



OUR
FOCUS
ANNUAL REPORT 2010



UNITED FOOD
HOLDINGS LIMITED



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OUR CORE BUSINESS

UNITED FOOD HOLDINGS LIMITED engages in the production and supply of soybean products, animal feeds and pigs of quality breeds in the People's Republic of China.

As a responsible corporate citizen, we endeavour to promote healthy environment practices in our area of operations.

DISTRIBUTION NETWORK





Expanding our Capacity

With the phase 2 soybean processing plant commencing operations in July 2010, the annual production capacity of the soybean division has increased by more than twofold, exceeding 1.2 million tonnes per annum, equipping us for the next level of growth.

CHAIRMAN'S MESSAGE



Dear Shareholders,

On behalf of the Board of Directors of United Food Holdings Limited, I am pleased to present to you, the Annual Report together with the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2010.

PERFORMANCE REVIEW

With the phase 2 soybean processing plant came on stream in July 2010, the annual production capacity of the soybean division has increased by more than twofold, exceeding 1.2 million tonnes per annum. Sales revenue and volume also rose in tandem in the second half of the year. The Group recorded revenue for the year of approximately RMB3.30 billion compared to approximately RMB1.98 billion in 2009.

The Group managed to record a profit for the year of approximately RMB37.79 million compared to a loss of approximately RMB80.46 million in 2009. The performance was attributable to soybean processing division resulted from the stabilized soybean prices, higher average selling prices of soybean products and cost benefits of economies of scale achieved from the expanded production capacity. The animal feed and pig rearing continue to face high costs challenges and remained in a loss position. As the livestock industry continues to improve, the performances of both segments are expected to improve gradually.

The Group attained an earnings-per-share of RMB3.40 cents compared to a loss-per-share of RMB7.24 cents in the previous year. The Group's net tangible assets per share increased from RMB1.53 per share in 2009 to RMB1.57 per share in 2010, representing an improvement of 2.22%. Despite the highly competitive and challenging environment in 2010, the Group managed to rebound to a profitable position. With our solid shareholders' fund of approximately RMB1.74 billion, the Group is in a strong position to deal with the challenges in 2011. Overall, our financial position remains healthy and we continue to maintain a debt-free capital structure with strong liquidity position.

I also wish to assure shareholders that the Board is mindful of the need to further optimize the return to shareholders funds.

DIVIDEND

The Board of Directors has recommended a final dividend of RMB0.68 cent per share this aggregate RMB7.56 million which is equivalent to approximately 20% of the Group's profit for the full year of 2010.

Subject to the approval of the shareholders at the Annual General Meeting on 20 April 2011, the final dividend will be paid on 10 June 2011.

CHAIRMAN'S MESSAGE

The Board of Directors recommended the dividend after having carefully considered the Group's cash reserve, working capital requirements and the potential capital expenditure.

PROSPECTS

In light of continuous increase in demand of soybean and soybean products in China, the industry is expected to grow further and the Group will continue to explore for long-term growth opportunities anchored on our soybean processing division.

Despite the increasing inflationary pressures and competitive industry outlook, we will remain vigilant on cost and further improve on our efficiencies through operational initiatives.

We will continue growing our core business and assets in a sustainable manner to create good value for our shareholders. The strategic direction for the coming financial year is to focus on stabilizing our earnings and minimizing costs. We will endeavor to remain competitive and strategize on expansion of business and assets base.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our heartfelt gratitude to the management team and employees of the Group for their undivided loyalty, unstinting commitment to propel the Group forward in a year marked by consolidation.

We would like to take this opportunity to register our appreciation to the shareholders for their confidence and support during the year. We also take this opportunity to thank our valued customers, business partners and all relevant authorities for their confidence, patience and continued support and co-operation rendered during the year.

Last but not least, I would like to thank my fellow Board members for their wise counsel, unfailing guidance and tremendous support provided in the most timely manner resulting in excellent decision being made in achieving the success throughout the year.

David Yip Wai Sun
Non-executive Chairman



Enhancing our Growth

In light of continuous increase in demand of soybean and soybean products in China, the industry is expected to grow further and the Group will continue to explore for long-term growth opportunities anchored on our soybean processing division.

FINANCIAL HIGHLIGHTS

	2010 (RMB million)	2009 (RMB million)	Change %
Revenue*	3,298	1,983	66.31
Gross Profit / (Loss)*	71	(38)	+ N/M
Profit / (Loss) from Operations*	38	(69)	+ N/M
Profit / (Loss) Before Tax*	38	(69)	+ N/M
Profit / (Loss) After Tax*	38	(69)	+ N/M
Profit / (Loss) Attributable to Shareholders	38	(80)	+ N/M
Shareholders' Fund	1,743	1,705	2.23
Total Assets	1,812	1,757	3.13
Total Liabilities	69	52	32.69
Profitability Ratios	2010	2009	Change %
Gross Margin*	2.15%	(1.92%)	+ N/M
Operating Margin*	1.15%	(3.48%)	+ N/M
Return on Revenue	1.15%	(4.03%)	+ N/M
Return on Average Equity	2.20%	(4.58%)	+ N/M
Return on Average Assets	2.13%	(4.45%)	+ N/M
* Continuing Operations			
Per Share Data (Notes)	2010	2009	Change %
a. Net Tangible Assets (cents)	156.72	153.32	2.22
b. Earnings / (Loss) (cents)	3.40	(7.24)	+ N/M
c. Gross Dividend (cent)	0.68	0	+ N/M

Note:

a. The net tangible assets per ordinary share was calculated based on 1,111,953,740 shares (2009: 1,111,953,740 shares) in issue as at 31 December 2010.

b. The basic earnings/(loss) per share was calculated based on 1,111,953,740 shares (2009: 1,111,953,740 shares) in issue as at 31 December 2010.

c. The gross dividend per ordinary share was calculated based on 1,111,953,740 shares in issue as at 31 December 2010.

+ N/M - Not meaningful.

Five Years Financial Summary

The results, assets and capital and reserves of the Group for the last five financial years are as follows:
Year Ended 31 December

Condensed Consolidated Statements of Financial Position (RMB'000)

	2010	2009	2008	2007	2006
Revenue*	3,297,566	1,983,167	2,810,845	3,026,167	3,249,130
Net Profit / (Loss)					
from ordinary					
activities attributable					
to shareholders	37,793	(80,461)	(498,438)	83,043	154,161

Condensed Consolidated Income Statements (RMB'000)

	2010	2009	2008	2007	2006
Property, plant & equipment	673,301	629,280	268,140	328,103	400,343
Land use rights	96,638	107,677	155,207	260,950	273,645
Prepayment for construction in progress	-	71,807	-	-	-
Net current assets	972,690	896,072	1,361,950	1,711,361	1,574,518
Capital and reserves	1,742,629	1,704,836	1,785,297	2,300,414	2,248,506

* For comparison purpose, the revenue from continuing operations has been combined with the revenue from discontinued operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue increased by 66.31% from approximately RMB1.98 billion in 2009 to approximately RMB 3.30 billion in 2010, mainly due to:

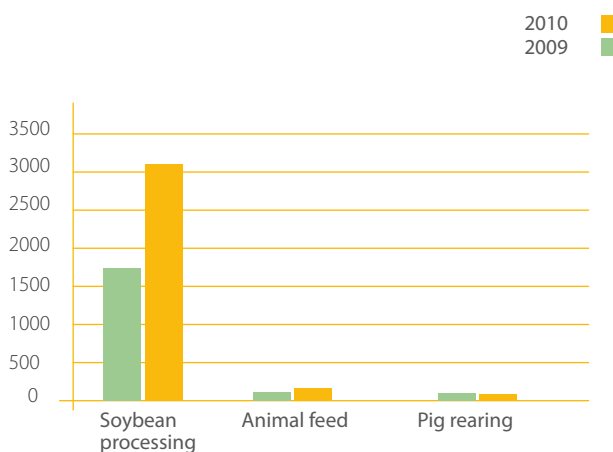
- (i) Increase in production and sales volume of the soybean products, namely soybean oil and soybean meal, which doubled in the second half of 2010 compared to that of 2009 after phase 2 soybean processing plant commenced production in July 2010; and
- (ii) Increase in the average selling prices of soybean oil and soybean meal in 2010 compared to 2009.

The Group managed to turn its loss position in 2009 back to a profit making position in 2010 of approximately RMB37.79 million, which was contributed by the soybean processing division and mainly attributable to:

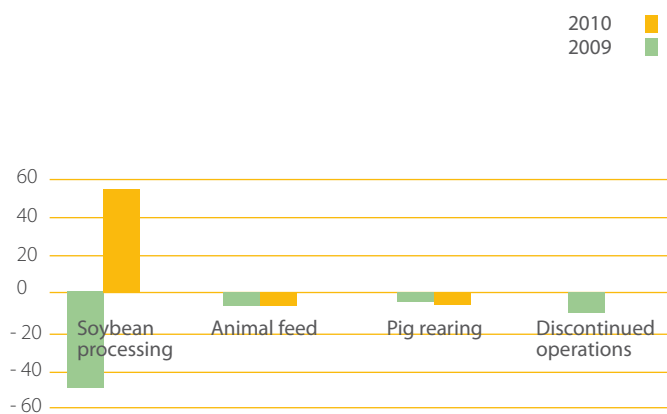
- (i) The stabilization of the soybean prices;
- (ii) Increase in the average selling prices of soybean products; and
- (iii) Cost benefits of economies of scale achieved from the expanded production capacity.

The soybean processing division recorded a profit of approximately RMB55.99 million for the year, whilst the animal feed and pig rearing divisions recorded losses of approximately RMB5.29 million and RMB5.25 million respectively.

Revenue (By Activities)(RMB million)



Profit / (loss) for the year (By Activities)(RMB million)



Operational Efficiency Indicators of the Group for 2010 and 2009

	2010	2009	Change
Non-current assets turnover rate	4.18	3.22	29.81%
Current assets turnover rate	3.31	1.68	97.02%
Total assets turnover rate	1.85	1.10	68.18%
Trade receivables turnover days	12	54	(77.78%)
Inventories turnover days	54	97	(44.33%)

MANAGEMENT DISCUSSION AND ANALYSIS

1. Soybean Processing Division

1.1 Performance Review

Revenue

The soybean division's revenue increased by approximately 73.86% from approximately RMB1.76 billion in 2009 to RMB3.06 billion in 2010, whilst the total assets employed by the division increased only by approximately 4.40% from approximately RMB1.59 billion in 2009 to approximately RMB1.66 billion in 2010. It was mainly due to:

- (a) Production and sales volume of the soybean oil and soybean meal were doubled in the second half of 2010 compared to the second half of 2009 (as well as the first half of 2010) upon the phase 2 soybean processing plant commenced production in July 2010; and
- (b) Increase in the average selling prices of soybean oil and soybean meal in 2010 compared to 2009.

With the annual production capacity of 720,000 tonnes in phase 2, the overall production capacity of the division has increased to over 1.2 million tonnes per annum. The utilization rate achieved, of the phase 1 and 2, in the second half of 2010 were 100% and 87% respectively. With the increased production capacity, the Group has become one of the top five players (in terms of operational size and scale) in the coastal area of Shandong Province in China.

Subsequent to run-in period of around 1 year, the advanced technology of the phase 2 soybean processing plant would enable an increase in its production capacity by around 20% annually. The additional production capacity will equip the Group in meeting future increase in market demand for the soybean products.

Profit and Loss

The loss in 2009 was mainly due to (1) high cost of sales arising from high cost of inventories purchased in the second half of 2008 and first quarter of 2009; and (2) continued fall in the average selling prices of the finished goods in the first half of 2009.

As the high cost of inventories was fully charged against the cost of sales in the first half of 2009 and the sign of stabilization in soybean prices became more prominent with the increase in the average selling prices of the finished goods, the Group managed to record profit with consistent production capacity (phase 1) in the second half of 2009.

The division managed to reverse the loss position (loss margin of 2.82%) in 2009 back to a profitable position (profit margin of 1.83%) in 2010. The achievement was mainly attributable to:

- (a) The stabilization of the soybean prices;
- (b) Increase of the average selling prices of soybean oil and soybean meal; and
- (c) Cost benefits of economies of scale achieved from the additional production capacity of the phase 2 soybean processing plant.

