Annual Reports and Related Documents::

Issuer & Securities

Issuer/ Manager	UNITED FOOD HOLDINGS LIMITED
Securities	UNITED FOOD HOLDINGS LIMITED - BMG9232V2045 - AZR
Stapled Security	No

Announcement Details

Announcement Title	Annual Reports and Related Documents
Date & Time of Broadcast	12-Apr-2017 17:47:36
Status	New
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Submitted By (Co./ Ind. Name)	Song Yanan
Designation	Non-Executive Chairman
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	Please see attached.

Additional Details

Period Ended	31/12/2016

Attachments	United Food - Annual Report 2016.pdf Total size =706K

UNITED FOOD HOLDINGS LIMITED
聯合食品控股有限公司

A PURSUIT OF NEW OPPORTUNITIES

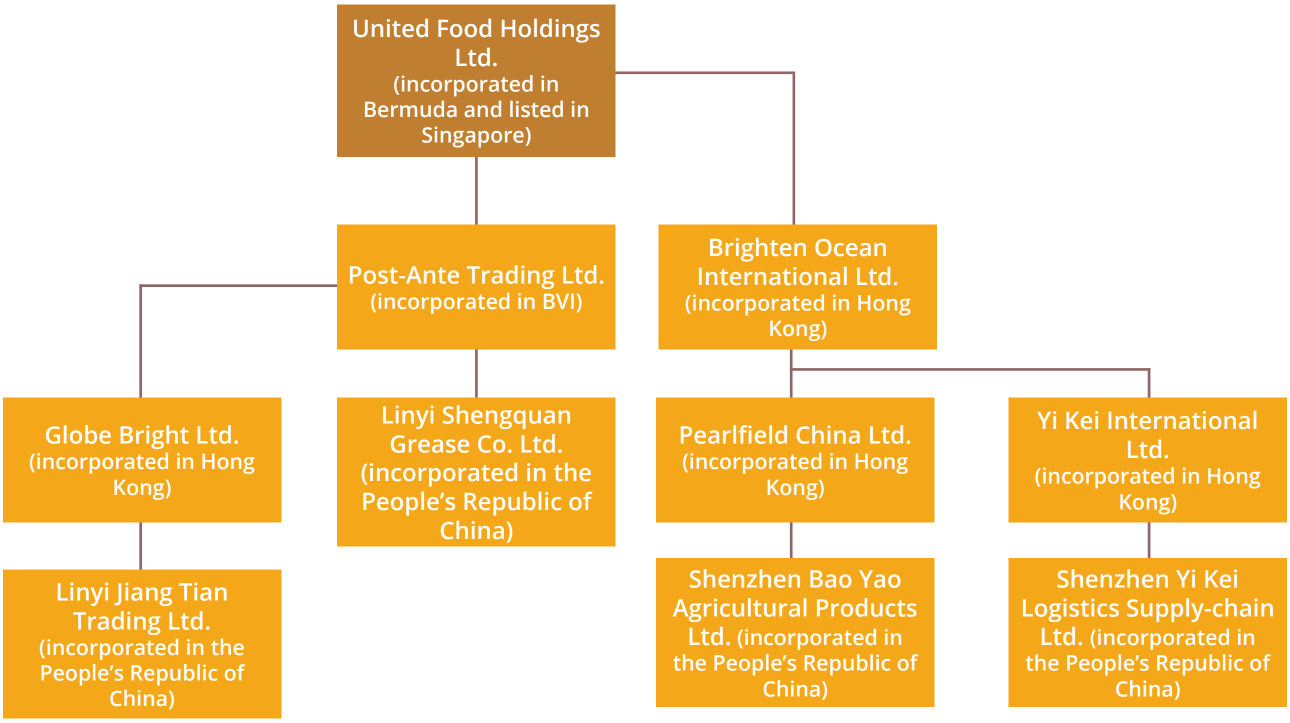
Annual Report 2016

CONTENTS

OUR
CORE BUSINESS

United Food Holdings Limited (the “Company”) was incorporated in Bermuda on 14 August 2000 and its shares were listed on the Main Board of the Singapore Exchange Securities Trading Limited on 26 March 2001.

The organisation chart of the Company and its subsidiaries (the “Group”) is shown as follows:



CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

On behalf of the Board of Directors ("the Board") of United Food Holdings Limited (the "Company" or collectively with its subsidiaries, the "Group"), 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 2016 ("FY2016").

PERFORMANCE REVIEW

The Group had experienced a challenging FY2016. Our soybean production remains suspended and one of our feed production centres has ceased operations.

The Group recorded a total revenue of RMB265.7 million from the feed production segment in FY2016.

The Group incurred a net loss of RMB229.3 million in FY2016, largely due to the gross loss in the Feed Production Division and impairment loss on our property, plant and equipment. Due to the Group's loss, no dividend was recommended for FY2016, but I wish to assure shareholders that the Board is mindful of the need to optimize the Group's return on shareholders' funds.

OUTLOOK in 2017

The Group has successfully completed a share placement with an estimated net proceeds of RMB3,667,000 in February 2017 to increase and strengthen its general working capital in order to further expand existing business operations, undertake business development activities, including pursuing acquisitions and joint venture opportunities.

The Group believes that it is well positioned to explore strategic acquisitions to augment and to extend existing business operations, and to enhance the overall financial performance of the Group.

IN APPRECIATION

On behalf of the Board, I express my sincere thanks to our employees for their hard work and dedication, to our Directors for their contributions and support, to our business partners for their trust in the Group, and to our shareholders for sharing our vision.

I look forward to your continued support in future.

Song Yanan
NON-EXECUTIVE CHAIRMAN

致各位股东

代表联合食品控股有限公司全体董事会成员，本人很荣幸向你们提交这份截止2016年12月31日止年度的公司年报和集团的审计报表。

业绩回顾

本集团在2016年经历具有挑战的12个月。我们的大豆生产仍在停产，和其中一间饲料生产中心也已停止运作。

本集团于2016年录得饲料生产部门总营业收入为人民币2亿6570万元。

本集团于2016年录得亏损为人民币2亿2930万元，主要为饲料生产部出现毛损及资产减值拨备。由於集团为亏损，我们在2016年年度没有提议派发股息。我向股东保证，董事局深切注意到需为股东提升资本回报率。

2017年前景

本集团已于2017年2月份完成发行新股，预计有净收款额为人民币3百66万7千元，可提升集团营运现金和未来扩充业务运作，企业发展活动，也包括收购和合并项目。

本集团相信，战略性收购可以扩大和延伸集团的现在业务运作，也可加强本集团的整体财务表现。

感谢

本人代表董事会，感谢全体员工过去为公司作出的努力工作和付出，各董事的贡献和支持，各商业伙伴的信任和各股东的意见。

我祈望未來各位继续支持我們。

宋亞南
非執行主席

FINANCIAL HIGHLIGHTS

	2016 RMB'000	2015 RMB'000	Change %
REVENUE*	**265,744**	2,211,658	-88.0
GROSS LOSS*	**(70,827)**	(190,971)	-62.9
LOSS FROM OPERATIONS*	**(215,100)**	(971,483)	-77.9
LOSS BEFORE TAX*	**(215,100)**	(971,483)	-77.9
LOSS AFTER TAX*	**(215,100)**	(971,483)	-77.9
LOSS ATTRIBUTABLE TO SHAREHOLDERS	**(229,263)**	(974,221)	-76.5
SHAREHOLDERS' FUND	**202,253**	431,779	-53.2
TOTAL ASSETS	**219,462**	435,037	-49.6
TOTAL LIABILITIES	**17,209**	3,258	+428.2

Profitability			Change %
GROSS MARGIN*	**-26.7%**	-8.6%	+N/M
OPERATING MARGIN*	**-80.9%**	-43.9%	+N/M
RETURN ON REVENUE	**-86.3%**	-44.0%	+N/M
RETURN ON AVERAGE EQUITY	**-72.3%**	-105.7%	+N/M
RETURN ON AVERAGE ASSETS	**-70.1%**	-102.6%	+N/M

* Continuing Operations
* +N/M - Not meaningless

Per Share Data (Notes)			Change %
A. NET ASSETS	**1.84**	3.92	-53.2
B. LOSS	**-2.08**	-8.85	-76.5
C. GROSS DIVIDEND	**0.00**	0.00	-

Notes:

a. The net assets per share was calculated on 110,080,868 shares (2015 - 110,080,868).
b. The basic loss per share was calculated based on the average 110,080,868 shares (2015 - 110,080,868).
c. After the completion of share consolidation on 16 June 2015, the Company consolidated 10 ordinary shares of HK$0.25 each into 1 ordinary share of HK$2.50 each in the capital of the Company (hereafter share consolidation) and the weighted average number of ordinary shares of 110,080,868 was used for the calculation of loss per share for the corresponding period in 2015 for the effect of the share consolidation.
d. No dividend was declared and proposed in FY2016 and FY2015.

FINANCIAL HIGHLIGHTS

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 Profit or Loss (RMB'000)

	2016	2015	2014	2013	2012
REVENUE*	**265,744**	2,211,658	5,129,869	5,121,972	5,488,005
NET (LOSS) / PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(229,263)**	(974,221)	25,563	(108,958)	(255,050)

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

Condensed Consolidated Statements of Financial Position (RMB'000)

	2016	2015	2014	2013	2012
PROPERTY, PLANT AND EQUIPMENT	**68,557**	146,274	330,033	389,418	453,877
LAND USE RIGHTS	**36,087**	43,806	52,482	63,521	74,560
NET CURRENT ASSETS	**97,609**	241,699	1,028,213	932,226	968,783
CAPITAL AND RESERVES	**202,253**	431,779	1,410,728	1,385,165	1,497,220

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a revenue of RMB265.7 million in the financial year ended 31 December 2016 ("FY2016") compared to RMB2.2 billion in the financial year ended 31 December 2015 ("FY2015"). The significant decrease in revenue was mainly due to the production of the Soybean Processing Division since 5 July 2015.

The Group recorded a loss of RMB229.3 million in FY2016, compared to the loss of RMB974.2 million in FY2015. The loss in FY2016 mainly resulted from the gross loss in our Feed Production Division and an impairment loss on our property, plant and equipment.

1. REVENUE

Soybean Processing

Our Soybean Processing Division did not have any revenue in FY2016 compared to RMB2.0 billion in FY2015, because the Group suspended the production of this division since 5 July 2015.

Feed Production

Our Feed Production Division recorded a slightly higher revenue of RMB265.7 million in FY2016, compared to RMB258.2 million in FY2015.

2. GROSS LOSS

The Group recorded a gross loss margin of 26.7% for the continuing operations in 2016 compared to that of 8.6% in 2015. The increase in gross loss margin is mainly due to a decrease in selling prices of our feed products and an increase in cost of goods sold of those products in FY2016. In addition, the supply of feed products was distributed only to the surrounding areas of feed production centre situated in Yishui County, Linyi City, Shandong Province, China, which led to cost inefficiency due to low volume of demand.

Even as the Group suffers a gross loss with the sale of its feed products, management believes that the Group needs to maintain its operation to meet market demand and to maintain customer relationships.

3. OTHER INCOME

Other income decreased by 76.6% in FY2016 compared to FY2015, due mainly to a lower interest income.

4. SELLING AND DISTRIBUTION EXPENSES

In line with the decrease in sales revenue, the Group incurred a lower selling and distribution expenses in FY2016 compared to FY2015.

5. ADMINISTRATIVE EXPENSES

Administrative expenses increased by 32.0% in FY2016 compared to FY2015, due mainly to the reallocation of amortisation and depreciation of the property, plant and equipment from cost of sales into the administrative expenses after the suspension of the Soybean Processing Division. In addition, after the suspension of the of the Soybean Processing Division, in order for the Group to mitigate from the social responsibility risk, the Group incurred a cost of labour for the workers of suspended division.

6. OTHER EXPENSES, NET

Other expenses, net in FY2016 and FY2015 comprise of the following items:

	2016 RMB'000	2015 RMB'000
Impairment loss for property, plant and equipment	51,547	131,071
Loss on sales of raw soybeans	-	238,127
Loss on soybean contracts	-	162,337
Impairment loss for prepayments, deposits and other receivables	-	189,708
Loss on sales of raw materials and consumables	14,096	-
Others	857	683
Total	**66,500**	**721,926**

Other expenses, net decreased by 90.8% in FY2016, compared to FY2015, mainly due to a decrease in impairment loss for property, plant and equipment in our production facilities in China, loss on sales of raw soybeans, loss on soybean contracts and impairment loss for prepayments, deposits and other receivables.

Impairment loss on property, plant and equipment

In FY2015 and FY2016, the Company engaged BMI Appraisals Limited, a registered independent valuer, to perform a valuation on the recoverable amount of our property, plant and equipment in China based on the fair market value of the assets less costs of disposal (imputed to be 5% of the selling prices). Based on the differences between the recoverable amount and the carrying amount of those assets, an impairment loss of RMB51.5 million (FY2015 - RMB131.1 million) has been made.

Loss on sales of raw materials and consumables

Loss on sales of raw materials and consumables in FY2016 included the loss of sales of consumables in our Soybean Processing Division of RMB13.3 million due to the clearance of those consumables for cash, and loss on sales of raw materials in our Animal Feed Division of RMB0.8 million due to the closure of our Jiangquan Animal Production Centre, respectively.

7. LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION

Loss for the year from a discontinued operation represents those expenses incurred, depreciation charges and provision for litigation claim in our Pig Rearing Division which ceased operation in 2014.

Provision for litigation claim

The Group had closed one of our pig rearing centres in FY2014, and had faced a litigation dispute with regards to an equipment procurement contract. The court judgement in respect of this claim had been reached in FY2016 in favour of the plaintiff. Even though the Group is deliberating on its available legal action(s), it has made a provision for litigation claim of RMB11.6 million (2015 - RMB Nil) to be prudent.

8. INVENTORIES

The decrease in inventories was due mainly to a decrease in inventory volume of our raw materials and finished goods.

9. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

The increase in the prepayment, deposits and other receivables was due mainly to deposits paid to the vendors of three potential acquisition projects of RMB75.0 million paid in FY2016, which will become part of the consideration after the completion of the acquisition and/or refundable after the cancellation of the acquisitions. The potential acquisition projects have business operations which are similar in scope to the Group.

10. AMOUNT DUE TO A SHAREHOLDER

Amount due to a shareholder, Golden Ever International Property Management Limited, is interest free, unsecured and repayable on demand.

11. OTHER PAYABLES AND ACCRUALS AND PROVISION

The increase in other payables and accruals and provision was due mainly to an increase in accrued expenses of RMB1.3 million and the provision for litigation claim amounting to RMB11.6 million.

12. CASH FLOW STATEMENT

Net cash flow of RMB159.1 million was used in FY2016 by the Group due to the net cash used in the operating activities of RMB160.1 million, offset with the net cash generating from financing activities of RMB1.1 million.

13. SHAREHOLDERS' EQUITY

The Group's shareholders' equity decreased from RMB431.8 million as at 31 December 2015 to RMB202.3 million as at 31 December 2016, due mainly to the loss recorded for the year.

14. CONTINGENT LIABILITY

The Group had no contingent liabilities as at 31 December 2015 and 31 December 2016.

15. EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The businesses of the Group were mainly conducted in Renminbi ("RMB") except for the purchases of soybean and the payment of certain expenses in United States dollars, Singapore dollars ("SGD") and Hong Kong dollars ("HKD"). 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 by means of derivative instruments is therefore not necessary.

BOARD OF DIRECTORS

SONG YANAN
NON-EXECUTIVE CHAIRMAN

Ms Song Yanan ("Ms Song") was appointed as a Non-executive Director on 11 July 2016 and as Non-executive Chairman of the Board on 15 August 2016, respectively. Ms Song has over 18 years of industry experience, including investment and management in supermarket chain and high-end consumer products. Ms Song was working at Renrenle Commercial Group Limited, as the manager for acquisition and Chief Executive Office from 1999 to 2003 and as a personal assistant to the Chairman of the Board since 2003. Ms Song holds a degree of Executive Master of Science in Logistics and Supply Chain Management awarded jointly from Tsinghua University and The Chinese University of Hong Kong.

WANG TINGBAO
EXECUTIVE VICE CHAIRMAN
AND CHIEF EXECUTIVE OFFICER

Mr Wang Tingbao ("Mr Wang") is one of co-founders of the Group. Mr Wang was first appointed to the Board on 30 August 2000 and was last re-elected on 12 May 2016. As Executive Vice Chairman and Chief Executive Officer, Mr Wang charts the corporate directions and strategies as well as oversees the Group's day-to-day operations. Mr Wang graduated from the Yishui Medical College and had practised as a medical physician in the Coal Mining Hospital at Linyi City, Shandong Province, China.

Mr Wang obtained his Master's degree in Economic Management from the Beijing Industry and Commerce University in 1999. Mr Wang has considerable industrial and commercial experience in the manufacturing of ceramics. Prior to his appointment, Mr Wang held the managerial position in the Luozhuang Ceramic Factory overseeing the entire production planning, purchasing, human resources and capital budgeting for the firm.

WU XIAORAN
EXECUTIVE DIRECTOR

Mr Wu Xiaoran ("Mr Wu") was appointed as Executive Director on 11 July 2016 and he is responsible for financial management of the Group. Mr Wu was an auditor in Mazars Beijing. Mr Wu then joined a private equity, investment advisory firm in Canada and Hong Kong for 7 years. Mr Wu has over 20 years of financial, shipping and auditing experiences in China, North America and Europe. Mr Wu holds his post-graduate certificate in law from the South China Agriculture University and a master of business administration from Universite de Paris 1 Pantheon Sorbonne, France.

CHNG HEE KOK
INDEPENDENT DIRECTOR

Mr Chng Hee Kok ("Mr Chng") was appointed as an Independent Director of the Company on 23 October 2015 and re-elected on 12 May 2016. Mr Chng is Chairman of SGX Mainboard listed Ellipsiz Ltd. He holds independent directorships at listed companies which include Samudera Shipping Line Ltd., Full Apex Holdings Ltd., Luxking Group Holdings Ltd. and Infinio Group Limited. Mr Chng is currently an advisor to the Board of China Flexible Packaging Holding Ltd. Previously, Mr Chng was the Chief Executive Officer of Yeo Hiap Seng Ltd., Scotts Holdings Ltd., Hartawan Holdings Ltd., HG Metals Manufacturing Ltd. and LH Group Ltd. He was a Member of Parliament of Singapore from 1984 to 2001 and held past directorships at Public Utilities Board, Sentosa Development Corporation, Singapore Institute of Directors and Singapore listed companies, LH Group Ltd., ChinaSing Investment Holdings Ltd. and China Flexible Packaging Holding Ltd.

Mr Chng graduated from University of Singapore with a Bachelor of Engineering (Mechanical), First Class Honours degree and was awarded Institute of Engineers Singapore Gold Medal and Mobil Silver Medal. He also holds a Master of Business Administration degree from the National University of Singapore, and completed the Program for Executive Development at IMD – Lausanne Switzerland.

BOARD OF DIRECTORS

LING CHUNG YEE ROY
LEAD INDEPENDENT DIRECTOR

Prof Ling Chung Yee Roy ("Prof Ling") was appointed as the Lead Independent Director of the Company on 20 November 2015 and re-elected on 12 May 2016. He is an investment banker with more than 20 years of experience. Prof Ling is currently a Managing Director at RL Capital Management and RL Academy. Concurrently, he also serves as an Independent Board Director at several listed companies across Asia, as an Adjunct Professor in Finance at the EDHEC Business School, and as a Consultant for RHT Strategic Advisory and RHT Academy. Prior to RL Capital, Prof Ling held senior investment banking positions with JPMorgan, Lehman Brothers, Goldman Sachs and Salomon Smith Barney.

Prof Ling was a former Board Director of the CFA Society of Japan. He was honored as one of 20 Rising Stars in Real Estate by Institutional Investor in 2008. Prof Ling graduated from INSEAD with a Global EMBA and from the National University of Singapore with a Bachelors degree in Business Administration.

LIN JIANWU
INDEPENDENT DIRECTOR

Dr Lin Jianwu ("Dr Lin") was appointed as an Independent Director of the Company on 11 July 2016. Dr Lin is now the visiting adjunct professor in quantitative finance of Tsinghua University, China. Prior to the academic research position at Tsinghua University, Dr Lin served as the Chief Executive of China for a hedge fund institution in the United States of America, and worked as senior executive in US as strategist and vice president of Goldman Sachs LLP, and quantitative analysts of Morgan Stanley, U.S. Dr Lin graduated from Tsinghua University in China and holds a degree of PhD awarded from the Wharton School of Business, the University of Pennsylvania.

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. Ms Li Ai ("Ms Li") was appointed the Group's chief accountant based in China since 1993. Ms Li was promoted to be the Assistant Chief Operating Officer in 2008, and further promoted to be the Group's Chief Operating Officer in 2009. Apart from her tertiary education, Ms Li is also a qualified accountant in China.

LEUNG WAI PING NOEL
Chief Financial Officer

Mr Leung Wai Ping Noel ("Mr Leung") joined the Group on 18 January 2016 and is in charge of the Group's financial reporting and investor relationship. Prior to joining the Group, Mr Leung held managerial positions, qualified accountant and company secretary in listed companies in Hong Kong and Singapore. Mr Leung is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of Association of Chartered Certified Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Song Yanan, Non-Executive Chairman
Wang Tingbao, Executive Vice Chairman
Wu Xiaoran, Executive Director
Chng Hee Kok, Independent Director
Ling Chung Yee Roy, Lead Independent Director
Lin Jianwu, Independent Director

MANAGEMENT TEAM
Wang Tingbao, Executive Director
Wu Xiaoran, Finance Director
Li Ai, Chief Operating Officer
Leung Wai Ping Noel, Chief Financial Officer

NOMINATING COMMITTEE
Ling Chung Yee Roy, Chairman
Chng Hee Kok
Lin Jianwu

REMUNERATION COMMITTEE
Ling Chung Yee Roy, Chairman
Chng Hee Kok
Lin Jianwu

AUDIT COMMITTEE
Chng Hee Kok, Chairman
Ling Chung Yee Roy
Lin Jianwu

COMPANY SECRETARIES
Yoo Loo Ping
Chiang Wai Ming

ASSISTANT COMPANY SECRETARY
Conyers Corporate Services (Bermuda) Limited

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel: [1] (441) 295 5950
Fax: [1] (441) 292 4720

BUSINESS OFFICE
Shenquan Village
Luozhuang District
Linyi City, Shandong Province
The People's Republic of China
Postal Code 276017
Tel: [86] (539) 7106 688
Fax: [86] (539) 7100 333
Website: www.unitedfood.com.sg
Email: finance@unitedfoodholdings.com

SHARE TRANSFER AGENT
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

SHARE REGISTRAR
Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel: [1] (441) 295 5950

JOINT AUDITORS
Foo Kon Tan LLP
Chartered Accountants of Singapore
24 Raffles Place #07-03, Clifford Centre
Singapore 048621
Tel: [65] 6336 3355
Fax: [65] 6337 2197
Audit Partner-in-charge
Toh Kim Teck
(Effect from financial year ended
31 December 2016)

HLB Hodgson Impey Cheng Limited
31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong
Tel: [852] 2810 8333
Fax: [852] 2810 1948
Audit Director-in-charge
Alex Hon
(Effect from financial year ended
31 December 2015)

INVESTOR RELATIONS
United Food Holdings Limited
Noel Leung, Chief Financial Officer
Email: finance@unitedfoodholdings.com

CORPORATE GOVERNANCE

The Board of Directors (the "Board") and management of United Food Holdings Limited strive to maintain high standards of corporate governance to ensure greater transparency and to protect the interests of its shareholders. The Board's commitment to good corporate governance practices is essential for Directors to discharge their corporate and fiduciary responsibilities and fundamental in the enhancement of long-term shareholders' value.

The Board has taken steps to align the Group's governance framework with the recommendations of the Code of Corporate Governance 2012 ("the Code"), where they are applicable, relevant and practicable to the Group.

(A) Board Matters

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this and 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, including financial, operational and compliance risk areas identified by the Audit Committee that needed to be strengthened for assessment and the Audit Committee's recommendations on actions to be taken to address and monitor the areas of concern;
- Approving major funding proposals, investment and divestment proposals including merger and acquisition transactions and timely announcements of material transactions;
- Approving quarterly and full year results announcements;
- Recommending the declaration of dividends;
- Approving all appointments/re-appointments/re-elections of Directors and appointment of key management 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's approval is required for matters, inter alia, corporate restructuring, mergers and acquisitions, investments and divestments, acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptance of bank facilities, the Group's quarterly and full year's results and interested person transactions.

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. All committees are chaired by an Independent Director. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Further details of the scope and functions of the various Board Committees are set out in this Annual Report.

The Board has scheduled 4 meetings a year to coincide with the announcements of the Group's quarterly and full year results. Additional meetings are convened as and when they are deemed necessary to address significant transactions or issues that may arise in between the scheduled meetings.

Where a physical Board meeting is not possible, the Company's Bye-laws provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in meetings to communicate with each other simultaneously.

Directors may request for further explanation, briefing or discussion on any aspect of the Group's operations or business from the management. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

Directors' attendances at Board and Board Committee meetings in FY2016, as well as the frequency of such meetings, are set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nominating Committee Meeting
Total meetings held during FY2016	**4**	**4**	**1**	**1**
Ms Song Yanan*	2	2(1)	–	–
Mr Wang Tingbao	4	3(1)	–	–
Mr Wu Xiaoran*	2	2(1)	–	–
Mr David Yip Wai Sun^	2	2	–	–
Mr Chng Hee Kok	4	4	1	1
Prof Ling Chung Yee Roy	4	4	1	1
Dr Lin Jianwu*	2	2	–	–

* Appointed on 11 July 2016
^ Resigned on 15 August 2016

Note:

(1) Attendance at meetings on a "By Invitation" basis.

The Group encourages Directors to receive regular training and updates on relevant laws and regulations and to participate in conferences, seminars or any training programme to equip themselves with the relevant knowledge to discharge their responsibilities in an effective and efficient manner.

Newly appointed Directors receive orientation and training, if necessary, to familiarize themselves with the Group's business activities, strategic direction and the regulatory environment in which the Group operates in, as well as their statutory and other duties and responsibilities as Directors. Directors would also be provided with extensive background information on the Group's history, industry-specific knowledge, mission, and values. Directors are also given the opportunity to visit the Group's operational facilities and to interact with management to gain a better insight of the Group's business operations.

