On a fully diluted basis	-	-	-	-

(i) Earnings per ordinary share on the existing issued share capital is computed based on the number of shares in issue during three months and six months ended 30 June 2011 of 1,111,953,740 shares (three months and six months ended 30 June 2010: 1,111,953,740 shares)

(ii) There were no potential dilutive ordinary shares in existence for the three months and six months ended 30 June 2011 and 2010 and accordingly, no diluted earnings per share has been presented.

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

	Group		Company	
	30/06/11	31/12/10	30/06/11	31/12/10
<b>NET ASSET VALUE PER ORDINARY SHARE</b>				
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	RMB 1.57	RMB 1.57	RMB 0.71	RMB 0.71

The net asset value for the Group and the Company per ordinary share were calculated based on 1,111,953,740 shares in issue as at 30 June 2011 and 31 December 2010.

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

### Performance Review

#### (A) Revenue and pre-tax profit

##### 1H11 vs 1H10

Group revenue increased by 156.26% from RMB1.03 billion in 1H10 to RMB2.64 billion in 1H11. This was mainly attributable to:

- Increase in production and sales volume of the soybean products, namely soybean oil and soybean meal, which doubled in 1H11 compared to 1H10 after the phase 2 soybean processing plant commenced production in July 2010. The utilization rate of phase 2 soybean processing plant was 98% in 1H11; and
- Higher average selling prices of soybean oil and soybean meal in 1H11 compared to 1H10.

However, the pre-tax profit of the Group decreased by 11.70% from RMB9.76 million in 1H10 to RMB8.62 million in 1H11. This was mainly due to lower profit margin of the soybean processing division which resulted from higher soybean cost which rose at a greater rate than the weighted average selling price of soybean products in 1H11.

The increase in average selling prices of soybean products was limited as there were inflationary control measures implemented by the government in 1H11.

## **2Q11 vs 1Q11**

The Group recorded a growth of 10.56% in revenue and drop in pre-tax profit of 62.45% on a quarter to quarter basis (1Q11 vs 2Q11, as depicted below).

<b><u>Revenue</u></b>	<b><u>Group</u></b>		<b><u>Change</u></b>
	<b><u>2Q 11</u></b>	<b><u>1Q 11</u></b>	
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>	
Pig rearing	18,934	17,209	10.02
Animal feed	52,355	50,329	4.03
Soybean processing	1,315,969	1,187,266	10.84
Total	<u>1,387,258</u>	<u>1,254,804</u>	10.56

<b><u>Pre-tax profit</u></b>	<b><u>Group</u></b>		<b><u>Change</u></b>
	<b><u>2Q 11</u></b>	<b><u>1Q 11</u></b>	
	<b><u>RMB'000</u></b>	<b><u>RMB'000</u></b>	
Pig rearing	952	583	63.29
Animal feed	713	336	112.20
Soybean processing	1,073	6,593	(83.73)
Total	<u>2,738</u>	<u>7,512</u>	(63.55)
Interest income	583	421	38.48
Unallocated expenses	<u>(968)</u>	<u>(1,667)</u>	(41.93)
Profit before tax	<u>2,353</u>	<u>6,266</u>	(62.45)

### **Soybean Processing**

Revenue of the soybean processing division increased by 10.84% from approximately RMB1.19 billion in 1Q11 to approximately RMB1.32 billion in 2Q11. The increase was mainly attributable to increase in both quantities sold and average selling prices of soybean products.

The pre-tax profit of the division decreased by 83.73% in 2Q11 compared to 1Q10 mainly due to higher soybean cost which rose at a greater rate than weighted average selling price of soybean products in 2Q11.

The increase in average selling prices of soybean products was limited as there were inflationary control measures implemented by the government in 2Q11.

### **Animal Feed**

The animal feed division recorded increase in revenue and pre-tax profit of 4.03% and 112.20% respectively in 2Q11 compared to 1Q11. These were mainly attributable to increase in selling prices and demand of most of the feed products as a result of improvement in the livestock industry.

### **Pig Rearing**

The pig rearing division recorded increases in revenue and pre-tax profit of 10.02% and 63.29% respectively in 2Q11, compared to 1Q11. These were mainly attributable to increase in average selling prices and demand of piglets arising from improvement in the industry.

### **(B) Cost of Sales**

The Group managed to achieve a gross profit margin of approximately 0.73% for 1H11, compared to approximately 2.41% in 1H10. This was mainly due to higher soybean cost which rose at a greater rate than weighted average selling price of soybean oil and soybean meal combined in 1H11.

Depreciation charges in 2Q11 increased by 90.07% over 2Q10 mainly due to the depreciation charges on the property, plant and equipment for the phase 2 soybean processing plant, which commenced production in July 2010.