Upon commencement of the phase 2 soybean processing plant in July 2010, the cost benefits of economies of scale increased in the second half of the year, the average production overheads and average administrative expenses have diminished, in relative terms, in 2010 compared to 2009.

However, soybean cost rose at a greater rate than the weighted average selling price of soybean oil and soybean meal combined. This resulted in the decrease in gross margin in the second half of 2010 compared to the first half of 2010.

Given the phase 2 soybean processing plant will be in its first full year of operation in 2011, the Group will enjoy further cost benefits of economies of scale from the expanded production capacity with even lower average production overheads.

1.2 Cash Position and Liquidity

The Group continued to operate under a debt-free capital structure with strong liquidity position, ending the year under review, with cash and bank balances and deposits of approximately RMB369.50 million (2009: RMB225.01 million) representing a net cash per share of RMB0.33 (2009: RMB0.20). The increase in cash position was mainly due to:

- (a) Improvement in businesses; and
- (b) Improvement on the efficiency of assets cash conversion cycle.

The commencement of operation of the phase 2 soybean processing plant has resulted higher monthly soybean procurement. On the average, around two shipments (compared to around one shipment previously) of soybean per month are required to meet the expanded production capacity. Additional working capital were required for the Group in tandem of the expanded operation.

MANAGEMENT DISCUSSION AND ANALYSIS

Nevertheless, the Group has obtained sufficient trade facilities from banks for procurement of the soybean. This is evidential in the increase in the restricted bank deposits by 67.63% from approximately RMB163.30 million at 31 December 2009 to approximately RMB273.73 in 31 December 2010.

Management has assessed the adequacy of the working capital requirements of the Group and noted that the working capital was maintained at a healthy level.

1.3 Operational Efficiency Indicators

(a) Assets turnover rates

The Group's current assets turnover rate increased by 97.02% from 1.68 in 2009 to 3.31 in 2010. The Group's total assets turnover rate increased by 68.18% from 1.10 in 2009 to 1.85 in 2010.

The increase in the assets turnover rates reflects the Group's improvement on efficiency in generating revenue. The assets turnover rates are expected to further improve as the phase 2 soybean processing plant will have its first full year of operation in 2011.

(b) Trade receivables turnover days

The Group's trade receivables turnover days decreased by 77.78% from 54 days in 2009 to 12 days in 2010 as stringent sales and credit policies have been adopted.

(c) Inventories turnover days

The Group's inventories turnover days decreased by 44.33% from 97 days in 2009 to 54 days in 2010 on the increase in production rate and improvement on inventory management and procurement strategies.

1.4 Competitive Edges

(a) Operational scale

With the expansion in operational scale, increase in cost benefits of economies of scale and brand familiarity, the Group is now in a stronger position to cope with stiff industry competition and uncertainties due to changes of external factors.

(b) Products quality

Following the establishment of the phase 1 Belgian technology, the Group has adopted US technology for the phase 2 soybean processing plant. The two phases are fully integrated, computerized and automated with relevant inspection equipments and apparatus. This has further enhanced the quality of end-products.

(c) Rights to import soybean

Compared to other domestic market participants, the Group has obtained the license to import soybean directly from overseas. This has provided the Group with stronger competitive edge in securing the soybean stock for daily operation. Hence, the Group is therefore not dependent on other domestic participants (middle-man) for the soybean supply.

(d) Relationship with customers and suppliers

Our relationships with suppliers and customers have been further strengthened as their confidence in the Group has increased and our after-sales services improved. With supply and quality of soybean assured, the customer coverage has expanded to the middle region of China.

1.5 Update on China's Soybean Market Development

Being the world's largest soybean importer, the import of soybean in China has increased by 28.77% from approximately 42.55 million tonnes in 2009 to approximately 54.79 million tonnes in 2010. The increase reflects China's continuous increasing demand on the soybean and soybean products. With improved standards of livings and improved the criteria for imported soybean oil, the demand for soybean oil from local producers is expected to continue to increase in the near term.

As the livestock industry continues to improve, the demand for soybean meal is also expected to increase in the near term.

However, stiff competition coupled with uncertainties on changes of the government policies on soybean and soybean products as well as further inflationary control measures which may be implemented by the China authorities would continue to affect the soybean market, products and prices.



MANAGEMENT DISCUSSION AND ANALYSIS

1.6 Risk Factors Analysis

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

The raw material price fluctuation risk is identified as the biggest risk of the Group. Based on the experience of the Group in 2008 up to 2009, Management did actively evaluate how this risk can be minimized. Notwithstanding the volatility of hedging options, Management did not consider this a totally viable option and they may in fact be disruptive as seen from the experience of other multi-national groups with treasury departments. They were unable to minimize the losses during the global crisis and have been burdened by significant financial costs from financial instruments.

With the commencement of operation of the phase 2 soybean processing plant, the Group has to purchase more soybean to meet the additional production capacity. As the soybean on hand and in-transit increased, the Group has higher buffer stock to against the short term volatility.

Meanwhile, the increase in the production rate of the soybean (both phase 1 and 2) together with the adoption of flexible soybean procurement strategies would minimize the impact of downward price risk of the soybean on the Group. The soybean purchased will be converted into finished goods and sold out at a shorter period of time given the increase in production capacity of phase 1 and 2 soybean processing plants.

With reference to movements of soybean prices on the international and local commodities exchanges since 2010 and gradual recovery of the global economy, Management does not anticipate that the soybean prices to fluctuate greatly in the near term.

In the event of downward trend in soybean prices, Management would react immediately to minimize possible damages to the Group, including keeping the lowest possible inventories level and purchase as required in order to minimize raw material costs.

In addition, Management will closely monitor the development of the soybean market, commodities prices movements in the international and local commodities exchanges, changes in local government policies on the soybean and soybean products as well as global and local economic environment and react on a timely manner to ensure the Group maintain in the best position at any point of time.

1.7 Outlook

Looking ahead, given the adverse factors listed below:

- (i) intensified competition across the industry;
- (ii) financial speculation on commodities (soybean);
- (iii) uncertainties on international economic environment;
- (iv) uncertainties on further inflationary control measures that may be implemented by China authorities; and
- (v) uncertainties on changes of the government policies on soybean and soybean products in China.

The outlook remains challenging for the year 2011. Meanwhile, it is also the first time for the phase 2 soybean processing plant to have a full year of operation in 2011, the Group will continue to strive for improvement in performance, retaining a healthy cash flow position and increase in market share.

The Group will provide superior quality soybean products to our valued customer via total quality management with streamlining cost structures, actively penetration into new markets in the middle region of China, keeping abreast with market development to increase the flexibility and strength of distribution and fully utilizing the production and storage capacities and fine-tuning the purchasing, assets cash conversion cycle (including stocking of raw materials and finish goods) and sales cycles (including trade receivables collections).

2. Animal Feed

The animal feed division recorded higher revenue of approximately RMB175.46 million in 2010, compared to approximately 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 the increase in costs of raw materials and inflationary impact.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

With improvement in the livestock industry, the demand and selling prices of the animal feeds are expected to increase gradually. However, continuous increase in raw material prices (corn) would continue to jeopardize the profit of the division.

3. 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 diseases prevention expenditures as well as increase in depreciation charges pertaining to improvements in pig farms in 2009 have resulted in a loss for the division in 2010.

With the increasing demand on pork in China, the selling price of piglets is expected to increase gradually. However, increase in feed costs and threat of diseases would continue to affect the performance of the division.

Other Income and Gains

Other income and gains comprised mainly of:

- (a) Interest income for the year, amounting to approximately RMB851,000 (2009: RMB700,000) respectively;
- (b) Government grants to the pig rearing division for pig rearing of approximately RMB1.23 million for 2010 (2009: RMB690,000); and
- (c) Gain from sales of scrap and raw materials of approximately RMB558,000 (2009: RMB198,000).

Selling and Distribution Costs

The Group incurred higher selling and distribution costs of 50.44% in 2010 compared to 2009, which was in line with the increase in sales revenue.

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.

Other Expenses, Net

Other expenses comprised mainly of:

- (a) Research and development costs amounting to approximately RMB1.58 million (2009: RMB1.84 million) and;
- (b) The decrease in fair value less estimated costs to sell of biological assets held as at balance sheet date of approximately RMB220,000 (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 RMB220,000 was recognized. However, the decrease in fair value less estimated costs 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.

Income Tax Expense

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%).

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.

Trade Receivables

The decrease in trade receivables was due to prompt collections efforts. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Prepayments, Deposits and Other Receivables

The increase in prepayments, 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.

Trade Payables

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

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.

Shareholders' Equity

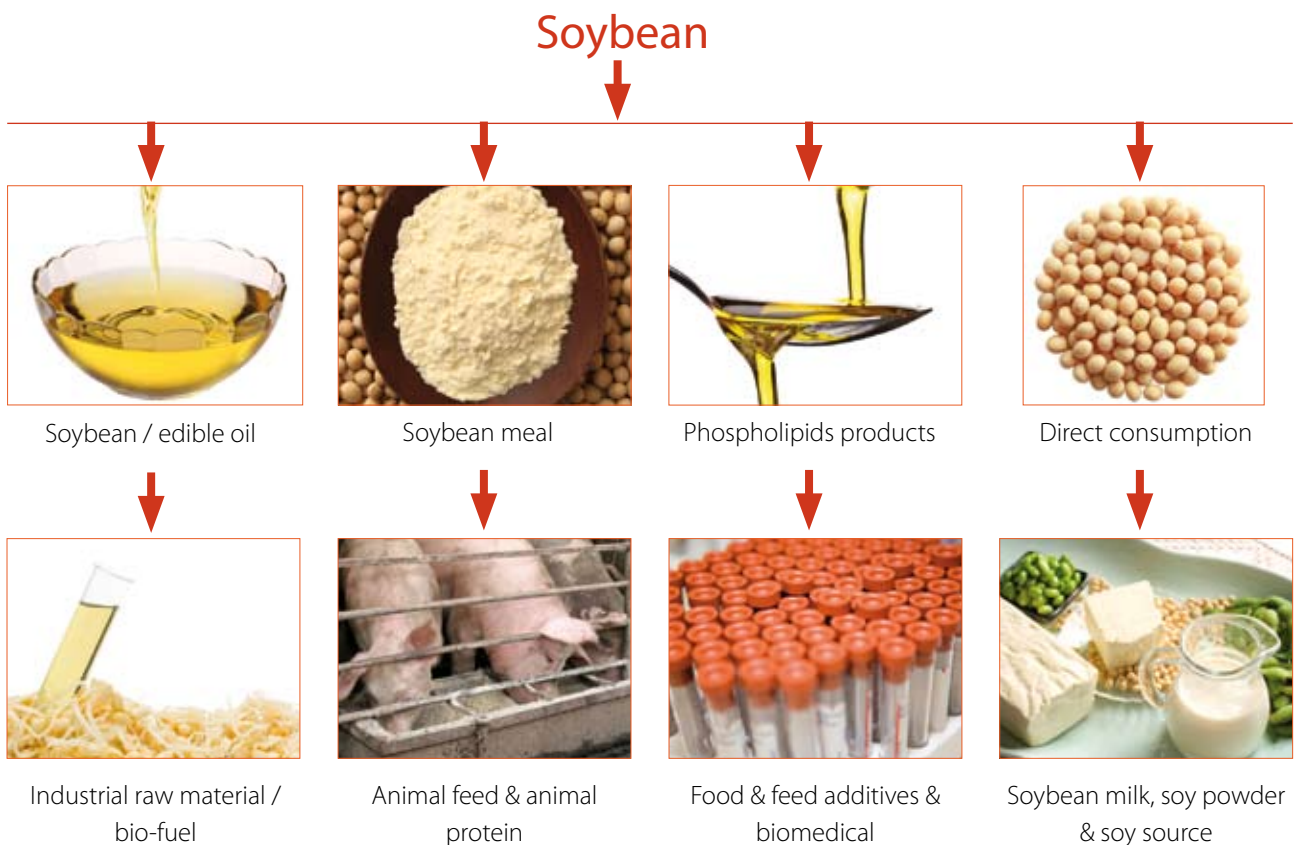
The Group's shareholders' equity increased from approximately RMB1.70 billion in 2009 to approximately RMB1.74 billion in 2010 was due mainly to the profit made for the year.