Newly appointed Directors will also be given letters explaining the terms of their appointment as well as their duties and obligations.

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 standards from time to time.

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 management and 10% shareholder. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises 6 members, three of whom are independent.

Non-Executive Director:
Ms Song Yanan (Chairman)

Executive Director:
Mr Wang Tingbao (Vice Chairman)
Mr Wu Xiaoran

Independent Directors:
Mr Chng Hee Kok
Prof Ling Chung Yee Roy
Dr Lin Jianwu

The Board comprises Directors from diverse business, industry, management, financial and legal aspects. The Directors bring with them a wide spectrum of skills, experience, expertise and objective perspective to effectively lead and direct the Group. The diversity of the Directors' experience allows meaningful exchange of ideas and views in the development of the Group's strategy and performance. The profiles of the Directors are set out on pages 9 and 10 of this Annual Report.

Half of the Board comprises Independent Directors. The Independent Directors offer alternative views to the Group's business and corporate activities and bring objective judgment to bear on business activities as well as, transactions involving conflicts of interest and other complexities.

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 with reference to the guidelines set out in the Code, and the NC has also considered the annual review of Director's independence, review of the Board and Board committee meeting minutes for incidents or records of how Independent Directors actively sought explanation, self-assessment checklist and peer-review questionnaires. The Board will then, in turn, determine the independence of Directors, taking into account the evaluation by the NC. The NC with the concurrence of the Board is of the view that no individual or small group of individuals dominates the Board's decision-making process.

Non-Executive Directors contribute to the Board process by monitoring and reviewing management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and hold informal meetings without the presence of management.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Ms Song Yanan is the Group's Non-Executive Chairman in place of Mr David Yip Wai Sun who resigned on 15 August 2016. Mr Wang Tingbao, the Group's Executive Vice Chairman, effectively functions as the Chief Executive Officer ("CEO"). They are not related to each other and each performs separate functions to ensure an appropriate balance of power and authority and greater capacity of the Board for independent decision.

The Chairman is responsible for the implementation of corporate policies and effective working of the Board. She ensures that Board meetings are held when necessary, encouraging constructive discussion and sharing of views among Board members.

The Vice Chairman is mainly responsible for the financial and operational performance of the Group, including reviewing and charting the Group's corporate directions and strategies, financial planning and related investment activities. He ensures that corporate policies are properly complied with and works closely with the Chairman to review corporate and other business issues. He also ensures the quality and timeliness of the flow of information between management and the Board.

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

Prof Ling Chung Yee Roy was appointed as the Lead Independent Director on 20 November 2015 to represent the views of Independents Directors and to facilitate a two-way flow of information between shareholders, the Chairman and the Board. He will be available to shareholders in the event their concerns are not resolved through the Chairman, the Vice Chairman, Finance Director or the Chief Financial Officer ("CFO"), or for which contact is inappropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC is regulated by a set of written terms of reference and consisted of 3 members, all of whom are Independent Directors. Members of the NC are:

Prof Ling Chung Yee Roy (Chairman, Lead Independent Director)
Mr Chng Hee Kok
Dr Lin Jianwu

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

The principal functions of the NC are as follows:

- reviewing and recommending to the Board the structure, size and composition of the Board and Board Committees;
- identifying candidates and reviewing all nominations for the appointment to the Board and Board committees, having regard to the mix of skills and experience which the Directors should bring to the Board and submission of such nominations to the Board for consideration;
- reviewing and determining annually, the independence of Directors, bearing in mind the circumstances set forth in the Code and any other salient factors;

- ➢ considering and making recommendations to the Board on all Board appointments/re-appointments, including nomination of Directors retiring by rotation, having regard to the Directors' contribution and performance;
- ➢ reviewing and evaluating whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations;
- ➢ deciding how the Board's performance may be evaluated and proposing objective performance criteria for the Board's approval; assessing the effectiveness of the Board and Board Committees;
- ➢ reviewing succession plans, in particular, the Chairman and CEO; and
- ➢ overseeing the induction, orientation and training for any new and existing Directors.

The NC had adopted a process for the selection and appointment of new Directors which provides the procedure for identification of potential candidates' skills, knowledge, experience and assessment of candidates' suitability.

The curriculum vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC, inter alia, his/her qualifications, business and related experience, commitment, ability to contribute to the Board, such other qualities and attributes that may be required by the Board, before making its recommendation to the Board.

The NC meets at least once a year.

In accordance with the provisions of the Company's Bye-Laws, one-third of the Directors is to retire from the office by rotation and submit themselves for re-nomination and re-election at every AGM. Each Director is also requested to retire at least once in every three years. New Directors, who are appointed during the financial year, will submit themselves for re-election at the next Annual General Meeting ("AGM").

Pursuant to Bye-law 86(1) of the Company's Bye-laws, Mr Chng Hee Kok will be retiring at the forthcoming AGM. Mr Chng Hee Kok has signified his consent to remain in office.

Ms Song Yanan, Mr Wu Xiaoran and Dr Lin Jianwu will be retiring at the forthcoming AGM pursuant to Bye-law 85(2) of the Company's Bye-laws. Ms Song Yanan and Mr Wu Xiaoran have signified their consent to remain in office.

The NC having considered the attendance and participation of Mr Chng Hee Kok at the Board and Board Committee meetings, in particular, his contribution to the business and operations of the Group had nominated Mr Chng Hee Kok for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation on the re-election of Ms Song Yanan and Mr Wu Xiaoran who were appointed on 11 July 2016 respectively and subjected to re-election at the forthcoming AGM pursuant to Bye-law 85(2).

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberations in respect of his re-election as Director.

Dr Lin Jianwu, who retires pursuant to Bye-Law 85(2) of the Company's Bye-Laws, will not seek re-election and will retire following the conclusion of the AGM to be held on 28 April 2017.

The task of assessing the independence of the Directors is delegated to the NC. The NC reviews the independence of each Director annually, and as and when circumstances require.

Annually, each Independent Director is required to complete a Director's Independence Checklist (the "Checklist") to confirm his independence. The Checklist is drawn up based on the guidelines provided in the Code. Thereafter, the NC reviews the Checklist completed by each Independent Director, assess the independence of the Independent Directors and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that Prof Ling Chung Yee Roy, Mr Chng Hee Kok and Dr Lin Jianwu are independent.

There is no Independent Director who has served the Board for more than nine years from the date of his appointment.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. The Board, with the concurrence of the NC, having considered the confirmations received from Prof Ling Chung Yee Roy and Mr Chng Hee Kok, is of the view that their multiple board representations do not hinder them from carrying out their duties as Directors of the Company. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The NC is of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each company vary, thus one should not be presumptuous as time commitment cannot be objectively determined in all situations.

There is no alternate Director on the Board.

Board Performance

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

The Board has, through the NC, adopted a process to evaluate the effectiveness of the Board and its Board Committees. No individual Director assessment is conducted as the NC is mindful that each member of the Board contributes in different ways to the effectiveness of the Board. As part of this process, Directors would complete Board and Board Committees performance evaluation questionnaires and the findings would be analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board and Board Committees. The Board and Board Committees evaluation covers amongst others, the size and composition of the Board and Board Committees, access to information, Board and Board Committees processes and accountability in relation to discharging the principle responsibilities of the respective Board and Board Committees and standards of conducts of Board members.

Based on the NC's review, the NC is generally satisfied with the Board and Board Committees evaluation results for FY2016, which indicated areas for improvement with no significant problems being identified.

Access to Information

Principle 6: ***In order to fufill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

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 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, and to respond to any queries that the Board members may have.

Management provides Board members with detailed 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 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.

The Company Secretary attends the Board and Board Committee meetings and is responsible for keeping the Board updated on any 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 appointment and the removal of the Company Secretary shall be reviewed by the Board.

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 at the Company's expense, as and when necessary.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: ***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.***

The RC consists of 3 members, all of whom are independent. Members of the RC are:

Prof Ling Chung Yee Roy (Chairman)
Mr Chng Hee Kok
Dr Lin Jianwu

The RC meets at least once annually.

The principal functions of the RC are as follows:

- recommend to the Board a framework of remuneration for the Board and key management personnel of the Group with the aim of building a capable and committed Board and management team through competitive compensation which is sufficient to attract, retain and motivate key management personnel of the required caliber to run the Group effectively;

- determine specific remuneration packages and terms of employment for the Executive Director and key management personnel, including renewal of service agreements;

- review and recommend Directors' fees for Non-Executive Directors, taking into account factors such as their effort and time spent, and their responsibilities; and

- review whether the Executive Director and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time. If required, the RC will seek expert advice inside or outside the Company on the remuneration of all Directors.

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 are aligned with that of shareholders.

The RC has access to external expert advice in the field of executive compensation where required.

Level and Mix of Remuneration

Principle 8: ***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a)the Directors to provide good stewardship of the company; and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

As part of its responsibilities, the RC reviews the remuneration of each of the Directors and key management personnel's remuneration packages annually and makes recommendations to the Board for approval. The RC ensures that their remuneration commensurate with their performance, giving due regard to the financial and commercial performance and business needs of the Group and the performance of the individual Director.

The RC is of the view that the current remuneration of the Non-Executive Directors is appropriate, taking into account factors such as effort and time spent and responsibilities of the Directors. Other than the Directors' fees, the Non-Executive Directors do not receive any other forms of remuneration from the Company.

The RC had recommended to the Board an amount of SGD150,000 as Directors' fees for the financial year ending 31 December 2017, payable quarterly in arrears. The Board will table this at the forthcoming AGM for shareholders' approval. No Director or a member of the RC is involved in deciding his own remuneration.

DISCLOSURE ON REMUNERATION

Principle 9: ***Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

The following table sets out the Directors' Remuneration for FY2016:

Name of Directors	Fees	Salary	Total
Mr Wang Tingbao	–	RMB600,000	RMB600,000
Mr Wu Xiaoran*	–	SGD4,728	SGD4,728
Ms Song Yanan*	SGD4,728	–	SGD4,728
Mr David Yip Wai Sun^	#HKD375,000	–	HKD375,000
Prof Ling Chung Yee Roy	SGD60,000	–	SGD60,000
Mr Chng Hee Kok	SGD60,000	–	SGD60,000
Dr Lin Jianwu*	SGD9,457	–	SGD9,457

* Appointed on 11 July 2016
^ Resigned on 15 August 2016

\# *The amount has been converted to SGD equivalent and approved by shareholders' at last AGM held on 12 May 2016.*

The Executive Director's Service Agreement was for an initial period of 3 years and is renewable for successive periods of one year each. The Service Agreement can be terminated by not less than 3 months' notice by either party or such shorter period as may be mutually agreed between the parties.

Given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure relating to the remuneration of the Group's key management personnel for FY2016 is set out below:

Name of Key Management Personnel	Salary %
Below SGD250,000 per annum	
Ms Li Ai	100
Mr Leung Wai Ping Noel	100

Notwithstanding Guideline 9.3 of the Code, there were only 2 key management personnel in FY2016 given the Group's scale of operations, and disclosure was only made in respect of these 2 key management of the Group. Total remuneration paid to these 2 key management personnel amounted to SGD179,000.

The Company does not have any long-term incentive schemes.

Ms Wang Yu, the Administrative Manager of Globe Bright Limited, is the niece of Mr Wang Tingbao, Executive Director and CEO and substantial shareholder of the Company. Her aggregate remuneration (salary, bonus and benefits-in-kind) had not exceeded SGD50,000 for FY2016.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual audited financial statements, quarterly and full-year results announcements to shareholders, the Board aims to provide 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 relevant information on a timely basis in order that Directors may effectively discharge their duties. As and when circumstances arise, the Board can request management to provide any necessary explanation and/or information on the management accounts of the Group.

Management provides appropriately detailed management accounts of the Group's performance on a quarterly basis to the Board to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

In line with the listing requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statement for its full year results announcement.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is of the view that the Group's risk management process and system of internal controls are designed to manage, rather than to eliminate, the risk of failure to achieve the Group's strategic objectives. Action plans to manage the risks are continually being monitored and refined. The Board acknowledges that it is responsible for the overall internal controls framework to safeguard shareholders' interests and the Group's business and assets, but recognizes that no cost effective internal controls system will preclude all errors and irregularities. Such system however could only provide reasonable but not absolute assurance against material misstatement or loss.

The internal controls system stipulates a series of procedures and policies, which the Board believes, plays an important role in assisting the Board and management with respect to risk management.

Management regularly reviews the Group's Company's business and operational activities to identify areas of significant financial, operational and compliance risks. Steps have been taken to document the operational procedures to minimize the identified risks in various areas. Any significant matters are reported to the AC and Board.

As required under the Code, the Board had received written assurances from the Company's CEO and Finance Director:

(a) that the financial records have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances; and

(b) regarding the effectiveness and adequacy of the Company's risk management and internal control systems.

Based on the Group's framework of management control, the internal control policies and procedures established and maintained by the Group, the regular audits, monitoring and reviews performed by the internal and external auditors and review of the Risk Management Assessment Framework, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management are adequate and effective to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment as at 31 December 2016.

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises all Independent Directors. The members of the AC are as follows:

Mr Chng Hee Kok (Chairman)
Prof Ling Chung Yee Roy
Dr Lin Jianwu

The Board is of the opinion that the AC Chairman and members of the AC are appropriate qualified, with the necessary accounting, financial, business management and corporate experience to discharge their responsibilities.

