

# UNITED FOOD HOLDINGS LIMITED

## Full Year Financial Statement And Dividend Announcement

### 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

The figures presented below have not been audited.

#### CONSOLIDATED INCOME STATEMENT FOR THE THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010

	Note	<u>3 months ended</u>		Change %	<u>Group</u> <u>12 months ended</u>		Change %
		31/12/10 RMB'000	31/12/09 RMB'000		31/12/10 RMB'000	31/12/09 RMB'000	
<b>CONTINUING OPERATIONS</b>							
REVENUE	(A)	1,311,583	556,960	135.49	3,297,566	1,983,167	66.28
Cost of sales	(B)	(1,285,690)	(534,884)	140.37	(3,226,269)	(2,021,073)	59.63
Gross profit / (loss)		25,893	22,076	17.29	71,297	(37,906)	N/M
Other income and gains	(C)	940	4,510	(79.16)	3,237	2,226	45.42
Selling and distribution costs	(D)	(2,446)	(1,602)	52.68	(6,973)	(4,635)	50.44
Administrative expenses	(E)	(14,106)	(14,358)	(1.76)	(27,586)	(22,999)	19.94
Other expenses, net	(F)	3,236	(4,233)	N/M	(2,182)	(5,280)	(58.67)
Profit / (loss) before tax		13,517	6,393	N/M	37,793	(68,594)	N/M
Tax	(G)	-	-		-	-	
Profit / (loss) for the year/ period from continuing operations		13,517	6,393	N/M	37,793	(68,594)	N/M
<b>DISCONTINUED OPERATIONS #</b>							
Loss for the year / period from discontinued operations		-	(77)		-	(11,867)	
Profit / (loss) for the year / period		13,517	6,316		37,793	(80,461)	
Dividend	11	7,561	-		7,561	-	
Attributable to:							
Owners of the Company		13,517	6,316		37,793	(80,461)	
<b>EARNINGS/ (LOSS) PER SHARE</b>							
-Basic		RMB0.01	RMB0.01		RMB0.03	RMB(0.07)	
-Diluted		N/A	N/A		N/A	N/A	

Note: For note (A) – (G), please refer to item 8 for further analysis.

# Pursuant to the Sales & Purchase Agreement dated 18 December 2009, the Company disposed of its entire interest in Linyi Jiangquan Meat Products Co., Ltd. and Linyi Shengquan Meat Products Co. Ltd.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010**

	Group					
	3 months ended			12 months ended		
	31/12/10 RMB'000	31/12/09 RMB'000	Change %	31/12/10 RMB'000	31/12/09 RMB'000	Change %
Profit / (loss) for the year / period	13,517	6,316	114.01	37,793	(80,461)	N/M
Other comprehensive expenses	-	-		-	-	
Total comprehensive expenses for the year / period	<u>13,517</u>	<u>6,316</u>	114.01	<u>37,793</u>	<u>(80,461)</u>	N/M
Attributable to:						
Owners of the Company	<u>13,517</u>	<u>6,316</u>	114.01	<u>37,793</u>	<u>(80,461)</u>	N/M

**Group's profit / (loss) before tax is arrived at after charging/ (crediting):**

	Group					
	3 months ended			12 months ended		
	31/12/10 RMB'000	31/12/09 RMB'000	Change %	31/12/10 RMB'000	31/12/09 RMB'000	Change %
Amortisation of land use rights	4,665	4,764	(2.08)	11,039	12,808	(13.81)
Depreciation	22,410	17,712	26.52	68,293	52,046	31.22
Gain on disposal of subsidiaries	-	(4,509)	N/M	-	(4,509)	N/M
Minimum lease payment under operating lease on land and buildings	164	573	(71.38)	598	644	(7.14)
Release of allowance for inventory obsolescence	-	(20,943)	N/M	-	(20,943)	N/M
Reversal of write-down of inventories to net realisable value	-	(90,415)	N/M	-	(90,415)	N/M
Research and development costs	124	59	110.17	1,584	1,838	(13.82)