Contingent Liability

The Group had no contingent liabilities for the years ended 31 December 2010 and 31 December 2009.

Exposure to Fluctuations in Exchange Rates

The businesses of the Group were mainly transacted in Renminbi ("RMB") except that the purchases of soybean and equipment and payment of certain expenses were denominated in United States dollars, Singapore dollars and Hong Kong dollars. The reporting currency of the Group is RMB. The Directors are of the view that RMB is relatively stable against the relevant currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging is therefore not necessary.



BOARD OF DIRECTORS



David Yip Wai Sun

Non-Executive Chairman

Mr David Yip is one of the 3 founders of the Group. He was first appointed to the Board on 30 August 2000. As non-executive Chairman, Mr David Yip is responsible for the Group's overall corporate policies and implementation of business strategies. He is an entrepreneur with considerable experience in the manufacturing and trading sectors specializing in metal products and international trade as well as investments. He obtained his Bachelor's degree in International Trade from the University of International Economics and Business in Beijing, China. Prior to his appointment, Mr David Yip held several senior management positions in companies incorporated in Hong Kong.

Mr David Yip is also a member of the Audit and Nominating Committees.

Wang Tingbao

Executive Vice Chairman

Mr Wang Tingbao is a co-founder of the Group. He was first appointed to the Board on 30 August 2000. As Executive Vice Chairman and Chief Executive Officer, Mr Wang Tingbao charts the corporate directions and strategies as well as oversees the Groups' day-to-day operations.

Mr Wang Tingbao graduated from the Yishui Medical College and had practised as a medical physician in the Coal Mining Hospital at Linyi, Province of Shandong, China. Mr Wang obtained his Master's degree in Economic Management from the Beijing Industry and Commerce University in 1999.

Mr Wang Tingbao has considerable industrial and commercial experience in the manufacturing of ceramics. Prior to his appointment, Mr Wang Tingbao held the managerial position in the Luozhuang Ceramic Factory overseeing the entire production planning, purchasing, human resources and capital budgeting for the firm.

Mr Wang was, in the preceding 5 years, also a director of Shandong Jiangquan Industry Stocks Co. Ltd., a public company listed on the Shanghai Stock Exchange, and resigned in 2007.

Besides serving as the Executive Vice Chairman for Group, Mr Wang also serves as a member of the Remuneration Committee.

Ho Wah Onn

Non-Executive Independent Director

Mr Ho Wah Onn was appointed as a non-executive independent director since the listing of the Company in December 2000. He graduated with a LLB (Honours) the award of degree from the University of Singapore. He has experience in the areas of corporate finance, corporate planning, investment strategies and merger and acquisition. He started his career in investment banking, in 1973, with an affiliate of the Chase and UOB Group in Singapore. Subsequently, Mr Ho Wah Onn became a strategic corporate planner for an international conglomerate listed in Singapore with its headquarters located in the United Kingdom. Mr Ho was admitted as Advocate and Solicitor in 1978. Mr Ho was a founder of the legal firm, Harridas Ho & Partners and specialised in fields relating to banking and corporate finance as well as real estate and property matters. He is no longer associated with the

BOARD OF DIRECTORS



firm and is now managing his own investments in China. He is also presently a non-executive independent director of several public listed companies including SC Global Developments Ltd, 8 Telecom Intl. Holdings Co. Ltd and Sunshine Holdings Limited. Mr. Ho was, in the preceding 5 years, also a director of Jade Technologies Singapore Limited and retired in 2007.

Mr Ho is the Chairman for both the Audit Committee and the Remuneration Committee. He is also a member of the Nominating Committee.

Sitoh Yih Pin

Non-Executive Independent Director

Mr Sitoh Yih Pin (47 years old) was appointed as an Independent Director of the Company on 15 January 2001 and was last re-elected on 23 April 2008. Mr Sitoh is a Certified Public Accountant and a director of Nexia TS Public Accounting Corporation. Currently, Mr Sitoh is the Advisor to Potong Pasir Grassroots Organisations and a Board Member of Accounting and Corporate Regulatory Authority. He is also presently a director of several public listed companies comprising Chinasing Investment Holdings Limited, Lian Beng Group Ltd, Nera Telecommunications Ltd, Meiban Group Ltd and Allied Technologies Limited. Mr Sitoh was also a director of several public listed companies in the preceding 5 years including PNE Micron Holdings Ltd, Van Der Horst Energy Limited, Labroy Marine Pte Ltd and Auswin Holdings Limited.

Mr Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is a Fellow Member of the Institute of Chartered Accountants in Australia.

Fu Qiang

Non-Executive Independent Director

Mr Fu Qiang was appointed as the Group's third non-executive independent director on the 28 May 2004. He is currently the General Manager of Shandong Linyi Light Industry Company Limited. Mr Fu Qiang is also an instructor for the local companies in share composition restructuring and consultant to the local companies in assets restructuring and matters related to the capital markets.

Mr Fu Qiang graduated from the Chinese Language Faculty, Linyi Teaching College in 1985. He further pursued his Corporate Management Degree from the Shandong Economics College in 1994. He attained his Graduate Research Study specialised in Business Administration from the University of Science and Technology China in 2002. In 1998, Mr Fu was awarded the title of Senior Economist by the Shandong Economic Bureau.

Prior to his appointment, Mr. Fu Qiang served as the secretary of the Local Economics Committee from 1980-1986. He then served as a member of the System Development and Reform Committee, Linyi City in 1987-1998.

Mr Fu Qiang is a member of the Audit Committee.

KEY EXECUTIVES

Li Ai

Chief Operating Officer

Prior to joining the Group, Ms Li served as an account executive at the Linyi Woven & Textile Company. She was appointed the Group's chief accountant based in China since 1993. In the middle of 2008, she was promoted to be the Assistant Chief Operating Officer, assisting Mr. Li Jian Ren, the ex-Chief Operating Officer in running various aspect of daily operation routine. Ms Li Ai was promoted further as the successor of Mr. Li Jian Ren, Group's Chief Operating Officer in September 2009.

Apart from her tertiary education, Ms. Li is also a qualified accountant in China.

Hung Chung Wah, George

Chief Financial Officer

Mr Hung joined the Group on 01 March 2010 and is in charge of the Group's financial management and operations. Prior to joining the Group, he held managerial positions, qualified accountant and company secretary in several public listed companies in Hong Kong. His past experience included auditing for public listed companies, participation in initial public offering for multinational corporations located in the People's Republic of China and merger and acquisition. He holds a BBA (Hons) Accountancy degree from the City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow member of Association of Chartered Certified Accountants (ACCA).

Corporate Governance

The Board of Directors (the “Board”) and Management of United Food Holdings Limited (the “Company”) strives to maintain high standards of corporate governance to ensure greater transparency and to protect the interests of shareholders. The Board’s commitment to good corporate governance practices is essential for Directors in discharging their corporate and fiduciary responsibilities and, fundamental for enhancement of long-term shareholders’ value.

The Company has adopted the recommendations of the Code of Corporate Governance 2005 (“the Code”). This report describes the Group’s corporate governance practices with specific reference to each of the principles of the Code. Other than deviations which are explained in this report, the Company has complied with the principles of the Code.

(A) Board Matters

Board’s Conduct of its Affairs

Principle 1: Every Group should be headed by an effective Board to lead and control the Group. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board is responsible for the overall performance of the Group. It sets the Group’s strategic direction and vision and directs the Group’s overall strategy, policies, business plans, as well as, stewardship and allocation of the Group’s resources.

The principal functions of the Board include, but are not limited to the following:

- Reviewing and approving board policies, strategies and financial objectives for the Group and monitoring the performance of Management;
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance requirements;
- Approving major funding proposals, investment and divestment proposals including merger and acquisition transactions;
- Approving quarterly and full year results announcements;
- Recommending the declaration of dividends;
- Approving the nomination of directors and appointment of key personnel;
- Setting of the Group’s value and standards, and ensuring that obligation to shareholders and others are understood and met; and
- Assuming responsibility for corporate governance.

The Board is supported by Board Committees including, the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”). These committees function within clearly defined terms of reference and operating procedures.

The Board has scheduled to conduct at least 4 meetings a year. Additional meetings are convened to deal with specific matters, whenever required. Directors’ attendances at Board and Board Committee meetings in FY2010, as well as the frequency of such meetings, are set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominating Committee Meetings
Total meetings held during FY2010	4	4	1	1
Wang Tingbao	4	NA	1	NA
David Yip Wai Sun	4	4	NA	1
Ho Wah Onn	4	4	1	1
Sitoh Yih Pin	4	4	1	1
Fu Qiang	4	4	NA	NA

NA: Not Applicable



Corporate Governance

The Company's Bye-laws provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously.

The Group provides appropriate training programs for Directors to equip themselves with the relevant knowledge to discharge their responsibilities in an effective and efficient manner, when required. The Group has an Orientation program that serves to familiarize new Directors with the Group's business activities, strategic direction and the regulatory environment, in which the Group operates, as well as their statutory and other duties and responsibilities as Directors. The Board is updated on amendments/requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST), and other statutory and regulatory requirements and key changes in financial reporting standard from time to time.

Directors are provided with detailed background information on the Group's history, industry-specific knowledge, mission, and values. Directors and key executives are also given the opportunities to visit the Group's operational facilities and to interact with Management to gain better insight of the Group's business operations.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from the management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises 5 members, of whom 1 is Non-Executive Chairman, 1 is Executive Director and 3 are Non-Executive Independent Directors:

Non-Executive Director:

Mr David Yip Wai Sun (Chairman)

Executive Director:

Mr Wang Tingbao (Vice Chairman)

Non-Executive Independent Directors:

Mr Ho Wah Onn

Mr Sitoh Yih Pin

Mr Fu Qiang

The Board comprises Directors from diverse business, industry, management, financial and legal backgrounds. The Directors bring with them a wide spectrum of skills, experience, expertise and objective perspective to effectively lead and direct the Group.

The Board comprises more than one-third independent Directors who offer alternative view to the Group's business and corporate activities and, bring independent judgement to bear on business activities as well as, transactions involving conflicts of interest and other complexities.

To ensure a balance on the Board, the Directors have given due consideration to the size and composition of the Board. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective and informed decision-making. The Board considers the present Board size appropriate and effective, taking into the account the size, scope and nature of the Group's operations.

The NC also reviews the independence of each director annually by adopting the Code's definition of "independent director" and is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Non-Executive Directors communicate regularly to discuss matters such as Group's financial performance, corporate governance initiatives and organise informal meeting sessions without the presence of Management.

Corporate Governance

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the Group – the working of the Board and the executive responsibility of the Group's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr David Yip Wai Sun is the Group's non-executive Chairman whereas Mr Wang Tingbao, the Group's executive Vice Chairman, effectively functions as the Chief Executive Officer. They are not related to each other and each performs separate functions to ensure an appropriate balance of power and authority and for independent decision-making to permeate within the Board.

The Chairman is responsible for the implementation of corporate policies and executive decision-making. He also ensures that Board meetings are held when necessary, sets Board meeting agendas and reviews Board papers before they are presented to the Board to ensure that Board members are provided with complete and timely information. He also played an instrumental role in encouraging constructive discussion and sharing of views among the board members.

The Vice Chairman is mainly responsible for the financial & operation performance of the Group, including reviewing and charting the Group's corporate directions and strategies, financial planning and related investment activities. He ensures that stipulated corporate policies are properly complied with and works closely with the Chairman to review corporate and other business issues.

This division of responsibilities ensures that there are checks and balances on their individual power and authority within the Group.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

The NC which is regulated by a set of written terms of reference, comprises a majority, including Chairman and Independent Directors. Members of the NC are:

Mr Sitoh Yih Pin (Chairman)
Mr Ho Wah Onn
Mr David Yip Wai Sun

The NC Chairman is not associated in any manner with a substantial shareholder of the Company.