### **(C) Other income and gains**

Other income and gains comprised mainly of:

- Interest income of approximately RMB583,000 and RMB1 million for 3 months and 6 months ended 30/06/11 (3 months and 6 months ended 30/06/10: RMB159,000 and RMB318,000) respectively; and
- Gain in fair value less estimated costs to sell of biological assets held as at balance sheet date of approximately RMB2.84 million for 1H11 (1H10 : decrease in fair value less estimated costs to sell of RMB4.81 million disclosed in other expenses, net).

### **(D) Selling and distribution costs**

In line with the increase in sales revenue, the Group incurred higher selling and distribution costs of approximately 86.09% in 1H11, compared to 1H10.

### **(E) Administrative expenses**

Administrative expenses increased by 11.40% in 1H11 compared 1H10. This was mainly due to (i) higher administrative expenses incurred for the expanded soybean processing division and (ii) increase in staff costs.

### **(F) Other expenses, net**

Other expenses comprised research and development costs amounting to approximately RMB766,000 (1H10: RMB912,000).

The decrease in other expenses was mainly due to no decrease in fair value less estimated costs to sell of biological assets held was recognized as at balance sheet date (1H10: RMB4.81 million).

### **(G) Tax**

Tax has not been provided by the Group as the assessable profits for the period have been offset by the tax losses carried forward from prior years.

Linyi Shengquan Grease Co., Ltd. is subject to a corporate income tax rate of 25% on its assessable profits for the 3 months ended 30 June 2011 (30 June 2010: 25%).

### **(H) Inventories**

The decrease in inventories was due mainly to the continued consumption of the existing soybean reserve.

### **(I) Trade receivables**

Receivables decreased due to prompt collection efforts. Management had assessed the credit default system for 2Q11 and noted that the trade receivables balances were within credit terms. Therefore, no provision has been made for bad and doubtful debts.

**(J) Prepayment, deposits and other receivables**

The increase in the prepayment, deposits and other receivables was mainly due to deposits and prepayment made to soybean suppliers for the procurement of soybean.

**(K) Cash and bank balances and deposits**

The Group's restricted bank deposits were pledged as security for the issuance of letters of credits to its suppliers. The increase in restricted bank deposits was mainly due to increase in the procurement of soybean for production.

The reduction in cash and bank balances in 2Q11, as compared to 4Q10, was mainly due to increase in the prepayment and restricted bank deposits for procurement of soybean.

**(L) Other payables, deposits received and accruals**

Other payables, deposits received and accruals comprised mainly payables for import VAT and custom duty of approximately RMB23 million resulting from the purchase of soybean.

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

The announcement is consistent with the result announcement released on 21 April 2011.

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

Apart from the volatility of soybean prices, stiff competition and price sensitivity, the Group's performance and financial position are also subject to uncertainties from further inflationary control measures implemented by the PRC authorities and change of government policies on soybean and soybean products in the near term.

Since the commencement of production of the phase 2 soybean processing plant, the Group faces higher demand on working capital and higher depreciation charges. Preparations are being made to ensure that the additional production capacity will continue to generate healthy sales and cash flow for the Group. Subject to the stabilization of other factors discussed above, cost benefits of economies of scale is expected to improve upon increase in the utilization of the phase 2 soybean processing plant.

However, the primary risk has been, is and will be the difference in prices of soybean raw material and the finished products. The profit margin is always stressed by the world commodity price fluctuations and the market conditions and further challenged by constraints of government policies.

In 2011, the phase 2 soybean processing plant will be in its first full year of operation, Management will seek to manage and improve margins by astute buying and cash flows management by continued acceleration of the asset/cash conversion cycle.



**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Please refer to item 8 for details

**15. A breakdown of sales**

Please refer to item 13

**16. Aggregate Value Of Interested Person Transactions Entered Into For The Six Months Ended 30 June 2011**

Pursuant to Rule 920 of the SGX-ST's Listing Manual, details of the aggregate value of interested person transactions entered into the six months period ended 30 June 2011, were as follows: -

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Jiang Quan Hotel	RMB Expenses paid in relation to catering and accommodation services provided by Jiang Quan Hotel 270,000	N/A

**BY ORDER OF THE BOARD**

**Wang Tingbao**  
Director  
03 August 2011

**CONFIRMATION BY DIRECTORS PURSUANT TO CLAUSE 705(4) OF THE LISTING MANUAL OF THE SGX-ST**

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of United Food Holdings Limited which may render these interim financial results for the 2<sup>nd</sup> Quarter ended 30 June 2011 to be false or misleading in any material aspect.

**For and on behalf of the  
Board of Directors of  
United Food Holdings Limited**

**David Yip Wai Sun**  
Director

**Wang Tingbao**  
Director