**1(b)(i) A balance sheet (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 31 DECEMBER 2010**

	Note	Group		Company	
		31/12/10 RMB'000	31/12/09 RMB'000	31/12/10 RMB'000	31/12/09 RMB'000
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries		-	-	223,738	223,738
Property, plant and equipment	(B)	673,301	629,280	-	-
Land use rights		96,638	107,677	-	-
Prepayment for construction in progress	(B)	-	71,807	-	-
Total non-current assets		<u>769,939</u>	<u>808,764</u>	<u>223,738</u>	<u>223,738</u>
<b>CURRENT ASSETS</b>					
Inventories	(H)	487,554	475,836	-	-
Biological assets		36,838	34,802	-	-
Trade receivables	(I)	56,019	156,327	-	-
Amount due from subsidiaries		-	-	571,919	570,956
Prepayments, deposits and other receivables	(J)	91,708	55,972	-	-
Restricted bank deposits	(L)	273,730	163,297	-	-
Cash and bank balances	(L)	95,774	61,714	-	-
Total current assets		<u>1,041,623</u>	<u>947,948</u>	<u>571,919</u>	<u>570,956</u>
<b>CURRENT LIABILITIES</b>					
Trade payables	(K)	13,119	11,225	-	-
Other payables, deposits received and accruals	(M)	55,814	40,651	1,574	2,147
Total current liabilities		<u>68,933</u>	<u>51,876</u>	<u>1,574</u>	<u>2,147</u>
<b>NET CURRENT ASSETS</b>					
		<u>972,690</u>	<u>896,072</u>	<u>570,345</u>	<u>568,809</u>
<b>NET ASSETS</b>					
Net assets		<u>1,742,629</u>	<u>1,704,836</u>	<u>794,083</u>	<u>792,547</u>
<b>EQUITY</b>					
Equity attributable to owners of the Company					
Issued capital		297,447	297,447	297,447	297,447
Reserves		1,437,621	1,407,389	489,075	495,100
Proposed final dividend		7,561	-	7,561	-
Total equity		<u>1,742,629</u>	<u>1,704,836</u>	<u>794,083</u>	<u>792,547</u>

**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 31/12/10</b>		<b>As at 31/12/09</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 31/12/10</b>		<b>As at 31/12/09</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 CASH FLOW STATEMENTS**

	Group 12 months ended		Group 3 months ended	
	31/12/10 RMB'000	31/12/09 RMB'000	31/12/10 RMB'000	31/12/09 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit / (loss) before tax				
From continuing operations	37,793	(68,594)	13,517	6,393
From discontinued operations	-	(11,867)	-	(77)
Adjustments for:				
Amortisation of land use rights	11,039	12,808	4,665	4,764
Depreciation	68,293	52,046	22,410	17,520
Release for inventory obsolescence	-	(20,943)	-	(20,943)
Reversal of write-down of inventories to net realisable value	-	(90,415)	-	(90,415)
Bank interest income	(851)	(700)	(360)	(134)
Gain on disposal of subsidiaries	-	(4,509)	-	(4,509)
	116,274	(132,174)	40,232	(87,401)
Working capital adjustments:				
(Increase) / decrease in inventories	(11,718)	248,427	(58,354)	228,685
Increase in biological assets	(2,036)	(6,681)	(1,286)	(2,554)
Decrease / (increase) in trade receivables	100,308	278,837	(15,348)	(32,716)
Decrease / (increase) in prepayments, deposits and other receivables	6,317	(10,835)	172,983	126,510
Increase in trade payables	1,894	1,218	2,329	169
Increase / (decrease) in other payables, deposits received and accruals	15,163	(3,510)	623	9,938
Cash generated from operations	226,202	375,282	141,179	242,631
Tax paid	-	-	-	(69)
Interest received	851	700	360	134
Net cash inflow from operating activities	227,053	375,982	141,539	242,696
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property, plant & equipment	(82,560)	(434,842)	(3,501)	(360,057)
(Increase) / decrease in prepayment for construction in progress	-	(71,807)	-	123,643
Proceeds from disposal of subsidiaries	-	60,887	-	60,887
(Increase) / decrease in restricted bank deposit	(110,433)	2,186	(88,460)	(41,447)
Net cash outflow from investing activities	(192,993)	(443,576)	(91,961)	(216,974)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	34,060	(67,594)	49,578	25,722
Cash and bank balances at beginning of year / period	61,714	129,308	46,196	35,992
<b>CASH AND BANK BALANCES AT END OF YEAR / PERIOD</b>	95,774	61,714	95,774	61,714