The role of NC is to develop and maintain a transparent and formal process for the appointment of new Directors, the recommendation/nomination of Directors for re-election at the Annual General Meeting ("AGM") and to evaluate the performance of the Board as a whole. The NC had conducted an assessment of the Board's performance as a whole for FY2010.

To fulfill its role, the NC is responsible for the following:

- To identify candidates and review all nominations for the appointment or re-appointment to the Board, various Board committees and senior management and, to submit such nominations to the Board for consideration;
- To review the board structure, size and composition;
- To review, on an annual basis, the independence of directors;
- To determine the criteria for identifying candidates and reviewing nominations for appointments, having regard to the mix of skills and experience which the Directors should bring to the Board;
- To consider and recommend nomination of directors retiring by rotation;
- To decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- To assess the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board.

A formal process for selection of new directors, provides the procedures identification of potential candidates' skills knowledge and experience assessment of candidates' suitability and recommendation for nomination to the Board.

Corporate Governance

In accordance with the provisions of the Company's Bye-Laws, one-third of the directors retire from the office by rotation and submit themselves for nomination and re-election at every AGM. New directors, who are appointed during the financial year, will submit themselves for re-election at the AGM, following their appointment.

Pursuant to Bye-laws 86(1) of the Company's Bye-laws, Mr Ho Wah Onn and Mr Sitoh Yih Pin will be retiring by rotation at the forthcoming AGM. The NC has recommended the nomination of Mr Ho and Mr Sitoh for re-appointment at the forthcoming AGM.

In making its recommendation, the NC had considered each of their contribution including attendance and participation at Board and Board committee meetings and the time and effort accorded to the Group's business and affairs.

The NC had also reviewed the independence of the Board members with reference to the guidelines set out in the Code and, is of the opinion, that Mr Fu Qiang, Mr Ho Wah Onn and Mr Sitoh Yin Pin are independent. Notwithstanding the multiple board representations of some Directors, the NC is satisfied that sufficient time and attention have been accorded by the Directors to the affairs of the Company.

The Directors and the last dates of their re-election are as follows:

<u>Directors</u>	<u>Date of last re-election</u>
David Yip Wai Sun	N/A
Wang Tingbao	20 April 2010
Ho Wah Onn	27 April 2009
Sitoh Yih Pin	23 April 2008
Fu Qiang	20 April 2010

Key information on the Directors has been disclosed on the Director's Profile section of this Annual Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC had initiated a Board performance evaluation to assess the effectiveness of the Board as a whole by having the directors complete a questionnaire. The findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board.

The NC, in assessing the contribution of each director in FY2010, had taken into consideration his attendance and participation at Board and Board committee meetings, his qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including Management's access to individual Directors for guidance or exchange of views, as and when necessary .

Access to Information

Principles 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on going basis.

The Board is furnished with detailed information concerning the Group to enable them to be fully apprised of conditions and other factors affecting the Group's operations and to understand the decisions and actions of Management. All Directors have unrestricted access to the Group's Management, records and information. From time to time, Independent Directors meet with Management and conduct ad-hoc discussions on the Group's business and operational matters. Management staff are invited to attend Board Meetings, as and when appropriate, to provide additional insight to matters raised.

Management provides Board members with Board papers containing complete and timely information before each meeting. Such Board papers and any other relevant documents are circulated to all Board members before the meetings. Management also provides periodic financial and corporate information, performance of the individual divisions within each business segment and management proposals to enable the Directors to make informed decisions on issues to be considered at Board meetings.

Corporate Governance

The Company Secretary attends Board and Board committee meetings and is responsible for keeping the Board updated on legislative and other relevant regulatory changes. The Company Secretary also ensures that established procedures, all relevant rules, and regulations that are applicable to the Group are complied with.

The Board has separate and independent access to Management and the Company Secretary at all times. Directors are aware that they may seek independent legal and other professional advice concerning any aspect of the Group's operations and undertakings, at the Company's expense, as and when necessary.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principles 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No directors should be involved in deciding his own remuneration.

The RC is made up of a majority of independent Directors and is chaired by an Independent Director. Members of the RC are:

Mr Ho Wah Onn (Chairman)
Mr Sitoh Yih Pin
Mr Wang Tingbao

The RC had decided to retain Mr Wang Tingbao, an Executive Director, as member of the RC, after taking into account the nature and scope of the Company's operations and the size of the Board. The RC is of the view that Mr Wang Tingbao is able to contribute to the effectiveness of the RC, with his knowledge of the Group's operations and the business and operational environment in which the different business segment of the Group operates.

The role of the RC is to review and approve recommendations on remuneration policies and packages for Executive Directors, Non-Executive Directors, and employees related to Directors and Controlling Shareholders.

To fulfill its role, the RC is responsible for the following:

- Recommend to the Board remuneration structure and packages;
- Approve the structure of the compensation package for Directors and Senior Management and
- Review Directors and Senior Management's compensation annually and determine appropriate adjustments.

The review covers all aspects of remuneration, including but not limited to Directors' Fees, salaries, allowances, bonuses, and benefits-in-kind. The remuneration packages take into consideration the long-term interests of the Group, industry standards, and ensure that the interests of the Executive Directors align with that of shareholders.

The RC also reviews the Executive Directors' Service Agreement annually. The RC has access to expert advice in the field of executive compensation outside the Group where required.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the Group successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

The Group offers a competitive remuneration and benefits package to all employees, linked to individual performance of the employee and performance of the Group.

The non-executive Directors are paid Directors' Fees based on their efforts and responsibilities on the Board and Board Committees. Directors' Fees are subject to shareholders' approval at the AGM.

Corporate Governance

DISCLOSURE ON REMUNERATION

Principle 9: Each Group should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the Group's annual report.

The following table sets out Directors' Remuneration for the financial year ended 31 December 2010:

Name of Directors	Fees %	Salary %	Total %
<i>Below SGD250,000 per annum</i>			
Wang Tingbao	–	100	100
David Yip Wai Sun	100	–	100
Ho Wah Onn	100	–	100
Sitoh Yih Pin	100	–	100
Fu Qiang	100	–	100

Executive Directors' Service Agreements are for an initial period of 3 years, commencing 1 February 2001 and, are renewable for successive periods of one year each, unless terminated by not less than 3 months' notice in writing by either party.

Gross remuneration of the Group's key executives for the financial year ended 31 December 2010 is set out below:

Name of Executives	Salary %
<i>Below SGD250,000 per annum</i>	
Li Ai	100
Hung Chung Wah, George	100

Ms Wang Yu, the Admin Manager of Globe Bright Limited is the niece of Mr Wang Tingbao, a Director and substantial shareholder of the Company. Her aggregate remuneration (salary, bonus and benefits-in-kind) did not exceed SGD150,000 for FY2010.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board is accountable to the shareholders while the management is accountable to the Board.

In presenting the annual financial statements and quarterly and full-year announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis, explanation and assessment of the Group's financial position and prospects. Management also recognizes the importance of providing the Board with a continuous flow of relevant and accurate information on a timely basis in order to effectively discharge its duties.

Audit Committee

Principle 11: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises of all Non-Executive Directors and majority of whom are independent of Management. The members of the AC are as follows:

Ho Wah Onn (Chairman)
Sitoh Yih Pin
David Yip Wai Sun
Fu Qiang

Corporate Governance

The Board is of the opinion that the AC members are appropriately qualified and have the necessary business, accounting or related financial management expertise and experience to carry out their duties.

The AC works under clear defined terms of reference adopted by the Board. The principal responsibilities of the AC are:

- Review with Management the Company's general policies, procedures and controls in relation to management accounting, financial reporting, risk management and ethics;
- Review significant financial reporting issues and judgments to ensure the integrity of the financial statements;
- Review any formal announcement relating to the Group's financial performance;
- Review the independence and objectivity of the external auditors, their audit plans and the related audit findings;
- Review the external auditors' management letter and management's responses;
- Review the assistance provided by Management to the external auditors;
- Review the nature and extent of non-audit services performed by the external auditors;
- Review the adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its duties;
- Recommend the re-appointment of the external auditors; approve the compensation of the external auditors; and review of the scope and results of the audit and its cost-effectiveness;
- Review the internal audit program and the Group's internal accounting control system as well as the results of the internal audit program and where necessary to ensure that appropriate action is taken to implement the recommendations made;
- Review legal and regulatory matters that may have a material impact on the financial statements;
- Review the Group's transactions with related parties and interested persons and situations where a conflict of interest may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- Review arrangements by which staff of the Group may in confidence, raise concerns about possible improprieties in financial reporting or, other matters.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and cooperation by Management and full discretion to invite any Director or Executive Officer to attend its meetings and reasonable resources to enable it to discharge its functions properly. The AC also undertakes such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

The AC had met with the external auditors without the presence of Management and had established that the external auditors have had the full co-operation of Management in carrying out the audit for FY2010. In addition, the AC had reviewed the non-audit service performed by the external auditors, who confirmed that no non-audit services had been rendered to the Group in FY2010.

The AC had recommended the re-appointment of Ernst & Young, Hong Kong as external auditors at the forthcoming AGM.

The Company has in place a "Whistle-Blowing" Programme whereby, employees of the Group may, in confidence, raise concerns about possible corporate and financial improprieties and other reporting matters to the Independent Directors.

Internal Controls/Internal Audit

Principle 12: The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets.

Principal 13: The Group should establish an internal audit function that is independent of the activities it audits.

With the establishment of the in-house internal audit function, a risk management framework was implemented within the Group. The risk management process and system of internal controls are designed to manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives. The Board recognized that such systems can only provide reasonable but not absolute assurance against material misstatement or loss.



Corporate Governance

The internal control system stipulates a series of procedures and policies, which the Board believes, plays an important role in assisting the Board and Management in managing risks. In FY2010, the AC had reviewed the Internal Audit Plan prepared by the in-house internal audit department and is satisfied that the risk management processes and internal controls are adequate to meet the needs of the Group in its business environment.

The Group's internal audit function is based at the Group's headquarters in Linyi, PRC. The in-house internal audit department is responsible for the review of the effectiveness of internal control system and procedures and reports to the AC. The AC met separately with the internal audit team in Linyi to review its audit findings. During the year, the in-house internal audit department adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls as well as risk management procedures. The Internal Audit Reports in respect of FY2010 were submitted to the AC with relevant audit findings and recommendations. Any material non-compliance and weakness in internal controls and recommendation for improvements are reported to the AC. The AC also reviews the effectiveness of actions taken by Management on the recommendations made by the internal auditor.

The AC reviews the adequacy of the internal audit function annually. The AC also requested the external auditor to comment on the internal control weakness, if any & their respective recommendation. The AC is satisfied that the Group's internal audit function is adequately resourced and has appropriate standing within the Group.

(D) Communication with Shareholders

Communication with Shareholders/Greater Shareholder Participation

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the Group.

The Group recognizes the importance of maintaining a constructive and effective communication channel with all shareholders, stakeholders, investors and the public in general. The Group does not practice selective disclosure. In line with continuous disclosure obligations of the SGX-ST's Listing Manual and the Bermuda Companies Act, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group. Information is communicated to shareholders on a timely basis through:-

- Annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report contains all relevant information about the Group, including future developments and other disclosures required by the Bermuda Companies Act and International Financial Reporting Standards ("IFRS");
- Quarterly and full-year results announcements containing a summary of the financial information and affairs of the Group for the period are disseminated through SGXNET and news releases;
- Notice of and explanatory memorandums for annual general meetings and special general meetings;
- The Group's website at www.unitedfood.com.sg at which shareholders can access information on the Group. The website provides, inter alia, corporate announcements, press releases, annual reports, and profiles of the Group.

In addition, the Group has adopted the following key investor relation activities to update investors on its business and financial objectives and to solicit feedback from investors:

- Meeting with financial analysts and institutional fund managers;
- Conducting teleconferences with investors and research analysts.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst preserving public interest in the Group. In FY2010, the Group conducted face-to-face meetings with existing investors / analysts and teleconference meetings with foreign investors / analysts.

Shareholders are encouraged to attend the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with shareholders. All shareholders of the Company will receive the Annual Report and Notice of AGM within the statutory period. The Notice of AGM is also advertised in a local newspaper in Singapore.