The AC meets at least four times a year and as and when deemed appropriate to carry out its functions.

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

- review with management the Group's general policies, procedures and controls in relation to management accounting, financial reporting, risk management and ethics;
- review the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls;
- 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;
- review the effectiveness of the Group's internal audit function;
- 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 plan and the Group's internal accounting controls system as well as the internal audit reports and where necessary ensure that appropriate actions have been 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 generally undertakes such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, as amended.

For FY2016, the AC had:

(i) held four meetings to review the quarterly and full year results;

(ii) reviewed the annual audit plans, including the nature and scope of the internal and external audits before commencement of these audits;

(iii) reviewed and approved the consolidated audited financial statements;

(iv) reviewed the interested person transactions;

(v) reviewed and discussed the reports of the internal auditors and external auditors and consider the effectiveness of responses/actions taken by management on the audit recommendations and observations;

(vi) reviewed the adequacy and effectiveness of the Group's internal audit function;

(vii) met with the internal and external auditors without the presence of management and had established that both the internal and external auditors have had the full co-operation of management in carrying out the audit for FY2016. Both the internal and external auditors had also confirmed that no restrictions were placed on the scope of their audits; and

(viii) undertaken a review of all audit and non-audit services provided by the external auditors to ensure that the nature and provision of such services would not affect the independence and objectivity of the external auditors. It was noted that audit fees amounted to SGD180,000 for the audit of the Company and its subsidiaries in FY2016. No non-audit services were rendered by the auditors in FY2016.

The AC is of the view that the external auditors are independent. The external auditors have affirmed their independence in this respect.

The external auditors of the Company and its significant subsidiaries are HLB Hodgson Impey Cheng Limited and Foo Kon Tan LLP. The Company has complied with Rules 712 and 715 of the Listing Manual. The AC was satisfied that the resources and experience of HLB Hodgson Impey Cheng Limited and Foo Kon Tan LLP, the audit engagement partners and the team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. The financial statements of the Company and a significant PRC subsidiary are audited jointly by HLB Hodgson Impey Cheng Limited and Foo Kon Tan LLP. The Group's subsidiaries are disclosed under Note 8 of the Notes to the Financial Statements on pages 57 and 58 of this Annual Report.

HLB Hodgson Impey Cheng Limited has given notice to the Company that they did not wish to seek re-appointment at the forthcoming AGM to be held in 28 April 2017. The AC and Board, in their deliberation on the re-appointment of Foo Kon Tan LLP, have considered various factors, including the adequacy of the resources of Foo Kon Tan LLP, the firm's experience, the experience of the audit engagement partners assigned to the audit, Foo Kon Tan LLP's other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the audit of the Group. Following their deliberation, the AC with the concurrence of the Board, has recommended the re-appointment of Foo Kon Tan LLP as auditors of the Company at the forthcoming AGM. Accordingly, HLB Hodgson Impey Cheng Limited, who did not wish to seek re-appointment at the forthcoming AGM, shall retire as auditors of the Company.

The AC has full access to resources to enable it to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements and to discharge its functions fully. During FY2016, the external auditors have provided updates on accounting standards and issues at the AC meetings.

The Company has in place a "Whistle-Blowing" Programme, whereby employees of the Group and any other party may, in confidence, raise concerns about possible corporate and financial improprieties and other reporting matters to the Independent Directors. A whistle-blowing feedback channel is posted on the Company's website. There were no whistle blowing incidents reported in FY2016.

Internal Controls/Internal Audit

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

The Group has an in-house internal audit function based at the Group's headquarters in Linyi, China. The in-house internal audit department is responsible for the review of the effectiveness of the Group's internal controls system and procedures and reports directly to the AC Chairman on internal audit matters.

The AC had reviewed the internal audit findings prepared by the Group's in-house internal audit department. During the year, the Group's in-house internal audit department adopted a risk-based auditing approach that focused on material internal controls, including financial, operational, information technology and compliance controls as well as risk management procedures. Any material non-compliance and weakness in internal controls and recommendation for improvements are reported to the AC. The FY2016 Internal Audit Report was submitted to the AC with relevant audit findings and recommendations. The AC also had reviewed the effectiveness of actions taken by management on the recommendations made by the internal audit team.

The AC is satisfied that the Group's internal audit function is adequately resourced. The internal audit team has an on- going training programme to equip the staff with relevant knowledge and experience.

(D) Communication with Shareholders

Communication with Shareholders/Greater Shareholder Participation

Principle14: ***Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

Principle15: ***Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

Principle 16: ***Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company***

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 practise 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 informed of all major developments that impact the Group. The Board embraces openness and transparency in the conduct of the Group's affairs. 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;

- Notices of and explanatory notes for annual general meetings and special general meetings;

- Minutes of annual general meetings and special general meetings are also available to shareholders upon their request;

- Shareholders can access information on the Group's website www.unitedfood.com.sg. which provides, inter alia, corporate announcements, press releases, annual reports, and profile of the Group.

The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when the Group's financial performance improves. The Company has an internal investor relations function which focuses on facilitating communications with shareholders and analysts on a regular basis, attending to their queries or concerns and keeping them apprised of the Group's corporate developments and financial performance. During such interactions, the Company solicits and understands the views of shareholders and the investment community.

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 as the principal forum for dialogue with shareholders, and is for shareholders to voice their views, raise issues to and seek clarification from the Board or management regarding the Company and its operations. All shareholders of the Company will receive the Annual Report and Notice of AGM within the mandatory period. The Notice of AGM is also advertised in a local newspaper in Singapore.

The Chairmen of the AC, NC and RC attend AGMs to address questions at the AGM. The Company's external auditors are also invited to attend the AGM and are available to assist the Directors, in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

Dividend

The Group does not have a dividend policy. In considering the declaration of dividends, the Company will have to take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend has been declared for FY2016 due to the Group's loss position.

At the AGMs, the shareholders will be given an opportunity to voice their views and seek clarification from the Directors and members of the senior management.

In accordance with the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act.

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of the retiring Directors.

All votes of the shareholders at the shareholders' meeting will be taken by poll. Poll results will be announced via SGXnet of the SGX-ST and posted on the website of the Company after the meeting.

(E) Interested Person Transactions

The Company does not have a mandate for transactions with Interested Persons.

In FY2016, other than transactions with Jiang Quan Hotel, there were no transactions with other Interested Persons. Transactions with Jiang Quan Hotel which amounted to less than 3% of the Group's NTA, are disclosed in the audited financial statements.

(F) Material Contracts

There are no material contracts of the Company or its subsidiaries involving the interest of the CEO, Directors or Controlling Shareholders either still subsisting as at 31 December 2016 or if not then subsisting, entered into since the end of the previous financial year.

(G) Dealings In Securities

The Group has adopted an internal compliance code of conduct to provide guidance to the Group, its officers regarding dealings in the securities of the Company and the 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. Directors and employees are also not allowed to deal in the Company's securities on short-term considerations and during the two weeks before the announcement of the Company's financial statements for the first three quarters of its financial year and the one month before the announcement of the Company's full year financial results.

The Company confirmed that it has adhered to its policy for securities transactions for FY2016 pursuant to Rule 1207(19) of the Listing Manual.

(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 conditions which had a significant impact on the commodity market. Management had constantly monitored the prices of raw materials, especially soybean and capitalized on the 100,000 tons storage tank (silo) and warehouses to maintain sufficient buffer stocks to act as natural hedge / "cushion" against mild price volatility. The Group suspended the production of the soybean processing division since 5 July 2015 due to the anti-pollution issue in Linyi, China.

Environment Friendliness

The Group's production processes are fully in compliance with the local environmental protection and safety standards in the PRC. The Group's waste-water recycling treatment plant has been appraised by the local environmental authority to be the model for other enterprises to follow in promoting a hygienic and healthy environment.

Fire and Other Calamity That Will Disrupt Production

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

Change in Political, Economic and Legal Environment in the PRC

As the PRC economy is undergoing various developments, the PRC government will continue to refine its legal system and various economic policies to maintain and encourage foreign investment. We anticipate that China will continue to be the source of all of our revenue. Any change in China's political, economic and social conditions, law, and regulations and policies or any significant decline in the condition of the Chinese economy could adversely affect consumer buying power, result in a decrease in the growth rate of food industry in China, and reduce demand for the products in our portfolio, which in turn would have a material adverse on our business, results of operations and financial conditions. The Group endeavors to adapt to the various changes and 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 Note 23 to Financial Statements of the Annual Report.

FINANCIAL CONTENTS

FINANCIAL CALENDAR

FIRST QUARTER	13 MAY 2016
SECOND QUARTER AND HALF-YEAR	8 AUGUST 2016
THIRD QUARTER	14 NOVEMBER 2016
FOURTH QUARTER AND FULL YEAR	28 FEBRUARY 2017
FINANCIAL YEAR END	31 DECEMBER 2016
DESPATCH OF ANNUAL REPORT TO SHAREHOLDERS	13 APRIL 2017
ANNUAL GENERAL MEETING	28 APRIL 2017

DIRECTORS' STATEMENT

Year ended 31 December 2016

The directors present their statement to the members together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 35 to 38 are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year covered by the consolidated financial statements; and

(b) 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.

Directors

The directors of the Company in office at the date of this report are:

Executive directors:
Mr Wang Tingbao
Mr Wu Xiaoran

Non-executive director:
Ms Song Yanan (Chairman)

Independent non-executive directors:
Mr Chng Hee Kok
Prof Ling Chung Yee Roy
Dr Lin Jianwu

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, 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 interest	Deemed interest
Ordinary shares of the Company of HK$0.25 each at 1 January 2016:		
Wang Tingbao	50,000,000	48,530,484
Ordinary shares of the Company of HK$0.10* each at 31 December 2016:		
Song Yanan	–	31,318,020
Wang Tingbao	–	22,012,442

* Following the shareholders' approval obtained at a special general meeting on 28 December 2016, the Company had changed the par value of its issued ordinary shares from HK$0.25 each to HK$0.10 each.

There were no changes in any of the above mentioned interests between the end of the financial year and 21 January 2017.

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 the date of appointment if later, or at the end of the financial year.

Share options

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

Audit committee

The audit committee at the end of the financial year comprises the following members:

Mr Chng Hee Kok (Chairman)
Prof Ling Chung Yee Roy
Dr Lin Jianwu

Details of the Company's audit committee, nominating committee and remuneration committee are set out in the Corporate Governance Statement.

Directors' contractual benefits

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the company which is not determinable by the company within 1 year without payment other than statutory compensation.

Independent Auditors

At the last annual general meeting, Foo Kon Tan LLP (FKT) and HLB Hodgson Impey Cheng Limited (HIC) who were appointed as the Joint Auditors of the Company, will retire in the forthcoming annual general meeting. HIC has expressed that it should not seek for re-election in the forthcoming annual general meeting.

Material information

The details are set out in pages 12 to 26 of the Corporate Governance Statement.

Interested person transactions

Except for the transactions disclosed in note 20 to the financial statements, there were no interested person transactions during the financial year ended 31 December 2016. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST are complied with. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and Section 90 of the Companies Act 1981 of Bermuda, and for such internal control as management determines is necessary to enable the preparation of financial statement that are free from material statements, whether due to fraud or error.

DIRECTORS' STATEMENT

Year ended 31 December 2016

In the opinion of the directors, the accompanying consolidated statement of financial position, the statement of financial position of the Company, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up in accordance with and comply with International Financial Reporting Standards so as to present fairly the state of affairs of the Group and of the Company as at 31 December 2016 and of the results of the business, changes in equity and cash flows of the Group for the year ended on that date and as 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

Song Yanan
Non-executive Chairman

Wang Tingbao
Executive Director

5 April 2017

INDEPENDENT JOINT AUDITORS' REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of United Food Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

During the financial year ended 31 December 2016, the Group recognised employee benefits expense of RMB20.3 million in the Consolidated Statement of Profit or Loss of which an estimated RMB7.1 million relates to ensure of employees who have been made redundant arising from the suspension of the soybean processing division and closure of one animal feed production centre.

Evidence of receipt of wages by these redundant employees was unavailable. We were unable to satisfy ourselves by alternative means concerning the occurrence and accuracy of payroll expenses for these employees for the year ended 31 December 2016.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Professional Conduct and Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) to the financial statements, which indicates that the Group incurred a net loss of RMB229,263,000 and total comprehensive loss of RMB229,526,000, and had a net cash outflow from operating activities of RMB160,133,000 for the year ended 31 December 2016. The Company had net current liabilities of RMB16,663,000 as at 31 December 2016. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion and the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated for our report.

Key Audit Matters (Continued)

Valuation of property, plant and equipment and land use rights (Refer to Note 9 and Note 10 to the financial statements)

Risk:

Property, plant and equipment and land use rights represent a combined total of RMB104.6 million (approximately 48% of Group's total assets) in the balance sheet as at 31 December 2016. The Group has been incurring losses due to market conditions, closure of one of the two animal feed production centres in October 2016, and suspension of the soybean processing operations since July 2015.

Management engaged an external professional valuer to assess the recoverable amount of property, plant and equipment and land use rights. The recoverable amount was determined to be the fair value less cost to sell of the assets, which was higher than the value in use of the assets.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and the underlying assumptions to be applied.