**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 share capital RMB'000</b>	<b>Proposed final dividend RMB'000</b>	<b>Retained profits RMB'000</b>	<b>Statutory reserve RMB'000</b>	<b>Share premium account 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
Comprehensive income for 1Q10	-	-	5,740	-	-	5,740
Balance as at 31 March 2010	297,447	-	883,664	19,431	510,034	1,710,576
Comprehensive income for 2Q10	-	-	4,021	-	-	4,021
Balance as at 30 June 2010	297,447	-	887,685	19,431	510,034	1,714,597
Comprehensive income for 3Q10	-	-	14,515	-	-	14,515
Balance as at 30 September 2010	297,447	-	902,200	19,431	510,034	1,729,112
Comprehensive income for 4Q10	-	-	13,517	-	-	13,517
Dividend - 2010 proposed	-	7,561	(7,561)	-	-	-
Balance as at 31 December 2010	<u>297,447</u>	<u>7,561</u>	<u>908,156</u>	<u>19,431</u>	<u>510,034</u>	<u>1,742,629</u>

<b>Group</b>	<b>Issued share capital RMB'000</b>	<b>Proposed final dividend RMB'000</b>	<b>Retained profits RMB'000</b>	<b>Statutory reserve RMB'000</b>	<b>Share premium account RMB'000</b>	<b>Total RMB'000</b>
Balance as at 1 January 2009	297,447	-	879,360	98,456	510,034	1,785,297
Comprehensive income for 1Q09	-	-	(57,277)	-	-	(57,277)
Balance as at 31 March 2009	297,447	-	822,083	98,456	510,034	1,728,020
Comprehensive income for 2Q09	-	-	(24,528)	-	-	(24,528)
Balance as at 30 June 2009	297,447	-	797,555	98,456	510,034	1,703,492
Comprehensive income for 3Q09	-	-	(4,972)	-	-	(4,972)
Balance as at 30 September 2009	297,447	-	792,583	98,456	510,034	1,698,520
Transfer to retained profits	-	-	79,025	(79,025)	-	-
Comprehensive income for 4Q09	-	-	6,316	-	-	6,316
Balance as at 31 December 2009	<u>297,447</u>	<u>-</u>	<u>877,924</u>	<u>19,431</u>	<u>510,034</u>	<u>1,704,836</u>

Company	Issued share capital RMB'000	Proposed final dividend RMB'000	Accumulated losses RMB'000	Share premium account RMB'000	Total RMB'000
Balance as at 1 January 2010	297,447	-	(14,934)	510,034	792,547
Comprehensive income for 1Q10	-	-	(1,399)	-	(1,399)
Balance as at 31 March 2010	297,447	-	(16,333)	510,034	791,148
Comprehensive income for 2Q10	-	-	(1,407)	-	(1,407)
Balance as at 30 June 2010	297,447	-	(17,740)	510,034	789,741
Comprehensive income for 3Q10	-	-	(1,608)	-	(1,608)
Balance as at 30 September 2010	297,447	-	(19,348)	510,034	788,133
Comprehensive income for 4Q10	-	-	5,950	-	5,950
Dividend – 2010 proposed	-	7,561	(7,561)	-	-
Balance as at 31 December 2010	<u>297,447</u>	<u>7,561</u>	<u>(20,959)</u>	<u>510,034</u>	<u>794,083</u>