Corporate Governance

The Chairmen of the AC, NC and RC are present to address questions at the AGM. It has always been the practice for the Chairman to provide reasonable time for shareholders to raise questions, make comments or suggestions at the AGM.

(E) Interested Person Transactions

Other than transactions with Jiang Quan Hotel, there were no transactions with other Interested Persons for the financial year ended 31 December 2010. The transactions with Jiang Quan Hotel are disclosed in the audited financial statements.

(F) Material Contracts

Since the end of the previous financial year, the Group did not enter into any material contracts involving the interest of the Chief Executive Officer, Directors or Controlling Shareholders and no such material contracts subsists at the end of the financial year.

(G) Dealings In Securities

The Group has adopted a Code on Best Practices for Securities Transactions (the Securities Code”) which sets out the Group’s policy governing dealings in the securities of the Company and implications of insider trading. Directors and key employees of the Group, who have access to price-sensitive and confidential information are not permitted to deal in securities of the Company during the periods at least 2 weeks and one month before the announcement of the Group’s quarterly and full-year results respectively and ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group.

(H) Risk Management Policies and Processes

The Board regularly reviews the Group’s business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks as follows:

Fluctuation in Raw Material Prices

The prices of raw materials are not only affected by the market’s supply and demand but also the global economic condition that has a significant impact on the commodity market. Management constantly monitors the prices of raw materials, especially soybean prices to capitalize on the 100,000 tons storage tank (silo) and warehouses to maintain sufficient buffer stocks to act as natural hedge / “cushion” against price volatility.

Threat of Outbreak of Epidemics

The Group’s policy of not breeding all the piglets by itself is in fact a measure to mitigate the threat of outbreak of epidemics. In the event of a disease outbreak, the Group has implemented a series of measures to ensure that the livestocks are well protected. This includes the disinfecting of all the incoming motor vehicles which are required to drive through chemical pathways and segregation of infected livestocks from those healthy ones.

Environment Friendliness

Our production processes are fully in compliance with the local environmental protection and safety standards in the PRC. Our waste-water recycling treatment plant has been appraised by the Local Environmental Authority to be the model for other enterprises to promote a hygienic and healthy environment.

Fire & Other Calamity That Will Disrupt Production

To prevent fire or other calamity that may disrupt our production, we have implemented safety measures at all our production facilities and office buildings. We have established safety procedures and regular drills are conducted to ensure that employees familiarize themselves with the basic safety protocol. The Group has sufficient fire insurance coverage against possible losses in respect of damages to our property, inventory and plant & machinery.



Corporate Governance

Change In Political, Economic And Legal Environment In The PRC

As the PRC economy is undergoing various developments, the Government will continue to refine its legal system and various economic policies to maintain and encourage foreign investment. We endeavor to adapt to the various changes and we will seek formal consultation with the relevant legislative authorities to ensure that the Group is in compliance with the relevant rules and regulations.

The Group's financial risk and management is discussed under the Notes to Financial Statements of the Annual Report.

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Financial Calendar

RESULT ANNOUNCEMENTS:

First Quarter	21 April 2010
Second Quarter and Half-Year	03 August 2010
Third Quarter	01 November 2010
Fourth Quarter and Full Year	28 February 2011

DIVIDEND:

Payment of 2010 final dividend	10 June 2011
Financial Year End	31 December 2010
Despatch of Annual Report to Shareholders	04 April 2011
Annual General Meeting	20 April 2011



Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2010.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 13 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 62.

The directors recommend the payment of a final dividend of RMB0.68 cent per ordinary share in respect of the year to shareholders on the register of members on 24 May 2011. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position (2009: Nil).

Directors

The directors of the Company in office during the year and up to the date of this report were:

Executive director:

Wang Tingbao

Non-executive director:

David Yip Wai Sun (Chairman)

Independent non-executive directors:

Ho Wah Onn

Sitoh Yih Pin

Fu Qiang

In accordance with bye-law 86(1) of the Company's bye-laws, the directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the forthcoming annual general meeting.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of the year nor at any time during the year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

According to the register of directors' shareholdings, the following directors, who held office as at the end of the year, had interests in shares of the Company and related corporations as stated below:

	Direct interests	Deemed interests
Ordinary shares of the Company of HK\$0.25 each at 1 January 2010:		
David Yip Wai Sun	–	483,304,620
Wang Tingbao	50,000,000	485,304,844
	<u>50,000,000</u>	<u>485,304,844</u>



Report of the Directors

Directors' interests in shares and debentures (continued)

	Direct interests	Deemed interests
Ordinary shares of the Company of HK\$0.25 each at 31 December 2010:		
David Yip Wai Sun	–	483,304,620
Wang Tingbao	50,000,000	485,304,844

There were no changes in any of the above mentioned interests between the end of the financial year and 21 January 2011.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Options

There are presently no option schemes on unissued shares of the Company.

Audit committee, nominating committee and remuneration committee

Details of the Company's audit committee, nominating committee and remuneration committee are set out in the Corporate Governance Report on pages 17 to 26 of this annual report.

Directors' interests in contracts

Except for the transactions disclosed in note 5 to the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD OF DIRECTORS

David Yip Wai Sun
Chairman

Wang Tingbao
Director

8 March 2011



Statement by the Directors

We, David Yip Wai Sun and Wang Tingbao, being two of the directors of United Food Holdings Limited (the “Company”), do hereby state that, in the opinion of the directors,

- (i) the accompanying consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group and the statement of financial position of the Company, together with the notes thereto, as set out on pages 32 to 62, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the results of the business, changes in equity and cash flows of the Group for the year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD OF DIRECTORS

David Yip Wai Sun
Chairman

8 March 2011

Wang Tingbao
Director



Independent Auditors' Report

To the Shareholders of United Food Holdings Limited (Incorporated in Bermuda with limited liability)

We have audited the accompanying consolidated financial statements of United Food Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 62, which comprise the consolidated and company statements of financial position as at 31 December 2010 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 control. 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2010, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young
Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

8 March 2011



Consolidated Income Statement

Year ended 31 December 2010

	Notes	Group	
		2010 RMB'000	2009 RMB'000
CONTINUING OPERATIONS			
REVENUE	6	3,297,566	1,983,167
Cost of sales		(3,226,269)	(2,021,073)
Gross profit/(loss)		71,297	(37,906)
Other income and gains	6	3,237	2,226
Selling and distribution costs		(6,973)	(4,635)
Administrative expenses		(27,586)	(22,999)
Other expenses, net		(2,182)	(5,280)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7	37,793	(68,594)
Income tax expense	8	-	-
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		<u>37,793</u>	<u>(68,594)</u>
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9	-	(11,867)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	11	<u>37,793</u>	<u>(80,461)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted:	12		
- For profit/(loss) for the year		<u>RMB0.03</u>	<u>(RMB0.07)</u>
- For profit/(loss) from continuing operations		<u>RMB0.03</u>	<u>(RMB0.06)</u>

Details of the dividends proposed for the year are disclosed in note 10 to the financial statements.



Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Note	Group	
		2010 RMB'000	2009 RMB'000
PROFIT/(LOSS) FOR THE YEAR		37,793	(80,461)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	11	37,793	(80,461)



Consolidated and Company Statements of Financial Position

31 December 2010

	Notes	Group		Company	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS					
Investments in subsidiaries	13	–	–	223,738	223,738
Property, plant and equipment	14	673,301	629,280	–	–
Land use rights	15	96,638	107,677	–	–
Prepayment for construction in progress		–	71,807	–	–
Total non-current assets		769,939	808,764	223,738	223,738
CURRENT ASSETS					
Inventories	16	487,554	475,836	–	–
Biological assets	17	36,838	34,802	–	–
Trade receivables	18	56,019	156,327	–	–
Amounts due from subsidiaries	13	–	–	571,919	570,956
Prepayments, deposits and other receivables	19	91,708	55,972	–	–
Restricted bank deposits	20	273,730	163,297	–	–
Cash and bank balances	20	95,774	61,714	–	–
Total current assets		1,041,623	947,948	571,919	570,956
CURRENT LIABILITIES					
Trade payables	21	13,119	11,225	–	–
Other payables, deposits received and accruals	22	55,814	40,651	1,574	2,147
Total current liabilities		68,933	51,876	1,574	2,147
NET CURRENT ASSETS					
Net assets		972,690	896,072	570,345	568,809
EQUITY					
Equity attributable to owners of the Company					
Issued capital	23	297,447	297,447	297,447	297,447
Reserves	24	1,437,621	1,407,389	489,075	495,100
Proposed final dividend	10	7,561	–	7,561	–
Total equity		1,742,629	1,704,836	794,083	792,547

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

Group	Attributable to owners of the Company					Total RMB'000
	Issued share capital RMB'000 (note 23)	Share premium account RMB'000 (note 24(b))	Statutory reserve RMB'000 (note 24(a))	Retained profits RMB'000	Proposed final dividend RMB'000 (note 10)	
At 1 January 2009	297,447	510,034	98,456	879,360	–	1,785,297
Transfer to retained profits	–	–	(79,025)	79,025	–	–
Loss for the year	–	–	–	(80,461)	–	(80,461)
At 31 December 2009	297,447	510,034*	19,431*	877,924*	–	1,704,836
At 31 December 2009 and 1 January 2010	297,447	510,034	19,431	877,924	–	1,704,836
Profit for the year	–	–	–	37,793	–	37,793
Proposed final 2010 dividend	–	–	–	(7,561)	7,561	–
At 31 December 2010	297,447	510,034*	19,431*	908,156*	7,561	1,742,629

* These reserve accounts comprise the consolidated reserves of RMB1,437,621,000 (2009: RMB1,407,389,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		37,793	(68,594)
From discontinued operations		–	(11,867)
Adjustments for:			
Depreciation	7	68,293	52,046
Amortisation of land use rights	7	11,039	12,808
Reversal of write-down of inventories to net realisable value	7	–	(90,415)
Release of inventory obsolescence	7	–	(20,943)
Bank interest income	6	(851)	(700)
Gain on disposal of subsidiaries		–	(4,509)
		116,274	(132,174)
(Increase)/decrease in inventories		(11,718)	248,427
Increase in biological assets		(2,036)	(6,681)
Decrease in trade receivables		100,308	278,837
Decrease/(increase) in prepayments, deposits and other receivables		6,317	(10,835)
Increase in trade payables		1,894	1,218
Increase/(decrease) in other payables, deposits received and accruals		15,163	(3,510)
		226,202	375,282
Interest received	6	851	700
Net cash flows from operating activities		227,053	375,982
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(82,560)	(434,842)
Increase in other non-current assets		–	(71,807)
Proceeds from disposal of subsidiaries		–	60,887
(Increase)/decrease in restricted bank deposits	20	(110,433)	2,186
Net cash flows used in investing activities		(192,993)	(443,576)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		34,060	(67,594)
Cash and cash equivalents at beginning of year		61,714	129,308
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		95,774	61,714
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash balances	20	95,774	61,714

Notes to Financial Statements

Year ended 31 December 2010

1. CORPORATE INFORMATION

United Food Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, P. O. Box HM 666, Hamilton HM CX, Bermuda.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 13 to the financial statements.

2.1 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following newly interpreted and amended International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations), which are applicable to the Group, are effective for the first time for the current year's financial statements. Except for in certain cases, giving rise to newly interpreted and amended accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

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

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following newly interpreted and amended IFRSs that have been issued but are not yet effective in these financial statements.

IFRS 1 Amendment	<i>Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters²</i>
IFRS 7 Amendments	<i>Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets⁴</i>
IFRS 9	<i>Financial Instruments⁵</i>
IAS 24 (Revised)	<i>Related Party Disclosures³</i>
IAS 32 Amendment	<i>Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues¹</i>
IFRIC-Int 14 Amendments	<i>Amendments to IFRIC-Int 14 Prepayments of a Minimum Funding Requirement³</i>
IFRIC-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments²</i>

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

Notes to Financial Statements

Year ended 31 December 2010

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- 1 Effective for annual periods beginning on or after 1 February 2010
- 2 Effective for annual periods beginning on or after 1 July 2010
- 3 Effective for annual periods beginning on or after 1 January 2011
- 4 Effective for annual periods beginning on or after 1 July 2011
- 5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these newly interpreted and amended IFRSs upon initial application. So far, the Group considers that these newly interpreted and amended IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with IFRSs. They have been prepared under the historical cost convention, except for the biological assets which are stated at fair value as explained below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Notes to Financial Statements

Year ended 31 December 2010

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the following estimated useful lives:

Buildings	10 to 20 years
Leasehold improvements	5 to 10 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a soybean processing plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of the land use rights over the lease terms.