For the financial year ended 31 December 2016, an impairment loss of RMB51.5 million was recognised for property, plant and equipment. No impairment was necessary for land use rights.

Our response and work performed:

We assessed the Group's processes for the selection of the external valuer, the determination of the scope of work of the external valuer, and the review and acceptance of the valuations reported by the external valuer. We evaluated the competence, qualification and objectivity of management expert, obtained an understanding of the work of that experts, and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion. We also read the terms of engagement of the external valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

Through our valuation specialist, we evaluated the appropriateness of the valuation methodologies used against those applied by the other valuers for similar property types, and assumptions applied to key inputs. We evaluated our valuation specialist's competence, capabilities and objectivity for our purposes.

We considered the adequacy of adequacy of the financial statement disclosures, in describing the inherent degree of subjectivity and key assumptions in the estimates, including disclosures of the relationships between the key unobservable inputs and fair values.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of Section 90 of the Companies Act 1981 of Bermuda and IFRSs, and for internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT JOINT AUDITORS' REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

The engagement partners on this joint audit resulting in this independent auditors' report are Toh Kim Teck and Hon Koon Fai, Alex.

Foo Kon Tan LLP
Public Accountants
and Chartered Accountants

Toh Kim Teck

Singapore
5 April 2017

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong
5 April 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	3	265,744	2,211,658
Cost of sales		(336,571)	(2,402,629)
Gross loss		(70,827)	(190,971)
Other income	3	1,539	6,574
Selling and distribution expenses		(4,795)	(8,719)
Administrative expenses		(74,517)	(56,441)
Other expenses, net		(66,500)	(721,926)
Loss before income tax from continuing operations	4	(215,100)	(971,483)
Income tax expense	5	–	–
Loss for the year from continuing operations		(215,100)	(971,483)
Discontinued operation			
Loss for the year from a discontinued operation	6	(14,163)	(2,738)
Loss for the year		(229,263)	(974,221)
Other comprehensive (loss)/ income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference (at nil tax)		(263)	446
Total comprehensive loss for the year		(229,526)	(973,775)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted:			
- Loss for the year	7	(2.08)	(8.85)
- Loss from continuing operations	7	(1.95)	(8.83)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

Year ended 31 December 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investments in subsidiaries	8	–	–	9	–
Property, plant and equipment	9	68,557	146,274	–	–
Land use rights	10	36,087	43,806	–	–
		104,644	190,080	9	–
Current assets					
Inventories	11	15,253	61,342	–	–
Other receivables	12	75,273	358	–	–
Cash and cash equivalents	13	24,292	183,257	–	483
		114,818	244,957	–	483
Total assets		219,462	435,037	9	483
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	14	11,779	294,465	11,779	294,465
Reserves	15	190,474	137,314	(28,433)	(304,372)
		202,253	431,779	(16,654)	(9,907)
LIABILITIES					
Current liabilities					
Amounts due to subsidiaries	16	–	–	13,919	9,304
Amount due to a shareholder	17	1,064	–	797	–
Other payables and accruals	18	4,588	3,258	1,947	1,086
Provision	19	11,557	–	–	–
		17,209	3,258	16,663	10,390
Total equity and liabilities		219,462	435,037	9	483

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Company							
	Issued capital RMB'000 (Note 14)	Share premium RMB'000 [Note 15(a)]	Contributed surplus reserve RMB'000 [Note 15(a)]	Statutory reserve RMB'000 [Note 15(a)]	Capital redemption reserve RMB'000 [Note 15(a)]	Retained profits/ (accumulated losses) RMB'000 [Note 15(a)]	Exchange translation reserves RMB'000 [Note 15(a)]	Total RMB'000
Balance at 1 January 2015	294,465	509,919	–	19,431	2,982	583,931	–	1,410,728
Transactions with owners, recognised directly in equity								
Dividend paid – 2014 final	–	–	–	–	–	(5,174)	–	(5,174)
Total transactions with owners, recognised directly in equity	–	–	–	–	–	(5,174)	–	(5,174)
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	–	(974,221)	–	(974,221)
Currency translation difference	–	–	–	–	–	–	446	446
Total comprehensive loss for the year	–	–	–	–	–	(974,221)	446	(973,775)
Balance at 31 December 2015	294,465	509,919*	–	19,431*	2,982*	(395,464)*	446*	431,779
Balance at 1 January 2016	294,465	509,919*	–	19,431*	2,982*	(395,464)*	446*	431,779
Transactions with owners, recognised directly in equity								
Contributions by and distribution to owner								
Capital reduction	(282,686)	(509,919)	397,141	–	–	395,464	–	–
Total transactions with owners, recognised directly in equity	(282,686)	(509,919)	397,141	–	–	395,464	–	–
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	–	(229,263)	–	(229,263)
Currency translation difference	–	–	–	–	–	–	(263)	(263)
Total comprehensive loss for the year	–	–	–	–	–	(229,263)	(263)	(229,526)
Balance at 31 December 2016	11,779	–	397,141*	19,431*	2,982*	(229,263)*	183*	202,253

* These reserve accounts comprise the consolidated reserves of RMB190,474,000 (2015 - RMB137,314,000) in the consolidated statement of financial position.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash Flows from Operating Activities			
Loss before taxation			
- from continuing operations		(215,100)	(971,483)
- from a discontinued operation		(14,163)	(2,738)
Adjustments for:			
Depreciation of property, plant and equipment	9	26,170	52,688
Amortisation of land use rights	10	7,719	8,676
Impairment loss on property, plant and equipment	9	51,547	131,071
Provision for claim	19	11,557	–
Translation differences		(367)	383
Interest income	3	(586)	(5,657)
Cash flow used in operating activities before working capital changes		(133,223)	(787,060)
Change in inventories		46,089	492,047
Change in other receivables		(74,915)	56,758
Change in trade payables		–	(5,028)
Change in and other payables and accruals		1,330	(44,429)
Cash used in operations		(160,719)	(287,712)
Interest received		586	5,657
Net cash used in operating activities		(160,133)	(282,055)
Cash Flows from Financing Activities			
Advances from a shareholder		1,064	–
Decrease in restricted bank deposits		–	388,093
Dividend paid		–	(5,174)
Net cash generated from financing activities		1,064	382,919
Net (decrease)/increase in cash and cash equivalents		(159,069)	100,864
Effects of exchange rate fluctuations on cash held		104	63
Cash and cash equivalents at beginning of year		183,257	82,330
Cash and cash equivalents at end of year	13	24,292	183,257

The accompanying notes form an integral part of these consolidated financial statements.

1(a) General information

The financial statements of United Food Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company was incorporated in Bermuda on 14 August 2000 with limited liability under the Companies Act 1981 of Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal places of business of the Group are located at Shenquan Village, Luozhuang District, Linyi City, Shangdong Province, the People's Republic of China.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 8 to these consolidated financial statements.

1(b) Going concern

The Group incurred a net loss of RMB229,263,000 and total comprehensive loss of RMB229,526,000, and had a net cash outflow from operating activities of RMB160,133,000 for the year ended 31 December 2016. The Company had net current liabilities of RMB16,663,000 as at 31 December 2016. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

Notwithstanding the above, management believes that the Group and the Company will have sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of issue of these financial statements after taking into consideration the following:

(i) The Group will continue to receive continuing financial support from one substantial shareholder to enable it to pay its debts as and when they fall due and continue in operation for at least 12 months from the date of the Group's financial statements for the financial year ended 31 December 2016. As at 31 December 2016, advances from that substantial shareholder was RMB1,064,000.

(ii) The Group is exploring the debt and equity financing option. On 20 February 2017, the Company issued 22,016,173 new ordinary shares in accordance with share placement agreements which generated net proceeds of approximately RMB3,667,000 (Note 28).

(iii) The Group is evaluating disposal of assets that are not related to its current operations.

Accordingly, the directors consider it appropriate that these financial statements are prepared on a going concern basis

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including interpretations promulgated by the International Financial Reporting Interpretations Committee ("IFRIC") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below.

The consolidated financial statements are presented in Renminbi (RMB) to the nearest thousand, RMB'000. The functional currency of the Company is Hong Kong dollars. All financial information has been presented in RMB, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

2(a) Basis of preparation (Continued)

Key sources of estimates uncertainty and significant judgements

The preparation of the financial statements in conformity with IFRS requires the management to exercise judgements in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting periods and the reported amounts of revenues and expenses during the financial years. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are detailed below:

Significant judgements made in applying accounting policies

(i) Determination of functional currency

The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. These financial statements are presented in RMB, which is the functional and presentational currency of most of the Group entities. Determination of functional currency involves significant judgment and other companies may make different judgments based on similar facts. The functional currency of each of the Group entities is principally determined by the primary economic environment in which the respective entity operates.

The Group reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement.

(ii) Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. As at 31 December 2016, the Group did not recognise deferred tax assets in relation to unutilised tax losses due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

(iii) Suspension of Soybean processing division

The Group has temporarily suspended the operations of soybean processing division since July 2015 mainly due to the slowdown in the local economy and the resultant weaker market demand for soybean products, and to a lesser extent, government control policy on power generation. The Group is assessing the situation before deciding when to resume the soybeans operations. Meanwhile, soybean processing division is still considered a continuing operation of the Group.

2(a) Basis of preparation (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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. The Group based its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

(i) Useful lives and depreciation of property, plant and equipment (Note 9)

Management determines the estimated useful lives and related depreciation charges for its plant and equipment. Changes in the expected level of usage, maintenance programmes, and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment is disclosed in Note 9 to the financial statements. A 5% difference in the estimated useful lives of property, plant and equipment from management's estimates will have no significant impact on the Group's loss for the year.

(ii) Impairment of non-current assets (Note 9, Note 10)

Property, plant and equipment and land use rights are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss or indications that an impairment loss recognised in prior periods may no longer exist or may have decreased as at the end of the reporting period. If any such indication exists, the assets are tested for impairment. The recoverable amount of the assets is estimated in order to determine the extent of the impairment loss or reversal of impairment loss, if any.

The recoverable amounts of property, plant and equipment and land use rights were based on fair value less cost to sell. Valuations were performed by an independent professional valuer to determine the fair value less cost to sell of the Group's property, plant and equipment and land use rights. The determination of fair values include use of unobservable inputs. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from actual results, and those differences could be material.

Details of impairment tests of property, plant and equipment, and land use rights are disclosed in Note 9.

(iii) Valuation of inventories (Note 11)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable values of the inventory increase/decrease by 5% from management's estimates, the Group's loss for the year will increase/decrease by approximately RMB763,000 (2015 – RMB3,067,000).

2(a) Basis of preparation (Continued)

Key sources of estimation uncertainty (Continued)

(iv) Impairment of loans and receivables (Note 12)

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the receivables and on management's judgement. Considerable judgement is required in assessing the estimate realisation of these receivables, including the current credit worthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

A significant degree of judgement is applied by management when considering whether a trade receivable is impaired. In determining this, management considers factors such as historical loss experience for assets with similar credit risk characteristics, default of payments, indications of financial difficulties of the specific customer, and general economic conditions

The carrying amount of other receivables is disclosed in Note 12 to the financial statements. If the present value of estimated future cash flows from other receivables decreases by 5% from management's estimates, the Group's loss for the year ended 31 December 2016 will increase by approximately RMB 3,763,000 (2015 - RMB18,000)

2(b) Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group has applied the new and revised standards, amendments and interpretation of IFRS that are mandatory for application from that date.

The adoption of the new and revised standards, amendments and interpretations of IFRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current period or prior financial year.

2(c) IFRS not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

IFRS 9 *Financial Instruments*

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

2(c) IFRS not yet effective (Continued)

IFRS 9 *Financial Instruments* (Continued)

i. Classification – Financial assets (Continued)

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accountingfor other trade receivables.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. However, the Group has not yet finalised the impairment methodologies that it will apply under IFRS 9.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- the remaining amount of change in the fair value is presented in profit or loss.

2(c) IFRS not yet effective (Continued)

IFRS 9 *Financial Instruments* (Continued)

iii. Classification – Financial liabilities (Continued)

- The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following major sources:

- Sale of animal feed products

Accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customer.

The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (o balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

2(c) IFRS not yet effective (Continued)

IFRS 16 *Leases* (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

The Group does not have any non-cancellable operating lease commitments or finance leases. The application of IFRS 16 will not have any impact on its consolidated financial statements.

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

2(d) Summary of significant accounting policies (Continued)

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2(d) Summary of significant accounting policies (Continued)

Consolidation (Continued)

Transactions eliminated on consolidation

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2(d) Summary of significant accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised in statement of comprehensive income on a straight-line basis so as to write off the cost of these assets over their estimated useful lives as follows:

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

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Subsequent expenditure relating to plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in statement of comprehensive income during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated plant and equipment are retained in the books of accounts until they are no longer in use.

Gains and losses arising from the retirement or disposal of plant and equipment are determined as the difference between the estimated net proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income on the date of retirement or disposal.

Depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

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.

Financial assets

Financial assets can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

2(d) Summary of significant accounting policies (Continued)

Financial assets

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in statement of comprehensive income when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in "current assets", except for maturities greater than 12 months after the reporting date which are classified as "non-current assets".