Company	Issued share capital RMB'000	Proposed final dividend RMB'000	Accumulated losses RMB'000	Share premium account RMB'000	Total RMB'000
Balance as at 1 January 2009	297,447	-	(7,651)	510,034	799,830
Comprehensive income for 1Q09	-	-	(1,411)	-	(1,411)
Balance as at 31 March 2009	297,447	-	(9,062)	510,034	798,419
Comprehensive income for 2Q09	-	-	(819)	-	(819)
Balance as at 30 June 2009	297,447	-	(9,881)	510,034	797,600
Comprehensive income for 3Q09	-	-	(895)	-	(895)
Balance as at 30 September 2009	297,447	-	(10,776)	510,034	796,705
Comprehensive income for 4Q09	-	-	(4,158)	-	(4,158)
Balance as at 31 December 2009	<u>297,447</u>	<u>-</u>	<u>(14,934)</u>	<u>510,034</u>	<u>792,547</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 31 December 2010 and 31 December 2009. The Company did not hold any treasury shares as at 31 December 2010 and 31 December 2009.

1(d)(iv) A statement showing all sales, transfer, 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 financial information for the 3 and 12 months ended 31/12/10 as compared to the audited financial statements for the year ended 31/12/09.

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

The accounting policies and the basis of preparation are the same as those used in the audited consolidated financial statements for the year ended 31 December 2009, except in relation to the following new and revised International Financial Reporting Standards ("IFRSs") that affect the Group and are adopted for the first time for the current period's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards has had no significant effect on the financial statements.

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards
IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC- 17	Distributions of Non-cash Assets to Owners
IFRS 5 Amendments included in <i>Improvements to IFRSs</i> issued in May 2008	Amendments to IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

**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**

	<b>Group</b>			
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31/12/10</b>	<b>31/12/09</b>	<b>31/12/10</b>	<b>31/12/09</b>
<b>EARNINGS / (LOSS) PER ORDINARY SHARE</b>				
(i) Based on weighted average number of ordinary shares in issue				
- For profit / loss for the year / period	<b>RMB 0.01</b>	<b>RMB 0.01</b>	<b>RMB 0.03</b>	<b>(RMB 0.07)</b>
- For profit / loss from continuing operations	<b>RMB 0.01</b>	<b>RMB 0.01</b>	<b>RMB0.03</b>	<b>(RMB0.06)</b>

- (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 3 months and 12 months ended 31 December 2010 of 1,111,953,740 shares (3 months and 12 months ended 31 December 2009 of 1,111,953,740 shares)
- (ii) There were no potential dilutive ordinary shares in existence for the both the three months and 12 months ended 31 December 2010 and 2009 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 issued share excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	<b>31/12/10</b>	<b>31/12/09</b>	<b>31/12/10</b>	<b>31/12/09</b>
<b>NET ASSETS 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	<b>RMB1.57</b>	<b>RMB 1.53</b>	<b>RMB0.71</b>	<b>RMB 0.71</b>

**The net assets value for the group per ordinary share was calculated based on 1,111,953,740 shares in issue as at 31 December 2010 and 31 December 2009.**

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:

The Group's revenue increased by 66.28% from approximately RMB1.98 billion in 2009 to approximately RMB3.30 billion in 2010, mainly due to:

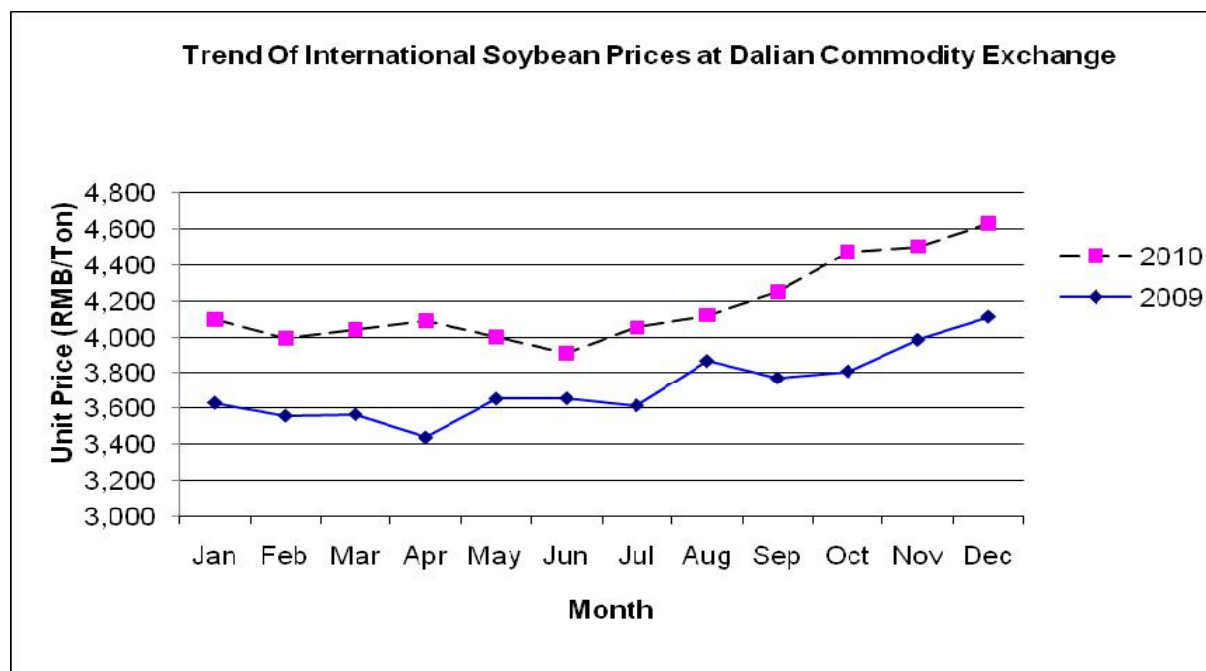
- Increase in production and sales volume of the soybean products, namely soybean oil and soybean meal, which doubled in 2H10 compared to 2H09 after the phase 2 soybean processing plant commenced production in July 2010. The utilization rate of phase 2 soybean processing plant was 87% in 2H10; and
- Increase in the average selling price of soybean oil and soybean meal in 2010 compared to 2009.

The Group recorded a growth of 37.34% in revenue and drop of 6.88% in profit before tax on a quarter to quarter basis (4Q10 vs 3Q10, as depicted below),

<u>Revenue</u>	<u>Group</u>		
	<u>3 months ended 31 Dec 2010</u>		
	<u>4Q 10</u>	<u>3Q 10</u>	<u>Change</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
Pig rearing	16,106	17,003	(5.28)
Animal feed	60,347	48,059	25.57
Soybean processing	1,235,130	889,900	38.79
Total	<u>1,311,583</u>	<u>954,962</u>	<u>37.34</u>

<u>Pre-tax profit / (loss)</u>	<u>Group</u>		
	<u>3 months ended 31 Dec 2010</u>		
	<u>4Q 10</u>	<u>3Q 10</u>	<u>Change</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
Pig rearing	(416)	155	N/M
Animal feed	(73)	(901)	91.90
Soybean processing	15,784	17,139	(7.91)
Total	<u>15,295</u>	<u>16,393</u>	
Interest income	360	173	
Unallocated expenses	(2,138)	(2,051)	
Profit before tax	<u>13,517</u>	<u>14,515</u>	<u>(6.88)</u>

### Soybean Processing:



The movement of soybean prices was on an upward trend in 2010. The average selling prices of soybean oil and soybean meal were higher in 2010 compared to 2009. The phase 2 soybean processing plant commenced production in July 2010 and its utilization rate was 87% in 2H10. With the annual production of approximately 720,000 tons, the phase 2 soybean processing plant has increased the overall production capacity of the division to over 1.2 million tons per annum.

Revenue of the division was significantly boosted by 38.79% in 4Q10 compared to 3Q10. The increase was mainly attributable to the increase in the average selling prices of soybean oil and soybean meal and the improved utilization rate of the phase 2 soybean processing plant from 78% to 95% in 4Q10 compared to 3Q10.

Pre-tax profit of the division decreased by 7.91% in 4Q10 compared to 3Q10 as the provisions of land tax and property tax of approximately RMB6.20 million was charged in 4Q10.

### Animal Feed:

The animal feed division recorded higher revenue of approximately RMB175.46 million in 2010, compared to RMB159.15 million in 2009, representing an increase of 10.24%. The increase was mainly due to higher average selling prices for animal feed in 2010, compared to 2009, arising from improvement in feed industry, increase in costs of raw materials and inflationary impact.