Notes to Financial Statements

Year ended 31 December 2010

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and bank balances, restricted bank deposits and trade and other receivables.

Subsequent measurement

The subsequent measurement of loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, is as follows:

Loans and receivables

After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Notes to Financial Statements

Year ended 31 December 2010

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Biological assets

Biological assets represent the progeny pigs which are measured principally at fair value on initial recognition and at the end of each reporting period less estimated costs to sell, except where the fair value cannot be measured reliably, in which case they are stated at cost. The fair values of the progeny pigs are determined based on the most recent market transaction prices. Change in fair value less estimated costs to sell of a biological asset is included in the income statement for the period in which it arises.



Notes to Financial Statements

Year ended 31 December 2010

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) 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; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Financial Statements

Year ended 31 December 2010

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

Final dividend proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Retirement benefits

Pursuant to the relevant regulations of the government of the People's Republic of China (the "PRC"), the subsidiaries in Mainland China have each participated in a local municipal government retirement benefit scheme (the "Scheme"), pursuant to which the subsidiaries in Mainland China are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefit. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in Mainland China. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statement as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.



Notes to Financial Statements

Year ended 31 December 2010

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain companies comprising the Group are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of certain subsidiaries comprising the Group are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain companies comprising the Group which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Research and development costs

All research costs are charged to the income statement as incurred.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Company that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (b); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as cash on hand and at banks, demand deposits and short term highly liquid investments which are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Notes to Financial Statements

Year ended 31 December 2010

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset.

The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances. Further details are included in the above paragraph in respect of property, plant and equipment and depreciation.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's operating segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other operating segments. Summary of the details of the operating segments is as follows:

- (a) The soybean processing segment manufactures and sells soybean meals and soybean oil in Mainland China.
- (b) The feed production segment manufactures and distributes animal feed, such as pig feed and chicken feed in Mainland China.
- (c) The pig rearing segment comprises the rearing of pure-bred and cross-bred live pigs in the Group's pig farms for sale in Mainland China.

Segments of processed meat products, fresh, chilled and frozen pork products and biochemical products had been eliminated by way of disposal in the year 2009.

No operating segments have been aggregated to form the above reportable operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices or at costs as appropriate.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets exclude the amounts due from fellow subsidiaries and the ultimate holding company as these assets are managed on a group basis.

Segment liabilities exclude the amounts due to fellow subsidiaries and the ultimate holding company as these liabilities are managed on a group basis.

As the chief operating decision maker of the Group considers that most of the Group's consolidated revenue and results are attributable to the market in Mainland China and the Group's consolidated assets are substantially located in Mainland China, no geographical information is presented.

Notes to Financial Statements

Year ended 31 December 2010

4. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue, profit or loss and certain asset, liability and expenditure information for the Group for the years ended 31 December 2010 and 2009:

	CONTINUING OPERATIONS						DISCONTINUED OPERATIONS						Consolidated			
	Soybean processing		Feed production		Pig rearing		Processed meat products		Frozen pork products		Fresh, chilled and biochemical products		Eliminations		2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:																
Net sales to external customers	3,061,203	1,762,100	175,460	159,155	60,903	61,912	-	-	-	-	-	-	-	-	3,297,566	1,983,167
Intersegment sales	46,274	44,290	34,293	40,937	129	-	-	-	-	-	-	(80,696)	(85,227)	-	-	-
Other revenue	181	57	1,824	103	58	1,383	-	351	-	75	-	-	-	-	2,063	1,969
Total revenue	3,107,658	1,806,447	211,577	200,195	61,090	63,295	-	351	-	75	-	(80,696)	(85,227)	3,299,629	1,985,136	
Segment profit/(loss)	55,990	(49,601)	(5,294)	(5,379)	(5,248)	(4,444)	-	(8,124)	-	(5,215)	-	(3,054)	-	(352)	45,448	(76,169)
Unallocated corporate income and expenses															(8,506)	(9,501)
Bank interest income															851	700
Gain on disposal of subsidiaries															-	4,509
Profit/(loss) before tax															37,793	(80,461)
Income tax expense															-	-
Profit/(loss) for the year															37,793	(80,461)

Notes to Financial Statements

Year ended 31 December 2010

4. OPERATING SEGMENT INFORMATION (continued)

	CONTINUING OPERATIONS						DISCONTINUED OPERATIONS							
	Soybean processing		Feed production		Pig rearing		Processed meat products		Frozen pork products		Fresh, chilled and biochemical products		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets:	1,656,552	1,587,995	61,275	64,930	92,216	101,801	-	-	-	-	-	-	1,810,043	1,754,726
Unallocated corporate assets													1,519	1,986
Total assets													1,811,562	1,756,712
Segment liabilities	46,474	31,565	11,014	10,820	9,845	7,315	-	-	-	-	-	-	67,333	49,700
Unallocated corporate liabilities													1,600	2,176
Total liabilities													68,933	51,876
Other segment information:														
Capital expenditure	80,768	454,229	551	26,807	1,241	25,613	-	-	-	-	-	-	82,560	506,649
Depreciation	52,488	33,673	5,875	3,600	9,930	7,778	-	2,989	-	1,730	-	2,276	68,293	52,046
Amortisation	6,659	5,597	1,600	1,666	2,780	2,780	-	910	-	1,295	-	560	11,039	12,808
Release of inventory obsolescence	-	-	-	-	-	-	-	(6,788)	-	-	-	(14,155)	-	(20,943)

Information about major customer

None of the Group's sales to a single customer amounted for 10% or more of the Group's revenue during the year (2009: Nil).



Notes to Financial Statements

Year ended 31 December 2010

5. INTERESTED PERSON TRANSACTIONS/RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following related party transactions during the year:

	Notes	Group	
		2010 RMB'000	2009 RMB'000
Catering and accommodation expenses paid to a related company	(i)	370	470
Compensation of key management personnel:			
Short term employee benefits	(ii)	2,787	2,891

Notes:

- (i) The directors consider that the catering and accommodation expenses paid to Jiang Quan Hotel, a related company owned by a nephew of Mr. Wang Tingbao, a shareholder and director of the Company, were incurred in the ordinary course of business of the Group.
- (ii) Further details of directors' remuneration are included in note 25 to the financial statements.

Chinese Glory Investment Limited held a 43.46% interest in the Company as at 31 December 2010 and is owned by the directors of the Company as to 70% by Mr. David Yip Wai Sun, 20% by Mr. Wang Tingbao and 10% by Mr. Wang Wenguang. Except for the foregoing, the Group had no other principal related party relations through controlling or having significant influence over the financial and operating policies of any entity as at the end of the reporting period.

Except for the foregoing, in compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Group and the Company confirm that there was no other interested person transaction during the year (2009: Nil).

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all intra-group transactions in full. The Group's revenue principally derived from its operations in Mainland China.

An analysis of revenue, other income and gains is as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Revenue		
Sale of goods attributable to continuing operations	3,297,566	1,983,167
Sale of goods attributable to discontinued operations (note 9)	–	–
	<u>3,297,566</u>	<u>1,983,167</u>
Other income and gains		
Bank interest income	851	683
Sales of scrap and raw materials	558	198
Government grants	1,232	690
Others	596	655
	<u>3,237</u>	<u>2,226</u>
Attributable to continuing operations reported in the consolidated income statement	3,237	2,226
Other income and gains attributable to discontinued operations:		
Gain on disposal of subsidiaries (note 26)	–	4,509
Bank interest income (note 9)	–	17
Sales of scrap and raw materials (note 9)	–	426
	<u>3,237</u>	<u>7,178</u>

Notes to Financial Statements

Year ended 31 December 2010

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax from continuing operations is arrived at after charging/(crediting):#

	Notes	Group	
		2010 RMB'000	2009 RMB'000
Cost of inventories sold		3,226,269	2,132,431
Directors' remuneration:			
Fees		1,185	1,235
Salaries		600	600
		<u>1,785</u>	<u>1,835</u>
Depreciation	14	68,293	52,046
Amortisation of land use rights	15	11,039	12,808
Decrease in fair value less estimated costs for sale of biological assets held as at the end of the reporting period*		220	3,405
Minimum lease payments under operating leases on buildings		598	644
Reversal of write-down of inventories to net realisable value**		–	(90,415)
Release of inventory obsolescence**		–	(20,943)
Staff costs (excluding directors' remuneration)		27,002	24,177
Less: Retirement scheme contributions		(4,258)	(3,085)
Amount included in research and development costs		(578)	(677)
		<u>22,166</u>	<u>20,415</u>
Research and development costs		1,584	1,838
Gain on disposal of subsidiaries	26	–	(4,509)

* This item is included in "Other expenses, net" on the face of the consolidated income statement.

** These items are included in "Cost of sales" on the face of the consolidated income statement.

The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operations.

8. INCOME TAX EXPENSE

Tax has not been provided by the Group during the year as the Group utilised tax losses from previous periods (2009: Nil).

Linyi Shengquan Grease Co., Ltd. ("SQ Grease") is entitled to a preferential tax policy that it was exempted from PRC corporate income tax in Mainland China for the first two profitable years of its operations and was eligible for a 50% relief from the PRC corporate income tax for the following three years. SQ Grease began its first profitable year in the year 2005, pursuant to 《国务院关于实施企业所得税过渡优惠政策的通知》, therefore, year 2009 was the last year in which SQ Grease enjoyed the 50% corporate income tax relief. In 2010, it was subject to a corporate income tax rate of 25%.

Tax has not been provided by the Company as it did not derive any assessable profits during the year (2009: Nil).

Notes to Financial Statements

Year ended 31 December 2010

8. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Profit/(loss) before tax (including loss from the discontinued operations)	37,793	(80,461)
Tax at the applicable tax rate	9,448	(20,115)
Lower tax rate enacted by local authority	211	6,305
Income not subject to tax	–	(1,127)
Non-deductible expenses	1,984	2,288
Tax losses utilised from previous periods	(11,643)	–
Tax losses not recognised	–	12,649
Total tax charge for the year	–	–

The Group has accumulated tax losses arising in Mainland China of RMB291,015,467 (2009: RMB331,914,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

9. DISCONTINUED OPERATIONS

The Company disposed of its entire interests in Linyi Jiangquan Meat Products Co., Ltd. and Linyi Shengquan Meat Products Co., Ltd. (the "Disposed Subsidiaries") in the year 2009. The Disposed Subsidiaries were engaged in the production and sale of processed meat products, fresh, chilled and frozen pork products and biochemical products. There were no disposal activities occurred during the year 2010.

The results of the Disposed Subsidiaries for the year 2009 are presented below:

	2010 RMB'000	2009 RMB'000
Other income and gains (note 6)	–	443
Expenses	–	(16,819)
Loss of the discontinued operations	–	(16,376)
Gain on disposal of the Disposed Subsidiaries (note 26)	–	4,509
Loss before tax from the discontinued operations	–	(11,867)
Tax (note 8)	–	–
Loss for the year from the discontinued operations	–	(11,867)
Attributable to owners of the Company	–	(11,867)

The net cash flows incurred by the Disposed Subsidiaries are as follows:

	2010 RMB'000	2009 RMB'000
Operating activities	–	(2,115)
Investing activities	–	–
Financing activities	–	–
Net cash outflow	–	(2,115)
Loss per share:		
Basic and diluted from the discontinued operations	–	(RMB0.01)



Notes to Financial Statements

Year ended 31 December 2010

10. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Proposed final – RMB0.68 cent (2009: Nil) per ordinary share	7,561	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 December 2010 includes a profit of RMB1,536,000 (2009: a loss of RMB7,283,000) which has been dealt with in the financial statements of the Company (note 24(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic earnings/(loss) per share amounts are based on the profit for the year attributable to ordinary equity holders of the Company of RMB37,793,000 (2009: a loss of RMB80,461,000) and 1,111,953,740 ordinary shares (2009: 1,111,953,740 ordinary shares) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2010 and 2009.