Loans and receivables include trade and other receivables and cash and cash equivalents. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the statement of comprehensive income. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in statement of comprehensive income.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flow.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. For the purpose of the consolidated statement of cash flows, pledged bank balances are excluded while bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

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 a 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 in less any estimated costs to be incurred to completion and disposal.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2(d) Summary of significant accounting policies (Continued)

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, 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.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include other payables, accruals and amounts due to related parties.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in statement of comprehensive income. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables and related party balances are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

Financial assets and financial liabilities are offset and the net amount present in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 benefits. 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 statement of profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

  (i) has control or joint control of the Company;

  (ii) has significant influence over the Company; or

  (iii) is a member of the key management personnel of the Group or Company or a parent of the Company.

2(d) Summary of significant accounting policies (Continued)

Related parties (Continued)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and the fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third party and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and members of management team are considered key management personnel.

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable statement of comprehensive income at the time of the transaction.

2(d) Summary of significant accounting policies (Continued)

Income taxes (Continued)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly-controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories, subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the statement of profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss has been recognised. A reversal of impairment loss is recognised in the statement of comprehensive income.

2(d) Summary of significant accounting policies (Continued)

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 over the expected life of the financial instrument to the net carrying amount of the financial assets.

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in RMB, whereas the functional currency of the Company is in Hong Kong dollar.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the statement of comprehensive income, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to statement of comprehensive income as part of the gain or loss on disposal of the foreign operation.

Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates at the date of the transactions. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Group entities

The results and financial positions of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at average exchange rates.

(iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

2(d) Summary of significant accounting policies (Continued)

Operating segments (Continued)

All operating segments' operating results are reviewed regularly by the Group's directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Additional disclosures on operating segments are shown in Note 27 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the Group's directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

3 Revenue and other income

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. All of the Group's revenue is derived from its operations in Mainland China.

An analysis of revenue and other income is as follows:

The Group	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods attributable to continuing operations:		
- Soybean processing	–	1,953,506
- Feed production	265,744	258,152
	265,744	2,211,658
Other income		
Bank interest income	586	5,657
Sale of scrap and raw materials	–	148
Others	953	769
Attributable to continuing operations reported in the consolidated statement of profit or loss	1,539	6,574

4 Loss before tax from continuing operations

The Group	Note	2016 RMB'000	2015 RMB'000
Loss before tax from continuing operations is arrived at after charging:			
Cost of inventories sold		335,829	2,402,187
Directors' remuneration:			
- Fees		965	1,121
- Salary		616	600
		1,581	1,721
Depreciation of property, plant and equipment	9	26,170	52,688
Amortisation of land use rights	10	7,719	8,676
Impairment loss on property, plant and equipment	9	51,547	131,071
Impairment loss on advances to suppliers	12	–	189,708
Minimum lease payments under operating leases on buildings		229	909
Research costs		251	442
Auditor's remuneration – the Company		857	812
– other auditors		–	428
Employee benefit expenses (excluding directors' remuneration)			
- Wages and salaries		15,606	24,427
- Retirement scheme contributions		4,496	5,486
- Research costs		189	308
		20,291	30,221
Employee benefit expenses are recorded as follows:			
- Cost of sales		4,469	11,757
- Selling and distribution expenses		2,228	2,918
- Administrative expenses		13,594	15,546
		20,291	30,221

5 Income tax expense

Tax has not been provided by the Group during the years ended 31 December 2015 and 2016 either for the continuing operations or the discontinued operation as the Group did not have taxable profit.

Tax has not been provided by the Company as it did not derive any assessable profits during the year (2015 - Nil).

5 Income tax expense (Continued)

A reconciliation of the tax expense applicable to 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:

The Group	2016 RMB'000	2015 RMB'000
Loss before income tax (including loss from a discontinued operation)	(229,263)	(974,221)
Tax at the applicable tax rates (25%)	(57,316)	(243,555)
Tax effect on non-deductible expenses	13,059	80,567
Effect of tax rates in foreign jurisdictions	1,312	1,645
Deferred tax assets not recognised	42,945	161,343
Income tax expense	–	–

The following have not been recognised:

Tax losses	1,071,156	899,374
Effect of deferred tax assets	267,789	224,844

The above tax losses arising in Mainland China, subject to agreement by the tax authorities, will expire in one to five years for offsetting against future taxable profits of the Group entities in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future profit streams.

6 Discontinued operation

During the year ended 31 December 2014, the Company ceased operations in the pig rearing segment.

The results of the pig rearing segment for the year are presented below:

The Group	2016 RMB'000	2015 RMB'000
Expenses	(14,163)	(2,738)
Loss before tax from the discontinued operation	(14,163)	(2,738)
Tax	–	–
Loss for the year from the discontinued operation	(14,163)	(2,738)
Attributable to the Group	(14,163)	(2,738)

6 Discontinued operation (Continued)

The net cash flows incurred by the discontinued operation are as follows:

The Group	2016 RMB'000	2015 RMB'000
Operating activities	(14,163)	(2,738)
Investing activities	–	–
Financing activities	–	–
Net cash (outflow)	(14,163)	(2,738)
Loss per share:		
Basic and diluted from the discontinued operation	(RMB0.13)	(RMB0.02)

The calculation of basic and diluted loss per share amounts from a discontinued operation is based on the loss attributable to ordinary equity holders of the Company from a discontinued operation of RMB14,163,000 (2015 – RMB2,738,000) and 110,080,868 (2015 –110,080,868) ordinary shares.

7 Loss per share attributable to ordinary equity holders of the Company

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculation of the basic and diluted loss per share is as follows:

The Group	2016 RMB'000	2015 RMB'000
Loss		
Loss attributable to ordinary equity holders of the Company:		
from continuing operations	(215,100)	(971,483)
from a discontinued operation	(14,163)	(2,738)
	(229,263)	(974,221)

	Number of ordinary shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	110,080,868	110,080,868

8 Investments in subsidiaries

The Company	2016 RMB'000	2015 RMB'000
Unquoted equity shares, at cost	223,747	223,738
Less: Impairment loss on net investment in subsidiaries	(223,738)	(223,738)
Net carrying value	9	–

8 Investments in subsidiaries (Continued)

Details of the subsidiaries are:

Name	Country of incorporation/ principal place of business	Issued ordinary/ registered shares capital 2016	2015	Percentage of equity interest attributable to the Company 2016 %	2015 %	Principal activities
Directly held by the Company						
Post-Ante Trading Limited ("Post-Ante")	British Virgin Islands	US$200	US$200	100	100	Investment holding
Brighten Ocean International Limited ("Brighten Ocean") (1)	Hong Kong	HK$10,000	–	100	–	Investment holding
Held by Post-Ante						
Globe Bright Limited ("GBL")	Hong Kong	HK$100	HK$100	100	100	Provision of administrative services
Linyi Shengquan Grease Co., Ltd ("SQ Grease")	PRC	US$59,900,000	US$59,900,000	100	100	Production and sale of soybean meal and soybean oil(2) and feed production
Held by Brighten Ocean						
Yi Kei International Limited ("Yi Kei") (1)	Hong Kong	–	–	100	–	Investment holding
Pearlfield China Limited ("Pearlfield") (1)	Hong Kong	–	–	100	–	Investment holding
Held by Pearlfield						
Shenzhen Bao Yao Agricultural Products Limited (1)	PRC	–	–	100	–	Trading of agricultural products
Held by Yi Kei						
Shenzhen Yi Kei Logistics Supply-chain Limited (1)	PRC	–	–	100	–	Logistics services
Held by GBL						
Linyi Jiang Tian Trading Limited (1)	PRC	–	–	100	–	Trading of food products

The Group is jointly audited by Foo Kon Tan LLP and HLB Hodgson Impey Cheng Limited.

(1) Newly incorporated during the year.

(2) The Group has suspended the production and sale of soybean meal and soybean oil since July 2015.

Impairment of investments in subsidiaries

During the financial year ended 31 December 2015, having regard to the financial performance of certain subsidiaries that had been loss making, an impairment loss of approximately RMB223,738,000 was recognised in respect of the Company's investments in these subsidiaries to reduce the carrying amounts of the investments to their recoverable amounts. The recoverable amounts were based on fair value less costs to sell as determined by an independent professional valuer, which was higher than value-in-use.

9 Property, plant and equipment

The Group	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 2015, 31 December 2015 and 31 December 2016	471,036	74,271	541,658	769	5,369	1,093,103
Accumulated depreciation and impairment loss						
At 1 January 2015	303,953	69,215	384,013	551	5,338	763,070
Depreciation	20,132	3,495	28,983	47	31	52,688
Impairment loss	93,011	–	38,060	–	–	131,071
At 31 December 2015	417,096	72,710	451,056	598	5,369	946,829
Depreciation for the year	7,884	1,561	16,678	47	–	26,170
Impairment loss	6,515	–	45,032	–	–	51,547
At 31 December 2016	431,495	74,271	512,766	645	5,369	1,024,546
Net book value						
At 31 December 2016	39,541	–	28,892	124	–	68,557
At 31 December 2015	53,940	1,561	90,602	171	–	146,274

The Group operated three divisions, namely Soybean Processing, Feed Production and Pig Rearing. Each division constitutes one cash generating units (CGU). The Group has incurring losses due to market conditions, closure of one of the two animal feed production centres in October 2016, and suspension of soybean processing operations since July 2015.

Impairment testing for property, plant and equipment

The Group conducted an impairment test on its property, plant and equipment, and land use rights attributable to the CGUs, and as a result of that test, determined that the carrying values of certain of the its assets exceeded their fair values as at the reporting date, and accordingly, recorded an impairment loss of RMB51,547,000 (2015 - RMB131,071,000). No impairment loss was recognised on land use rights for the years ended 31 December 2016 and 2015.

The recoverable amount of the Group's buildings together with land use rights and plant and equipment was based on the CGU's fair value less costs to sell, as determined by an independent professional valuer with recognised and relevant professional qualifications and experience within the local market and the category of properties to be valued. The determination of fair values include use of unobservable inputs.

The fair value less cost to sell of buildings together with land use rights (Level 3 valuation) was determined based on the market approach and cost approach. The market approach is based on sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of location, time, size and other relevant factors. The cost approach is based on an estimate of the cost of replacement with allowance for accrued depreciation as evidenced by observed condition or obsolescence present in the properties.

9 Property, plant and equipment (Continued)

The fair value less cost to sell of plant and machinery (Level 3 valuation) was determined using the cost approach. The cost approach is based on cost to reproduce or replace under new condition with current market prices for similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

The property, plant and equipment, while has been impaired, will be able to resume soybean processing should the Group decide to lift the suspension of soybean production.

10 Land use rights

The Group	2016 RMB'000	2015 RMB'000
Cost		
At 1 January and 31 December	216,000	216,000
Accumulated amortisation and impairment		
At 1 January	172,194	163,518
Amortisation during the year	7,719	8,676
At 31 December	179,913	172,194
Net book value		
At 31 December	36,087	43,806

The Group's land use rights comprise assets held by discontinued operation as follow:

Discontinued operation	Note	2016 RMB'000	2015 RMB'000
Cost			
At 1 January and 31 December		34,750	34,750
Accumulated amortisation and impairment			
At 1 January		29,865	28,697
Amortisation during the year		1,168	1,168
At 31 December		31,033	29,865
Net book value			
At 31 December	27	3,717	4,885

Impairment testing for land use rights is included in Note 9.

11 Inventories

The Group	2016 RMB'000	2015 RMB'000
At cost:		
Raw materials	14,227	57,516
Finished goods	1,026	3,826
	15,253	61,342

12 Other receivables

The Group	2016 RMB'000	2015 RMB'000
Other receivables	273	358
Deposits *	75,000*	–
Advances to suppliers	–	–
	75,273	358
Less: Allowance for impairment losses on advances to suppliers	–	–
	75,273	358

* Deposits for business acquisitions under consideration which are refundable if the Group decides not to proceed with the acquisitions by September 2017.

Other receivables, deposits and advances to suppliers are denominated in Renminbi.

As at 31 December 2016 and 2015, other receivables were not impaired.

During the year ended 31 December 2015, the Group recognised an impairment loss on advances to suppliers for cancellation of shipments of soybeans amounting to RMB189,708,000.

The changes in impairment losses in respect of advances to suppliers during the year is as follows:

The Group	2016 RMB'000	2015 RMB'000
At 1 January	–	–
Impairment loss recognised	–	189,708
Impairment loss utilised	–	(189,708)
At 31 December	–	–

13 Cash and cash equivalents

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed deposit	–	180,809		
Cash and bank balances	24,292	2,448	–	483
Cash and cash equivalents	24,292	183,257	–	483

RMB is not freely convertible into foreign currencies. However, under PRC'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.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong dollar	68	1,929	–	–
Renminbi	24,224	180,809	–	–
Others	–	519	–	483
	24,292	183,257	–	483

14 Share capital

The Company	Number of ordinary shares	Nominal value of ordinary shares	
		HK$'000	RMB'000
Authorised:			
At 1 January 2015 (par value of HK$0.25 each)	2,000,000,000	500,000	535,000
Share consolidation	(1,800,000,000)	–	–
At 31 December 2015 (par value of HK$2.50 each)	200,000,000	500,000	535,000
Capital reduction	4,800,000,000	–	(84,240)
At 31 December 2016 (par value of HK$0.10 each)	5,000,000,000	500,000	450,760
Issued and fully paid-up ordinary shares:			
At 1 January 2015	1,100,808,740	275,202	294,465
Share consolidation	(990,727,872)	–	–
At 31 December 2015	110,080,868	275,202	294,465
Capital reduction	–	(264,194)	(282,686)
At 31 December 2016	110,080,868	11,008	11,779

14 Share capital (Continued)

2016

During the year ended 31 December 2016, the Company completed a capital reduction exercise involving:

(i) a reduction in the par value of the shares from HK$2.50 each to HK$0.10 each, thereby reducing the issued share capital by RMB282,686,000 from RMB294,465,000 to RMB11,779,000;

(ii) the reduction of RMB509,919,000 standing to the credit of the share premium account of the Company; and

(iii) the credit of RMB792,605,000 arising as a result of the capital reduction was applied to eliminate the entire accumulated losses of the Company amounting to RMB395,464,000 as at 31 December 2015 with the remaining balance of RMB397,141,000 (Note 15) transferred to the contributed surplus account of the Company.