The division recorded revenue of approximately RMB60.35 million in 4Q10 compared to approximately RMB48.06 million in 3Q10, an increase of 25.57%. The increase was mainly due to increase in demand from breeders in 4Q10 due to the improvement in the livestock industry and the increase in average selling price in 4Q10 compared to 3Q10.

The continuous increase in raw material prices (corn) and increase in depreciation charges in respect of the improvements to the factory buildings in 2009, have resulted in the division recording a loss for the year and this quarter.

### **Pig Rearing:**

The pig rearing division generated comparable revenue for 2010 and 2009.

Although the average selling price for piglets had increased in 2010, higher feed costs and expenditures incurred for prevention on diseases as well as increase in depreciation charges pertaining to improvements to the pig farms in 2009 have resulted a loss for the division in 2010 and this quarter.

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

The Group managed to achieve profitability (gross profit margin of 2.16%) in 2010 against a loss position (gross loss margin of 1.91%) in 2009. This was mainly attributable to the stabilization of the soybean prices, increase in the average selling prices of soybean oil and soybean meal and cost benefits of economies of scale achieved from the additional production capacity of the phase 2 soybean processing plant. However, soybean cost rose at a greater rate than weighted average selling price of soybean oil and soybean meal combined, resulting in lower gross margin of 1.97% in 4Q10 compared to 3.96% in 4Q09.

Depreciation charges in 2010 had increased significantly by 31.22% over 2009 mainly due to the Group's commencement of depreciation charges on the property, plant and equipment for the phase 2 soybean processing plant in July 2010.

The prepayment for construction-in-progress represented the prepayment of machineries related to the phase 2 soybean processing plant which were transferred to property, plant & equipment upon they were available for use during the year.

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

Other income and gains comprised mainly of:

- Interest income, for 3 months and 12 months ended 31/12/10, amounting to approximately RMB360K and RMB851K (3 months and 12 months ended 31/12/09: RMB134K and RMB700K) respectively.
- Government grants for pig rearing division for pig rearing of RMB430K and approximately RMB1.23 million for the 3 months and 12 months ended 31/12/10 respectively (For 3 months and 12 months ended 31/12/09: RMB690K).
- Gain from sales of scrap and raw materials of approximately RMB558K (2009: 198K).

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

The Group incurred higher selling and distribution costs of 50.44% in 2010 compared to 2009 and 52.68% in 4Q10 as compared to 4Q09, which were in line with the increase in sales revenue.

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

The increase in administrative expenses in 2010 was mainly due to (i) higher administrative expenses incurred for the expanded soybean processing division and (ii) inflationary impact.

### **(F) Other expenses**

Other expenses comprised mainly of:

- Research & development costs amounting to approximately RMB1.58 million (2009: RMB1.84 million) and;
- The decrease in fair value less estimated costs to sell of biological assets held as at balance sheet date of approximately RMB220K (2009: RMB3.41 million).

As at balance sheet date, the carrying amount of biological assets was higher than their fair value and a decrease in fair value less estimated costs to sell of approximately RMB220K was recognized. However, the decrease in fair value less estimated to sell of biological assets held as at balance sheet date decreased in 2010 compared to 2009 resulted from the increase in market price of pedigree pigs in 2010.

#### **(G) Tax**

Tax has not been provided by the Group as the assessable profits for the year 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 2010. (2009: 12.5%).

#### **(H) Inventories**

Sufficient inventories were maintained to meet the production capacity of the soybean processing plants and to mitigate the price fluctuation risk of the soybean.

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

The decrease in trade receivables was due to prompt collections in the current period. The Group has adopted more stringent credit policy to strengthen its cash flow position.

Management had assessed the credit default system for 2010 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 prepayment, deposits and other receivables was mainly due to increase in prepayment made to soybean suppliers for the procurement of soybean and VAT receivable (input) arising from the purchase of property, plant and equipment for the phase 2 soybean processing plant.

#### **(K) Trade payables**

The increase in trade payables was mainly due to increase in quantity purchased and prices of raw materials.