The calculations of basic earnings/(loss) per share are as follows:

	2010 RMB'000	2009 RMB'000
Earnings/(loss) attributable to ordinary equity holders of the Company		
From continuing operations	37,793	(68,594)
From discontinued operations	–	(11,867)
	<u>37,793</u>	<u>(80,461)</u>
	Number of ordinary shares	
	2010	2009

Shares

Number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations	<u>1,111,953,740</u>	<u>1,111,953,740</u>
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There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.



Notes to Financial Statements

Year ended 31 December 2010

13. INTERESTS IN SUBSIDIARIES

	Company	
	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	223,738	223,738

Amounts due from subsidiaries included in the Company's current assets of RMB571,919,000 (2009: RMB570,956,000) were unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries are set out below:

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up shares/ registered capital		Percentage of equity interest attributable to the Company (%)		Principal activities
		2010	2009	2010	2009	
<u>Directly held by the Company</u>						
Post-Ante Trading Limited ("Post-Ante") #	British Virgin Islands	US\$200	US\$200	100	100	Investment holdings
<u>Indirectly held by the Company</u>						
Globe Bright Limited ("GBL") #	Hong Kong	HK\$100	HK\$100	100	100	Provision of administrative services
Linyi Shengquan Grease Co., Ltd. # ("SQ Grease")	PRC/Mainland China	US\$59,900,000	US\$59,900,000	100	100	Production and sale of soybean meals and soybean oil, animal feed production, and pig rearing

The statutory financial statements of SQ Grease, which was established in the PRC and operates in Mainland China, were prepared in accordance with generally accepted accounting principles in the PRC and were audited by Shandong Jingqiao Accounting Office Limited for tax filing purposes. For the purpose of these financial statements, Ernst & Young, Certified Public Accountants, Hong Kong, has undertaken an independent audit of the financial statements of all subsidiaries of the Company including Post-Ante, GBL and SQ Grease, which have been prepared in accordance with IFRSs.

Notes to Financial Statements

Year ended 31 December 2010

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:							
At 1 January 2010	333,521	305,222	19,813	273,167	492	5,021	937,236
Additions	110,529	825	–	950	–	10	112,314
Transfers	(444,050)	149,395	54,115	240,540	–	–	–
At 31 December 2010	–	455,442	73,928	514,657	492	5,031	1,049,550
Accumulated depreciation and impairment at 1 January 2010							
	–	(122,499)	(16,648)	(163,328)	(492)	(4,989)	(307,956)
Depreciation provided during the year							
	–	(28,639)	(6,412)	(33,214)	–	(28)	(68,293)
At 31 December 2010	–	(151,138)	(23,060)	(196,542)	(492)	(5,017)	(376,249)
At 31 December 2010:							
Cost	–	455,442	73,928	514,657	492	5,031	1,049,550
Accumulated depreciation and impairment	–	(151,138)	(23,060)	(196,542)	(492)	(5,017)	(376,249)
Net carrying amount	–	304,304	50,868	318,115	–	14	673,301
At 31 December 2009:							
Cost	333,521	305,222	19,813	273,167	492	5,021	937,236
Accumulated depreciation and impairment	–	(122,499)	(16,648)	(163,328)	(492)	(4,989)	(307,956)
Net carrying amount	333,521	182,723	3,165	109,839	–	32	629,280

Notes to Financial Statements

Year ended 31 December 2010

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Construction in progress RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:							
At 1 January 2009	–	349,913	45,918	408,558	3,029	43,025	850,443
Additions	333,521	84,637	–	16,498	–	186	434,842
Disposal of subsidiaries (note 26)	–	(129,328)	(26,105)	(151,889)	(2,537)	(38,190)	(348,049)
At 31 December 2009	333,521	305,222	19,813	273,167	492	5,021	937,236
Accumulated depreciation and impairment at 1 January 2009:							
	–	(215,319)	(36,492)	(285,799)	(3,029)	(41,664)	(582,303)
Depreciation provided during the year	–	(23,413)	(3,516)	(24,856)	–	(261)	(52,046)
Disposals of subsidiaries (note 26)	–	116,233	23,360	147,327	2,537	36,936	326,393
At 31 December 2009	–	(122,499)	(16,648)	(163,328)	(492)	(4,989)	(307,956)
At 31 December 2009:							
Cost	333,521	305,222	19,813	273,167	492	5,021	937,236
Accumulated depreciation and impairment	–	(122,499)	(16,648)	(163,328)	(492)	(4,989)	(307,956)
Net carrying amount	333,521	182,723	3,165	109,839	–	32	629,280
At 31 December 2008:							
Cost	–	349,913	45,918	408,558	3,029	43,025	850,443
Accumulated depreciation and impairment	–	(215,319)	(36,492)	(285,799)	(3,029)	(41,664)	(582,303)
Net carrying amount	–	134,594	9,426	122,759	–	1,361	268,140

As at 31 December 2010, certain property, plant and equipment with a gross carrying amount of RMB109,823,029 (2009: RMB101,970,146) were fully depreciated but still in use.

Notes to Financial Statements

Year ended 31 December 2010

15. LAND USE RIGHTS

	Group	
	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	216,000	302,230
Disposal of subsidiaries (note 26)	–	(86,230)
At 31 December	216,000	216,000
Accumulated amortisation and impairment:		
At 1 January	108,323	147,023
Amortisation provided during the year	11,039	12,808
Disposal of subsidiaries – amortisation (note 26)	–	(8,925)
Disposal of subsidiaries – impairment (note 26)	–	(42,583)
At 31 December	119,362	108,323
Net book value at 31 December	96,638	107,677

16. INVENTORIES

	Group	
	2010 RMB'000	2009 RMB'000
Raw materials	475,212	446,454
Finished goods	12,342	29,382
	487,554	475,836
Less: Allowance for inventory obsolescence	–	–
	487,554	475,836

17. BIOLOGICAL ASSETS

	Group	
	2010 RMB'000	2009 RMB'000
Biological assets:		
At fair value	28,999	26,874
At cost	7,839	7,928
	36,838	34,802
Physical quantities of biological assets held at end of year:		
Infant pigs	2,781	2,192
Progeny pigs	28,918	29,776
Breeder pigs	4,682	4,732
	36,381	36,700

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Year ended 31 December 2010

17. BIOLOGICAL ASSETS (continued)

The Group's pure-bred and cross-bred live pigs comprise infant, progeny and breeder pigs. The infant pigs are offspring of breeder pigs. The progeny pigs are raised for sale. The breeder pigs are held to further reproduce progeny pigs. The following assumptions have been made in determining the valuation basis of the pure-bred and cross-bred live pigs:

- (i) Infant pigs are valued at cost as no active market exists for these pigs;
- (ii) Progeny pigs are valued at fair value less estimated costs to sell. The fair values were determined based on the most recent market transaction prices which approximated to those at year end; and
- (iii) Breeder pigs are valued at cost as no active market exists for these pigs.

A reconciliation of the carrying value of biological assets is as follows:

	Group	
	2010 RMB'000	2009 RMB'000
At 1 January	34,802	28,121
Increase due to materials used for feeding and overheads consumed	66,375	70,943
Loss arising from change in fair values less estimated costs to sell attributable to physical and price changes	(220)	(3,405)
Decrease due to sales	(64,119)	(60,857)
At 31 December	36,838	34,802

Financial risk management strategies

The Group is exposed to financial risks arising from changes in prices of pigs and prices of animal feed. Currently, there are neither financial derivatives in Mainland China to hedge against the future changes of selling price of pigs and purchase price of animal feed, nor insurance policies against losses due to uncontrollable and extraordinary weather conditions and outbreaks of virulent diseases. The Group reviews its outlook for prices of pigs and prices of animal feed regularly in considering the need for active financial risk management. The Group does not anticipate that the prices of pigs and prices of animal feed will fluctuate significantly in the foreseeable future.

The output of agricultural produce during the year was 51,365 (2009: 56,655) pigs.

18. TRADE RECEIVABLES

	Group	
	2010 RMB'000	2009 RMB'000
Trade receivables	56,019	156,327
Impairment	-	-
At 31 December	56,019	156,327

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to six months for certain major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has established necessary credit control policies to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are non-interest-bearing. None of the above assets is either past due or impaired. The financial assets included in the above balance relate to receivables for which there was no recent history of default.

Notes to Financial Statements

Year ended 31 December 2010

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2010 RMB'000	2009 RMB'000
Other receivables	27,696	13,324
Prepayments	64,012	42,540
Deposits	–	108
	<u>91,708</u>	<u>55,972</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

20. CASH AND BANK BALANCES AND DEPOSITS

	Group	
	2010 RMB'000	2009 RMB'000
Cash and bank balances	95,774	61,714
Restricted bank deposits	273,730	163,297
Cash and bank balances and deposits	<u>369,504</u>	<u>225,011</u>

The Group's restricted bank deposits were pledged to banks as a security for the issuance of letters of credit to its suppliers.

As at 31 December 2010, the Group had cash and bank balances denominated in RMB amounting to approximately RMB367,976,000 (2009: RMB224,241,000) deposited with banks in Mainland China. RMB is not freely convertible into foreign currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

Trade payables are non-interest-bearing and normally settled on terms of 90 days or less.

22. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Other payables	38,737	27,844	–	–
Deposits received	1,222	581	–	–
Accruals	15,855	12,226	1,574	2,147
	<u>55,814</u>	<u>40,651</u>	<u>1,574</u>	<u>2,147</u>

Other payables are non-interest-bearing and have an average term of one month.

Notes to Financial Statements

Year ended 31 December 2010

23. SHARE CAPITAL

	Company	
	2010 RMB'000	2009 RMB'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.25 each, totalling HK\$500,000,000	535,000	535,000
Issued and fully paid:		
1,111,953,740 ordinary shares of HK\$0.25 each, totalling HK\$277,988,000	297,447	297,447

24. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 35 of the financial statements.

In accordance with the relevant PRC regulations, SQ Grease, being a wholly-owned foreign investment enterprise established in Mainland China, is required to appropriate not less than 10% of its profit after tax to its statutory reserve, until the balance of the reserve reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve of SQ Grease may be used to offset against any of its accumulated losses.

There were no appropriations of statutory reserve during the year since SQ Grease still recorded an accumulated loss as at 31 December 2010 by taking into account the losses brought forward in prior year (2009: Nil).

Due to the disposal of certain subsidiaries (note 26) in the year 2009, the relevant accumulated statutory reserves amounting to RMB79,025,000 were as consequence transferred to the retained profits.

Other than the transfer stated in the preceding paragraph, there was no statutory reserve that was approved to be utilised for offsetting accumulated losses during the year ended 31 December 2010 (2009: Nil).

(b) Company

	Share premium account RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
Balance at 1 January 2009	510,034	(7,651)	–	502,383
Loss for the year (note 11)	–	(7,283)	–	(7,283)
Balance at 31 December 2009	510,034*	(14,934)*	–	495,100
Balance at 31 December 2009 and 1 January 2010	510,034	(14,934)	–	495,100
Profit for the year (note 11)	–	1,536	–	1,536
Proposed final 2010 dividend (note 10)	–	(7,561)	7,561	–
Balance at 31 December 2010	510,034*	(20,959)*	7,561	496,636

* These reserve accounts comprise the Company's reserves of RMB489,075,000 (2009: RMB495,100,000) in the Company's statement of financial position.

The Company's share premium account with a balance of RMB510,034,000 (2009: RMB510,034,000) may be distributed in the form of fully paid bonus shares.

Notes to Financial Statements

Year ended 31 December 2010

25. DIRECTORS' REMUNERATION

The number of directors of the Group whose remuneration falls within the following band is disclosed in compliance with Rule 1207(11) of Chapter 12 of the Listing Manual of the SGX-ST:

	Executive/ non-executive directors	Group Independent non-executive directors	Total
2010			
Below S\$250,000 (equivalent to approximately RMB1,273,260 (2009: RMB1,442,000))	2	3	5

26. DISPOSAL OF SUBSIDIARIES

	Note	2010 RMB'000	2009 RMB'000
Net assets disposed of:			
Property, plant and equipment		–	21,656
Land use rights		–	34,722
Cash and bank balances		–	–
		–	56,378
Gain on disposal of subsidiaries	6	–	4,509
		–	60,887
Satisfied by:			
Cash		–	60,887

27. Operating Lease Arrangements

The Group leases certain of its buildings under operating lease arrangements. Leases for the buildings are negotiated for terms within five years.