The capital reduction resulted in an increase in the authorised share capital of the Company from HK$20,000,000 divided into 200,000,000 shares of par value of HK$0.10 each to HK$500,000,000 divided into 5,000,000,000 shares of par value HK$0.10 each. There is no change in the number of shares issued by the Company after the capital reduction exercise.

2015

During the year ended 31 December 2015, the Company consolidated 10 ordinary shares of HK$0.25 each into 1 ordinary share of HK$2.50 each in the capital of the Company, resulting in a decrease in the authorised number of ordinary shares from 2,000,000,000 ordinary shares of HK$0.25 each to 200,000,000 ordinary shares of HK$2.50 each, and a decrease in the number of issued shares from 1,100,808,740 ordinary shares of HK$0.25 each to 110,080,868 ordinary shares of HK$2.50 each.

15 Reserves

(a) The Group

Share premium

In connection with the capital reduction exercise during the year ended 31 December 2016 (Note 14), the RMB509,919,000 standing to the credit of the share premium account of the Company was reduced to zero.

Contributed surplus reserve

Contributed surplus reserve (Note 14) represents the excess of the credit amount arising from the capital reduction over the amount utilised to set-off against the Company's accumulated losses as at 31 December 2015. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of a company is available for distribution.

Statutory reserve

In accordance with the relevant PRC regulations, SQ Grease, being the 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 the statutory reserve during the year (2015 – Nil).

15 Reserves (Continued)

(a) The Group (Continued)

Capital redemption reserve

Share redemption reserve represents the nominal value of the shares of the Company which was transferred from the Company's retained earnings upon repurchase and cancellation of shares by the Company.

Exchange translation reserve

The exchange translation reserve comprises foreign exchange differences arising from the translation of the financial statements of Group entities whose functional currencies are different from that of the Group's presentation currency.

(b) The Company

	Share premium (Note 15(a))	Contributed surplus reserve (Note 15(a))	Capital redemption reserve (Note 15(a))	Accumulated losses	Exchange translation reserve (Note 15(a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015	509,919*	–	2,982*	(817,719)*	446*	(304,372)*
At 31 December 2016	–	397,141*	2,982*	(427,148)*	(1,408)*	(28,433)*

* These reserve accounts comprise the Company's deficit reserves of RMB28,433,000 (2015 – RMB304,372,000) in the Company's statement of financial position.

16 Amounts due to subsidiaries

Amounts due to subsidiaries, comprising mainly advances, are unsecured, non-interest bearing, and repayable on demand.

Amounts due to subsidiaries are denominated in Hong Kong dollars.

17 Amount due to a shareholder

Amount due to a shareholder, a company wholly owned by Song Yanan, one of the Company's directors, is denominated in Renminbi, non-interest bearing, unsecured and repayable on demand.

18 Other payables and accruals

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	922	2,221	335	72
Accruals	3,666	1,037	1,612	1,014
	4,588	3,258	1,947	1,086

18 Other payables and accruals (Continued)

Other payables and accruals are denominated in the following currencies:

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	2,641	2,149	–	–
Hong Kong dollar	1,947	1,109	1,947	1,086
	4,588	3,258	1,947	1,086

19 Provision

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	–	–	–	–
Provisions made during the year	11,557	–	–	–
At 31 December	11,557	–	–	–

Provision, pertaining to claim from a subsidiary's contractor for costs of supply and installation of equipment and system at pig farms and related breach of contractual terms in prior years and resultant legal fees, is based on the judgment made by the court.

20 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group, the Company and related parties took place at terms agreed between the parties during the financial year:

The Group	Note	2016 RMB'000	2015 RMB'000
Related companies			
Catering and accommodation expenses paid	(i)	350	460
Expenses paid in relation to transportation of soybeans	(ii)	–	17,946
		350	18,406
Compensate of key management personnel:			
short-term employee benefits	(iii)	2,888	2,914

(i) The related company is owned by a nephew of Mr Wang Tingbao, a shareholder and director of the Company.

(ii) The related company is owned by the elder brother of Mr Wang Tingbao, a shareholder and director of the Company.

(iii) Further details of directors' remuneration are included in Note 21 to the financial statements.

21 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:

The Group	Executive/ non-executive directors	Independent non-executive directors	Total
2016			
Below S$250,000 (equivalent to approximately RMB1,200,000)	4	3	7
2015			
Below S$250,000 (equivalent to approximately RMB1,200,000)	2	5	7

22 Operating lease commitments

Future minimum lease payments payable under one non-cancellable lease of office premises are as follows:

The Group	2016 RMB'000	2015 RMB'000
Within one year	–	326
After one year but within five years	–	–
	–	326

23 Financial risk management

Generally, the Group and Company employ a conservative strategy regarding its risk management.

The Group and Company have not used any derivatives or other instruments for hedging purposes. The Group and Company do not hold or issue derivative financial instruments for trading purposes.

The main risks arising from the Group's and the Company's financial instruments are credit risk and liquidity risk.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises from other receivables.

Cash and bank balances are deposited with creditworthy banks with no recent history of default.

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

23 Financial risk management (Continued)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

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

The Group	Less than one year RMB'000	Total RMB'000
At 31 December 2016		
Amount due to a shareholder	1,064	1,064
Other payables and accruals	4,588	4,588
Provision	11,557	11,557
	17,209	17,209
At 31 December 2015		
Other payables and accruals	3,258	3,258
	3,258	3,258
The Company		
At 31 December 2016		
Amounts due to subsidiaries	13,919	13,919
Amount due to a shareholder	797	797
Other payables and accruals	1,947	1,947
	16,663	16,663
At 31 December 2015		
Amounts due to subsidiaries	9,304	9,304
Other payables and accruals	1,086	1,086
	10,390	10,390

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are dominated in foreign currencies.

The Group's business transactions are mainly denominated in Renminbi, and hence it does not result in any exposure to foreign currency risk.

24 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as a going concern;

(b) To support the Group's and the Company's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and

(d) To provide an adequate return to shareholders.

The Group and the Company regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

The Group and the Company monitor capital using Gearing Ratio, which is net debt divided by total equity. Net debt represents the aggregate of loan from a shareholder of a subsidiary less cash and cash equivalents.

	The Group		The Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to a shareholder	1,064	–	797	–
Less: Cash and cash equivalents	(24,292)	(183,257)	–	(483)
Net debt (A)	(23,228)	(183,257)	797	(483)
Equity/(deficit in equity) attributable to owners of the Company (B)	202,253	431,779	(16,654)	(9,907)
Gearing ratio (times) (A)/(B) *	NM	NM	NM	NM

* NM - Not meaningful.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

25 Financial instruments by category

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

	Loans and receivables	
	2016	2015
The Group	RMB'000	RMB'000
Financial assets		
Other receivables (Note 12)	75,273	358
Cash and cash equivalents (Note 13)	24,292	183,257
	99,565	183,615
Financial liabilities		
Amount due to a shareholder (Note 17)	1,064	–
Other payables and accruals (Note 18) and provision (Note 19)	16,145	3,258
	17,209	3,258
The Company		
Financial assets		
Cash and cash equivalents (Note 13)	–	483
	–	483
Financial liabilities		
Amounts due to subsidiaries (Note 16)	13,919	9,304
Amount due to a shareholder (Note 17)	797	–
Other payables and accruals (Note 18) and provision (Note 19)	1,947	1,086
	16,663	10,390

26 Fair value and fair value hierarchy of financial instruments

Definition of fair value

IFRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and

Level 3: unobservable inputs for the asset or liability.

26 Fair value and fair value hierarchy of financial instruments (Continued)

Fair value hierarchy (Continued)

The following table shows the Levels within the hierarchy of non-financial assets measured at fair as at 31 December 2016 and 31 December 2015:

The Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2016				
Property, plant and equipment	–	–	68,557	68,557
31 December 2015				
Property, plant and equipment	–	–	146,274	146,274

Fair value measurement of non-financial assets

Valuation technique and significant unobservable inputs

The following table shows the Group's valuation technique used in measuring the fair value less cost to sell of property, plant and equipment, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Buildings and land use rights	Market approach Cost approach	– price per square meter – adjustment factor – obsolescence factor	The estimated fair value would increase/(decrease) if: – price per square meter was higher (lower) – adjustment factor was favourable/(not favourable) – obsolescence was lower (higher)
Plant and equipment	Cost approach	– price trend indexes – obsolescence factor	The estimated fair value would increase/(decrease) if: – price trend indexes were higher (lower) – obsolescence was lower (higher)

Fair value measurement of other financial assets and financial liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year, (other receivables, cash and cash equivalents, balances with related parties, other payables and accruals and provision) approximate their fair values because of the short period to maturity.

27 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.

A summary of the details of the operating segments is as follows:

(a) The soybean processing segment manufactures and sells soybean meal 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.

During the year ended 31 December 2016, the Group set up a subsidiary, Linyi Jiang Tian Trading Limited, which has been earmarked for the food trading business. This subsidiary has yet to commence operations.

As stated in Note 6 to the financial statements, the Group ceased operations in the pig rearing segment.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured 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 corporate and unallocated assets which are managed on a group basis, and assets related to Linyi Jiang Tian Trading Limited which has yet to commence operations.

Segment liabilities exclude corporate and unallocated liabilities which are managed on a group basis, and liabilities related to Linyi Jiang Tian Trading Limited which has yet to commence operations.

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.

27 Segment information (Cont'd)

The following tables present revenue, profit or loss and certain asset, liability and expenditure information for the Group for the years ended 31 December 2016 and 2015:

	CONTINUING OPERATIONS						DISCONTINUED OPERATION					
	Soybean processing		Feed production		Sub-total		Pig rearing		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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	–	1,953,506	265,744	258,152	265,744	2,211,658	–	–	–	–	265,744	2,211,658
Inter-segment sales	–	18,129	–	–	–	18,129	–	–	–	(18,129)	–	–
	–	1,971,635	265,744	258,152	265,744	2,229,787	–	–	–	(18,129)	265,744	2,211,658
Reconciliation:												
Elimination of inter-segment sales					–	(18,129)						
Revenue from continuing operations					265,744	2,211,658						
Segment results	(34,983)	(835,988)	(78,942)	(48,100)	(113,925)	(884,088)	(14,163)	(2,738)	–	–	(128,088)	(886,826)
Reconciliation:												
Corporate and other unallocated income and expenses					(101,761)	(93,052)					(101,761)	(93,052)
Bank interest income					586	5,657					586	5,657
Loss before tax					(215,100)	(971,483)	(14,163)	(2,738)			(229,263)	(974,221)

27 Segment information (Cont'd)

	CONTINUING OPERATIONS				DISCONTINUED OPERATION			
	Soybean processing		Feed production		Pig rearing		Consolidated	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Segment assets	175,805	387,305	16,314	40,193	3,717	4,885	195,836	432,383
Reconciliation:								
Corporate and unallocated assets							23,626	2,654
Total assets							219,462	435,037
Segment liabilities	771	210	1,870	1,861	11,557	78	14,198	2,149
Reconciliation:								
Corporate and unallocated assets							3,011	1,109
Total liabilities							17,209	3,258
Other segment information:								
Depreciation of property, plant and equipment	26,124	51,497	46	1,191	-	-	26,170	52,688
Amortisation of land use rights	5,470	6,659	1,081	849	1,168	1,168	7,719	8,676
Impairment loss on advances to suppliers	-	189,708	-	-	-	-	-	189,708
Impairment loss on property, plant and equipment	51,547	129,914	-	1,157	-	-	51,547	131,071
Legal claim	-	-	-	-	11,557	-	11,557	-

Information about major customers

None of the Group's sales to a single customer accounted for 10% or more of the Group's revenue during the year (2015 - Nil).

28 Post-balance sheet event

On 20 February 2017, the Company issued and allotted 22,016,173 Placement Shares in accordance with the Placement Agreements dated 16 January 2017 with net proceeds of approximately RMB3,667,000.