#### **(L) Cash, bank balances and deposits**

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

Cash and bank balances increased with improvement in business, improvement on the efficiency of assets/cash conversion cycle and reduction in the capital expenditure.

#### **(M) Other payables, deposits received and accruals**

The increase in other payables, deposits received and accruals comprised mainly retention money of approximately RMB31.2 million held for the property, plant and equipment purchased for the phase 2 soybean processing plant and payable after the retention guarantee period of one year, expected in July 2011.

### **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 01 November 2010.

**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 on further inflationary control measures implemented by the PRC authorities and change of government policies on soybean and soybean products in 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.

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

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

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

**Yes**

Name of Dividend	:	Final
Dividend Type	:	Cash
Dividend Rate	:	RMB0.0068 per ordinary share
Par Value of Shares	:	HKD0.25
Tax Rate	:	Tax not applicable

The proposed final dividend amounts to RMB7,561K which is equivalent to approximately 20% of the Group's profit for the full year of 2010.

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?

**No**

Name of Dividend	:	N/A
Dividend Type	:	N/A
Dividend Rate	:	N/A
Par Value of Shares	:	N/A
Tax Rate	:	N/A

***(c) Date Payable***

**To be announced later**

***(d) Books Closure Date***

**To be announced later**

**12. If no dividend has been declared/recommended, a statement to that effect**

Not applicable

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

	12 months ended 31/12/10 RMB'000	Share of total (%)	12 months ended 31/12/09 RMB'000	Share of total (%)	% Changes
<b>Revenue</b>					
Pig rearing	60,903	1.85	61,912	3.12	(1.63)
Animal feed	175,460	5.32	159,155	8.03	10.24
Soybean processing	3,061,203	92.83	1,762,100	88.85	73.72
Total Revenue	<u>3,297,566</u>	<u>100.00</u>	<u>1,983,167</u>	<u>100.00</u>	66.28
<b>Profit / (Loss) Before Tax</b>					
Processed meat product*	-	-	(4,225)	37.34	N/M
Fresh, chilled and frozen pork*	-	-	(2,190)	19.35	N/M
Healthcare supplements*	-	-	(218)	1.93	N/M
Pig rearing	7,462	5.98	6,114	N/M	22.05
Animal feed	2,181	1.75	(113)	1.00	N/M
Soybean processing	115,137	92.27	(10,683)	94.41	N/M
	<u>124,780</u>	<u>100</u>	<u>(11,315)</u>	<u>N/M</u>	
Amortization & depreciation	(79,332)		(64,854)		
Interest income	851		700		
Unallocated expenses	(8,506)		(9,501)		
Gain on disposal of subsidiaries	-		4,509		
Profit / (loss) before tax	<u>37,793</u>		<u>(80,461)</u>		N/M

\* Discontinued operations

**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.

**15. A breakdown of sales**

	31/12/10 RMB'000	<u>Group</u> 31/12/09 RMB'000	Change %
(a) Revenue reported for 1 <sup>st</sup> half year	1,031,021	907,542	13.61
(b) Operating profit / (loss) after tax before deducting minority interest reported for 1 <sup>st</sup> half year	9,761	(81,805)	N/M
(c) Revenue reported for 2 <sup>nd</sup> half year	2,266,545	1,075,625	110.72
(d) Operating profit after tax before deducting minority interest reported for 2 <sup>nd</sup> half year	28,032	1,344	N/M

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	<b>Latest Full Year- 2010</b>	<b>Previous Full Year- 2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Ordinary	7,561	-
Preference	-	-
Total:	<u>7,561</u>	<u>-</u>

**17. Aggregate Value Of Interested Person Transactions Entered Into For The 12 Months Ended 31 December 2010**

Pursuant to Rule 920 of the SGX-ST's Listing Manual, details of the aggregate value of interested person transactions entered into the 12 months period ended 31 December 2010, 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	Expenses paid in relation to catering and accommodation services provided by Jiang Quan Hotel RMB 370,000	Nil

**BY ORDER OF THE BOARD**

**Wang Tingbao**  
**Director**  
**28 February 2011**