As at 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases for buildings falling due as follows:

	2010 RMB'000	2009 RMB'000
Within one year	648	289
After one year but within five years	918	–
	1,566	289

The Company did not have any significant commitments as at 31 December 2010 (2009: Nil).

Notes to Financial Statements

Year ended 31 December 2010

28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group had the following commitments at the end of the reporting period:

	2010 RMB'000	2009 RMB'000
Contracted, but not provided for Plant and machinery	–	73,870
Unutilised letters of credit *	340,705	121,919
	<u>340,705</u>	<u>195,789</u>

* Unutilised letters of credit represented the unutilised facilities of letters of credit issued by the local banks in connection with the procurement of soybean materials.

The Company did not have any significant commitments as at 31 December 2010 (2009: Nil).

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

Group

	Loans and receivables	
	2010 RMB'000	2009 RMB'000
Cash and bank balances	95,774	61,714
Restricted bank balances	273,730	163,297
Trade receivables	56,019	156,327
Financial assets included in prepayments, deposits other receivables (note 19)	27,696	13,324
	<u>453,219</u>	<u>394,662</u>

Financial liabilities

Group

	Financial liabilities at amortised cost	
	2010 RMB'000	2009 RMB'000
Trade payables	13,119	11,225
Financial liabilities included in other payables, deposits and accruals (note 22)	38,737	27,844
	<u>51,856</u>	<u>39,069</u>

Financial assets

Company

	Loans and receivables	
	2010 RMB'000	2009 RMB'000
Amount due from subsidiaries	571,919	570,956

The Company did not have any financial liabilities as at 31 December 2010 (2009: Nil).

Notes to Financial Statements

Year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, which arises principally from changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Credit risk

The Group's bank balances are mainly maintained with state-owned banks in Mainland China.

The carrying amounts of trade and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk due to its large customer base.

The Group performs ongoing credit evaluation of its customers' financial conditions and requires no collateral from its customers. The impairment allowances for trade receivables are based upon a review of the expected collectibility of all trade receivables.

(ii) Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets, and projecting cash flows from operations on a periodic basis.

The maturity profile of the Group and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group	2010		
	On demand	Less than 3 months	Total
Trade payables	–	13,119	13,119
Other payables	–	38,737	38,737
	–	51,856	51,856
	2009		
	On demand	Less than 3 months	Total
Trade payables	–	11,225	11,225
Other payables	–	27,844	27,844
	–	39,069	39,069
	2010		
	On demand	Less than 3 months	Total
Other payables	–	–	–
	2009		
	On demand	Less than 3 months	Total
Other payables	–	–	–



Notes to Financial Statements

Year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

The Group carried out business in Mainland China with its own capital and did not have any interest-bearing borrowings. The Group's capital structure mainly comprised payables to suppliers and other non-interest-bearing payables. In the opinion of the directors, the presentation of the quantitative capital management analysis would provide no additional useful information to the users of the financial statements.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 March 2011.

Statistics of Shareholdings

As at 10 March 2011

Authorised Share Capital	:	HKD500,000,000
Issued and fully paid-up capital	:	HKD277,988,435
Class of Shares	:	1,111,953,740 ordinary shares of HKD 0.25 each
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	6	0.10	1,564	0.00
1,000 - 10,000	2,288	39.48	16,354,868	1.47
10,001 - 1,000,000	3,459	59.68	248,230,700	22.32
1,000,001 AND ABOVE	43	0.74	847,366,608	76.21
TOTAL	5,796	100.00	1,111,953,740	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHINESE GLORY INVESTMENTS LIMITED	483,304,620	43.46
2	CITIBANK NOMINEES SINGAPORE PTE LTD	85,020,776	7.65
3	WANG TINGBAO	50,000,000	4.50
4	DBS NOMINEES PTE LTD	23,737,000	2.13
5	PHILLIP SECURITIES PTE LTD	23,344,950	2.10
6	RAFFLES NOMINEES (PTE) LTD	22,470,000	2.02
7	BNP PARIBAS SECURITIES SERVICES SINGAPORE	16,900,000	1.52
8	UOB KAY HIAN PTE LTD	16,607,336	1.49
9	OCBC SECURITIES PRIVATE LTD	9,452,000	0.85
10	HSBC (SINGAPORE) NOMINEES PTE LTD	8,890,000	0.80
11	DBSN SERVICES PTE LTD	8,831,000	0.79
12	TAN AH CHYE	8,600,000	0.77
13	NG WONG WAI LAN	8,455,000	0.76
14	CIMB SECURITIES (SINGAPORE) PTE LTD	7,795,000	0.70
15	KIM ENG SECURITIES PTE. LTD.	7,751,260	0.70
16	DBS VICKERS SECURITIES (S) PTE LTD	6,688,000	0.60
17	CHAN WAI MAN	6,500,000	0.58
18	WIRTZ JOCHEN	4,664,000	0.42
19	LIM AIK KHOON	3,130,000	0.28
20	LIM & TAN SECURITIES PTE LTD	3,080,666	0.28
	TOTAL	805,221,608	72.40



Statistics of Shareholdings

As at 10 March 2011

TREASURY SHARES - Rule 1207(9)(f)

The Company does not hold any Treasury Shares.

SUBSTANTIAL SHAREHOLDERS AS AT 10 MARCH 2011

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Chinese Glory Investments Limited	483,304,620	43.46	–	–
Wang Tingbao*	50,000,000	4.50	485,304,844	43.64
David Yip Wai Sun**	–	–	483,304,620	43.46
Pope Asset Management LLC	Nil	Nil	66,991,388	6.02

Notes:

* Wang Tingbao's deemed interest in 485,304,844 shares comprises:-

- (i) 224 shares held under UOB Kay Hian Pte Ltd
- (ii) 483,304,620 shares held by Chinese Glory Investments Limited by virtue of his 20% interests in Chinese Glory Investments Limited
- (iii) 2,000,000 shares held under Philip Securities (HK) Ltd

** David Yip Wai Sun is deemed to be interested in 483,304,620 shares held by Chinese Glory Investments Limited by virtue of his 70% interests in Chinese Glory Investments Limited.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 52% of the Company's shares are in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of UNITED FOOD HOLDINGS LIMITED (“the Company”) will be held at Raffles City Convention Centre, Minto Room, Level 4, 80 Bras Basah Road, Singapore 189560 on Wednesday, 20 April 2011 at 9.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 December 2010 together with the Auditors’ Report thereon. (Resolution 1)
2. To declare a final dividend of RMB0.0068 per share (tax not applicable) for the year ended 31 December 2010. (2009: Nil) (Resolution 2)
3. To re-elect the following directors retiring pursuant to Bye-law 86(1) of the Company’s Bye-laws:

Sitoh Yih Pin	(Resolution 3)
Ho Wah Onn	(Resolution 4)

Ho Wah Onn and Sitoh Yih Pin will, upon re-election as Directors of the Company, remain as Chairman and a member of the Audit Committee respectively. They will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To approve the payment of Directors’ fees of S\$226,000 for the year ending 31 December 2011, to be paid quarterly in arrears (2010: S\$235,000). (Resolution 5)
5. To re-appoint Messrs Ernst & Young, Hong Kong as the Company’s Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. The renewal of the General Issue Mandate

“THAT authority be and is hereby given to the Directors to:-

- (a)
 - (i) issue shares whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares;

at any time and upon such terms and conditions for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force,

provided that:-

- (1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Ordinary Resolution) does not exceed fifty per cent (50%) of the issued share capital of the Company (as calculated in accordance with subparagraph (2) below, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed twenty per cent (20%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);



Notice of Annual General Meeting

- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("the SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above:
- (i) the percentage of issued share capital shall be based on the issued share capital of the Company as at the date of the passing of this Ordinary Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting as at the date of the passing of this Ordinary Resolution; and
 - (b) any subsequent consolidation or subdivision of shares;
 - (ii) in relation to an Instrument, the number of shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;
- (3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws for the time being of the Company; and
- (4) the authority conferred on the directors of the Company pursuant to this Ordinary Resolution may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Ordinary Resolution and expiring on the earliest of:
- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
 - (ii) the date on which share issues have been carried out to the full extent of the authority conferred in this Ordinary Resolution; or
 - (iii) the date on which the authority conferred in this Ordinary Resolution is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting."
[See Explanatory Note(i)] (Resolution 7)

8. Renewal of the Share Purchase Mandate

"THAT:-

- (a) pursuant to Bye-law 3(2) of the Company and otherwise in accordance with all other laws, regulations and rules of The Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued ordinary shares fully paid in the capital of the Company, from time to time of up to ten per cent (10%) of the issued ordinary share capital of the Company as at the date of the passing of this Ordinary Resolution during the period and on the terms set out in Annexure 1 of the Appendix accompanying the Notice of Annual General Meeting dated 4 April 2011 and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date falling twelve months from the date of the grant of the mandate or the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier;
- (b) the Director of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interest of the Company to give effect to the transactions contemplated under and/or authorised by this Ordinary Resolution."
[See Explanatory Note(ii)] (Resolution 8)

By Order of the Board

Hazel Chia
Shirley Lim
Company Secretaries

Singapore, 4 April 2011

Notice of Annual General Meeting

Explanatory Notes to Resolutions to be passed –

- (i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.
- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company to make purchases of Shares from time to time (whether by way of market purchases or off -market purchases on an equal access scheme or both) of up to ten per cent (10%) of the issued shares in the capital of the Company at the price of up to but not exceeding the Maximum Price in accordance with the terms set out in Annexure 1 of the Appendix accompanying the Notice of Annual General Meeting dated 4 April 2011.

Notes:

1. A depositor holding Shares through The Central Depository (Pte) Limited (“Depositor”) who is an individual and who wishes to attend the Annual General Meeting in person need not take any further action and can attend and vote at the Annual General Meeting as The Central Depository (Pte) Limited’s proxy without the lodgement of any proxy form.
2. A Depositor who is (i) an individual but is unable to attend the Annual General Meeting personally and wishes to appoint a nominee as The Central Depository (Pte) Limited’s proxy to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed **Depositor Proxy Form** at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. If a member with Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to appoint a proxy to attend and vote at the Annual General Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed **Member Proxy Form** at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the meeting.
4. If a person who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to be represented at the meeting, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members.
5. If the member or Depositor is a corporation, the proxy form must be executed under seal or the hand of its duly authorised officer or attorney.
6. All proxy forms must be deposited at Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the meeting.
7. A proxy need not be a member.

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CORPORATE INFORMATION

Board of Directors

David Yip Wai Sun
Non-Executive Chairman
Wang Tingbao
Executive Vice Chairman
Ho Wah Onn
Independent Director
Sitoh Yih Pin
Independent Director
Fu Qiang
Independent Director

Management Team

Wang Tingbao
Chief Executive Officer
Li Ai
Chief Operating Officer
Hung Chung Wah, George
Chief Financial Officer

Nominating Committee

Sitoh Yih Pin, Chairman
Ho Wah Onn
David Yip Wai Sun

Remuneration Committee

Ho Wah Onn, Chairman
Sitoh Yih Pin
Wang Tingbao

Audit Committee

Ho Wah Onn, Chairman
David Yip Wai Sun
Sitoh Yih Pin
Fu Qiang

Company Secretaries

Hazel Chia Luang Chew, FCIS
Shirley Lim Keng San, FCIS

Assistant Company Secretary

Ira Stuart Outerbridge III

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Share Transfer Agent

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50 Raffles Place
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Singapore 048623

Share Registrar

HSBC Securities Services (Bermuda) Limited
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Bermuda
Tel: [1] (441) 299 5763

Auditors

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Certified Public Accountants
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Fax: [852] 2868 4432

Audit Partner-in-charge

Wong Kam Man, Kevin
w.e.f financial year 31 December 2007



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