STATISTICS OF SHAREHOLDINGS

As at 23 March 2017

No. of shares issued	:	132,097,041
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	13	0.30	398	0.00
100 - 1,000	1,793	41.67	1,265,500	0.96
1,001 - 10,000	2,084	48.43	7,685,655	5.82
10,001 - 1,000,000	402	9.34	18,527,425	14.02
1,000,001 AND ABOVE	11	0.26	104,618,063	79.20
TOTAL	4,303	100.00	132,097,041	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	GOLDEN EVER INTERNATIONAL PROPERTY MANAGEMENT LIMITED	31,318,020	23.71
2	CHINESE GLORY INVESTMENTS LIMITED	22,012,442	16.66
3	CHRISTINE MAK	14,310,513	10.83
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	11,220,720	8.49
5	PHILLIP SECURITIES PTE LTD	10,822,515	8.19
6	IP KA KIT	7,705,660	5.83
7	CHAN WAI MAN	1,850,500	1.40
8	UOB KAY HIAN PRIVATE LIMITED	1,441,933	1.09
9	LOKE YEE WOON	1,359,200	1.03
10	DBS NOMINEES (PRIVATE) LIMITED	1,324,100	1.00
11	RAFFLES NOMINEES (PTE) LIMITED	1,252,460	0.95
12	GOH BEE LAN	957,300	0.72
13	TAN ENG CHUA EDWIN	862,600	0.65
14	NG WONG WAI LAN	845,500	0.64
15	TAN AH CHYE	800,000	0.61
16	WIRTZ JOCHEN	466,400	0.35
17	OCBC SECURITIES PRIVATE LIMITED	405,800	0.31
18	TENG TECK SENG	310,000	0.23
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	305,600	0.23
20	WAN ZUOFENG	305,000	0.23
	TOTAL	109,876,263	83.15

STATISTICS OF SHAREHOLDINGS

As at 23 March 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Christine Mak	14,310,513	10.83	–	–
Ip Ka Kit	7,705,660	5.83	–	–
Golden Ever International Property Management Limited	31,318,020	23.71	–	–
Song Yanan*	–	–	31,318,020	23.71
Chinese Glory Investments Limited	22,012,442	16.66	–	–
Wang Tingbao**	–	–	22,212,464	16.82
David Yip Wai Sun***	–	–	22,012,442	16.66

Notes :

* Song Yanan is deemed interested in the Shares of the Company held by Golden Ever International Property Management Limited by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**").

** Wang Tingbao is deemed to be interested in the Shares of the Company held by the following:

(i) All the Shares held by Chinese Glory Investments Limited by virtue of Section 4 of the SFA;

(ii) 22 Shares held under UOB Kay Hian Pte Ltd.; and

(iii) 200,000 Shares held under Philip Securities (HK) Ltd.

*** David Yip Wai Sun is deemed to be interested in the Shares of the Company held by Chinese Glory Investments Limited by virtue of Section 4 of the SFA.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information provided and to the best knowledge of the Directors, approximately 42.81% of the issued ordinary shares of the Company were held in the hands of the public as at 23 March 2017 and therefore Rule 723 of the Listing of Singapore Exchange Securities Trading Limited is complied with.

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 Room 502, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on Friday, 28 April 2017 at 3.00 pm for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors who are retiring pursuant to Bye-law 86(1) and 85(2) of the Company's Bye-laws:

Mr Chng Hee Kok	[Retiring under Bye-law 86(1)]	**(Resolution 2)**
Ms Song Yanan	[Retiring under Bye-law 85(2)]	**(Resolution 3)**
Mr Wu Xiaoran	[Retiring under Bye-law 85(2)]	**(Resolution 4)**

Mr Chng Hee Kok will, upon re-election as a Director of the Company, remain as a Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Mr Chng Hee Kok will be considered independent for the purpose of the Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

3. To note Dr Lin Jianwu who is retiring and eligible for re-election pursuant to Bye-law 85(2) of the Company's Bye-laws as a Director of the Company, has decided not to seek re-election.

Dr Lin Jianwu, will cease to be a member of the Audit Committee, Nominating Committee and Remuneration Committee.

4. To elect Mr John Ng as Independent Director. **(Resolution 5)**
[See Explanatory Note (i)]

5. To approve the payment of Directors' fees of S$150,000 for the year ending 31 December 2017, to be paid quarterly in arrears (2016: S$234,000). **(Resolution 6)**

6. To re-appoint Foo Kon Tan LLP, Public Accountants and Chartered Accountants, Singapore as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a fee and on such terms to be agreed by the Directors of the Company. HLB Hodgson Impey Cheng Limited, Chartered Accountants and Certified Public Accountants, Hong Kong will retire and not seek re-appointment as Auditors of the Company for the financial year ending 31 December 2017.
[See Explanatory Note (ii)] **(Resolution 7)**

7. 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 resolution as Ordinary Resolution, with or without any modifications:

8. **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 sub-paragraph (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);

(2) (subject to such manner of calculation as may be prescribed by 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) the fifty percent (50%) limit in sub-paragraph (b)(1) above may increase to one hundred percent (100%) for issue of shares and/or Instruments by way of a renounceable rights issued where shareholders of the Company are entitled to participate in the same on a pro-rata basis ("Enhanced Rights Issue Limit").

(4) 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

(5) 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 (iii)] **(Resolution 8)**

By Order of the Board

Yoo Loo Ping
Chiang Wai Ming
Company Secretaries

Singapore, 13 April 2017

Explanatory Notes to Resolutions to be passed –

(i) Mr John Ng, aged 38, graduated from Trent University of Canada in 2001 and holds an Executive Master of Business Administration from Shanghai Jiao Tong University. He formerly served as the senior executive management for various listed companies in Canada and Hong Kong and was responsible for their corporate planning and development. He is currently a Corporate Advisory (Type 6) license holder in Hong Kong and has over 15 years of experience in Asia and North America. If elected under Resolution 5 above, Mr John Ng will be considered an Independent Director by the Board and will be appointed as a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

(ii) Ordinary Resolution 7 relates to the retiring of HLB Hodgson Impey Cheng Limited ("HIC") and Foo Kon Tan LLP ("FKT") will be re-appointed as Auditors of the Company. Please refer to Appendix to this Notice of Annual General Meeting. In accordance with the requirements of Rule 1203(5) of the Listing Manual of the SGX-ST:-

a) the Company confirms that the retiring Auditors, HIC, had no disagreements with FKT on accounting treatments within the last twelve (12) months of the date of this Appendix;

b) the Company confirms that, other than as set out in the Appendix to the Notice of the Annual General Meeting, it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of shareholders;

c) the specific reasons for the Proposed Change of Auditors are disclosed in paragraph 3 of the Appendix to the Notice of the Annual General Meeting; and

d) the Company confirms that it is in compliance with Rule 712 and Rule 715 read with Rule 716 of the Listing Manual in relation to the Proposed Change of Auditors.

(iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding (i) 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, and (ii) additional fifty percent (50%) of the total number of issued shares (excluding treasury shares) issued by way of renounceable rights issue on a pro rata basis in the capital of the Company, provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed one hundred percent (100%) of the issued shares (excluding treasury shares) from the date of the above Meeting until the date of the next Annual General Meeting.

Enhanced Rights Issue Limit

With regard to item 8(b)(3), the mandate for issue of shares pursuant to a pro-rata renounceable rights issue is subject to conditions set out in Practice Note 8.3 dated 13 March 2017. The Company will release immediate announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in its annual report. The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders.

NOTICE OF ANNUAL GENERAL MEETING

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 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 on his behalf, 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 Annual General Meeting. Similarly, a Depositor who is a corporation and who wishes to attend the Annual General Meeting must submit the Depositor Proxy Form for the appointment of nominee(s) to attend and vote at the Annual General Meeting on its behalf.

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.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Appendix.

If you are in any doubt as to the contents herein or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

UNITED FOOD HOLDINGS LIMITED
聯合食品控股有限公司

UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration Number: 28925)

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING
DATED 13 APRIL 2017

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

PROPOSED CHANGE OF AUDITORS

1. BACKGROUND

1.1 The current auditors of United Food Holdings Ltd (the "Company"), Foo Kon Tan LLP ("FKT") and HLB Hodgson Impey Cheng Limited ("HIC") have been joint auditors of the Company since 12 March 2016. FKT and HIC were last re-appointed as joint auditors of the Company at the annual general meeting of the Company held on 12 May 2016 to hold office until the conclusion of the forthcoming annual general meeting of the Company to be held on 28 April 2017 (the "2017 AGM").

1.2 The Company received a confirmation letter from HIC giving notice that they would not seek re-appointment as one of the joint auditors of the Company at the 2017 AGM. The Audit Committee proposes that FKT will be re-appointed as the auditors of the Company at the 2017 AGM (the "Proposed Change of Auditors").

1.3 The purpose of this Appendix is to provide Shareholders with the relevant information pertaining to, and to explain the rationale for the Proposed Change of Auditors.

2. INFORMATION ON THE ONGOING AUDITOR, FKT

2.1 Founded in 1968, FKT provides a full range of assurance, tax and advisory services. FKT is a principal member of HLB International.

2.2 Mr Toh Kim Teck ("Mr. Toh"), who has more than 20 years of audit experience, will be the audit engagement partners assigned to lead the audit of the Group. Mr. Toh is a practising member of the Institute of Singapore Chartered Accountants and a public accountant registered with the Accounting and Corporate Regulatory Authority of Singapore.

2.3 For more information on FKT, please visit its official website http://www.fookontan.com/.

3. RATIONALE FOR THE PROPOSED CHANGE OF AUDITORS

3.1 In view of HIC will not be seeking re-appointment at the 2017 AGM, the Audit Committee of the Company was of the view that FKT will be re-appointed as the auditors of the Company for the financial year ending 31 December 2017.

3.2 Following the review by the Audit Committee on the independence and objectivity of FKT , the board of directors (the "Board"), at the recommendation of the Audit Committee, recommends that FKT be re-appointed as the auditors of the Company for the financial year ending 31 December 2017. In assessing the suitability of FKT as auditors of the Company, the Board and the Audit Committee took into consideration various factors, such as, that FKT has adequate resources and experience to handle the audit, the audit engagement partner assigned to the audit has the appropriate level of experience and there will be an adequate number of suitably experienced supervisory and professional staff assigned to the audit, having due regard to the size, businesses and complexity of the Company and its subsidiaries (the "Group"). The Board and the Audit Committee are of the opinion that FKT will be able to meet the audit requirements of the Company, and Rules 712 and 715 read with Rule 716 of the listing manual of the SGX-ST ("Listing Manual") will be complied with.

3.3 With FKT as the auditors of the Company, would allow the Company to have some cost saving in audit fees and this would be in line with the Company's ongoing efforts to manage its overall business costs and expenses amidst the challenging business climate.

3.4 The scope of audit services to be provided by FKT will be comparable to the services currently provided by both FKT and HIC.

3.5 HIC will retire and not seek re-appointment as auditors of the Company at the 2017 AGM, being end of current term. The Directors of the Company (the "Directors") wish to express their appreciation for the past services rendered by HIC.

3.6 After the retirement of HIC, FKT will audit the financial statements of the Company. The Company does not have any subsidiary incorporated in Singapore. For the financial year ended 31 December 2016, the Group's foreign subsidiaries were audited jointly by HIC and FKT who are also the joint auditors for the Company. With HIC not seeking re-appointment as joint auditors of the Company, the Group is looking into engaging suitable auditing firm for its foreign subsidiaries in compliance with Rule 715(2) of the Listing Manual. FKT, as auditor of the Company, will perform audit on the audited financial statements of the foreign subsidiaries in accordance with SSA 600 of the Singapore Standards on Auditing for purpose of consolidation.

4. CONFIRMATIONS

In accordance with the requirements of Rule 1203(5) of the Listing Manual:

(a) the outgoing auditors of the Company, HIC, have confirmed in writing that they are not aware of any professional reasons why FKT should not accept the appointment as auditors of the Company;

(b) the Company confirms that the retiring auditors, HIC, had no disagreements with FKT on accounting treatments within the last twelve (12) months of the date of this Appendix;

(c) the Company confirms that, other than as set out above, it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of Shareholders;

(d) the specific reasons for the Proposed Change of Auditors are disclosed in paragraph 3 above; and

(e) the Company confirms that it is in compliance with Rule 712 and Rule 715 read with Rule 716 of the Listing Manual in relation to the Proposed Change of Auditors.

5. CONSENTS

Each of FKT and HIC have given and have not withdrawn their written consent to the issue of this Appendix with the inclusion of their name and all references thereto, in the form and context in which they appear in this Appendix.

6. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed and deliberated the Proposed Change of Auditors, and after taking into consideration the suitability of FKT and compliance with the Listing Manual, recommends the appointment of FKT as the auditors of the Company in place of the retiring auditors of the Company, HIC, to hold office until the conclusion of the next annual general meeting of the Company.

7. DIRECTORS' RECOMMENDATION

The Directors, having taken into account the Audit Committee's recommendations, are satisfied that FKT will be able to meet the audit requirements of the Group and are of the opinion that the proposed appointment of FKT as auditors of the Company in place of one of the retiring auditors, HIC, is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Change of Auditors to be proposed at the 2017 AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

8.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Change of Auditors, the Company and its subsidiaries which are relevant to the proposal, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

8.2 Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, during normal business hours from the date of this Appendix up to the date of the 2017 AGM:

(a) the letter from HIC, giving notice that they would not be seeking re-appointment as auditors of the Company at the 2017 AGM; and

(b) the letter from FKT, giving their consent to act as auditors of the Company.

UNITED FOOD HOLDINGS LIMITED
聯合食品控股有限公司

BUSINESS OFFICE
Shenquan Village, Luozhuang District
Linyi City, Shandong Province
The People's Republic of China
Postal Code 276017
Tel: [86] (539) 7106 688 Fax: [86] (539) 7100 333