UNITED FOOD
HOLDINGS LIMITED

ANNUAL REPORT 2015

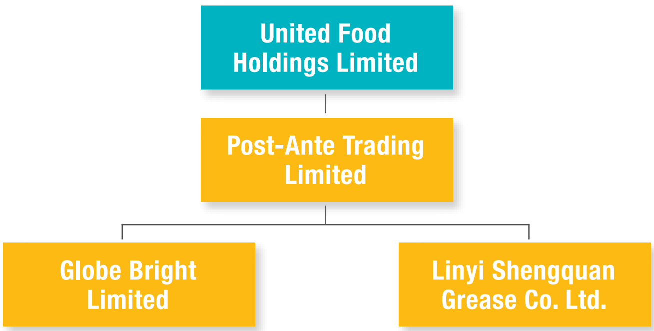
Contents

Our
Core Business

Our Company

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:



The Group engages in the production and supply of soybean products and animal feeds in the Peoples' Republic of China.

Chairman's Message

DEAR SHAREHOLDERS

On behalf of the Board of Directors ("the Board") of United Food Holdings Limited (the "Company" or together 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 2015 ("FY2015").

PERFORMANCE REVIEW

The Group had experienced a challenging 12 months in FY2015. The Group had temporarily suspended its soybean production in July 2015 due to the anti-pollution issue in Linyi and the increase in soybean raw material cost.

The Group recorded a total revenue of RMB2.2 billion in FY2015. The soybean processing division recorded a revenue of RMB2.0 billion in the first three quarters in FY2015 before the Group suspended production on 5 July 2015. The animal feed division recorded a slightly higher revenue of RMB258.2 million in FY2015 as compared to RMB234.0 million in FY2014.

The Group recorded a loss of RMB974.2 million in FY2015, largely due to an impairment loss for property, plant and equipment of RMB131.1 million and loss on sales for raw soybeans and soybean contracts for RMB590.2 million.

Despite the loss, the Group's cash balances of RMB183.3 million remains healthy, and is sufficient to deal with the challenges ahead in FY2016. Due to the Group's loss, no dividend was recommended for FY2015. I wish to assure shareholders that the Board is mindful of the need to optimize the Group's return on shareholders' funds.

As stated in the Company's announcement released via SGXNet on 18 August 2015, due to the anti-pollution issue in Linyi, the Group has temporarily suspended the production of our soybean products. The soybean processing is the Group's primary business which contributes about 90% of the Group's revenue. The Group continues to review the government's policy on pollution from power generating plants which is beyond the Group's control. The Group continues to face soybean prices volatility, stiff competition price sensitivity and economic uncertainties arising from China's challenging growth.

The Company will monitor and assess the situation before deciding whether to resume the Group's soybeans processing operation. The Group is continuing its production in the animal feed segment.

The Company will also be on the lookout for any opportunity on the use or sale of the land vacated by the Group's pig rearing business.

ACKNOWLEDGEMENT

On behalf of the Board, I shall like to extend my heartfelt gratitude to the management team and employees of the Group for their unwavering loyalty and steadfast commitment in these challenging circumstances.

I shall like to take this opportunity to register my profound appreciation to our shareholders, valued customers, business partners and all other stakeholders for their patience, support and co-operation rendered during the year.

Lastly I shall like to thank my fellow Directors for their wise counsel and guidance.

David Yip Wai Sun
Non-Executive Chairman

Distribution
Network

1
SICHUAN

2
HUNAN

3
ANHUI

7
BEIJING

4
HENAN

5
SHANDONG

6
HEBEI

Financial Highlights

	2015 RMB'000	2014 RMB'000	Change %
Revenue*	**2,211,658**	**5,080,301**	**-56.5**
Gross (Loss) / Profit*	**(190,971)**	72,176	+N/M
(Loss) / Profit from Operations*	**(971,483)**	43,616	+N/M
(Loss) / Profit Before Tax*	**(971,483)**	43,616	+N/M
(Loss) / Profit After Tax*	**(971,483)**	43,616	+N/M
(Loss) / Profit Attributable to Shareholders	**(974,221)**	25,563	+N/M
Shareholders' Fund	**431,779**	1,410,728	-69.4
Total Assets	**435,037**	1,463,443	-70.3
Total Liabilities	**3,258**	52,715	-93.8

Profitability Ratios			**Change %**
Gross Margin*	**-8.6%**	1.4%	+N/M
Operating Margin*	**-43.9%**	0.7%	+N/M
Return on Revenue	**-44.0%**	0.5%	+N/M
Return on Average Equity	**-105.7%**	1.8%	+N/M
Return on Average Assets	**-102.6%**	1.6%	+N/M

*Continuing Operations

Per Share Data (Notes)			**Change %**
a. Net Assets*	**3.92**	12.82	1.84
b. (Loss) / Earnings*	**0.89**	0.02	+N/M
c. Gross Dividend	**0.00**	0.04	+N/M

Notes:

a. The net assets per share was calculated on 110,080,868 shares (2014: 110,080,868). After the completion of share consolidation on 16 June 2015, the Company has 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 used for the calculation of net assets per share for the corresponding period in 2014 has been adjusted for the effect of the share consolidation.

b. The basic (loss)/earnings per share was calculated based on the average 110,080,868 shares (2014: 110,080,868). The weighted average number of ordinary shares used for the calculation of earnings per share for the corresponding period in 2014 has been adjusted for the effect of the share consolidation.

c. No dividend was declared and proposed in FY2015. The gross dividend per share was calculated based on 1,100,808,740 shares in issue as at 31 December 2014.

+N/M – Not meaningful

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)

	2015	2014	2013	2012	2011
Revenue*	**2,211,658**	5,129,869	5,121,972	5,488,005	5,373,140
Net (loss) / profit from ordinary activities attributable to shareholders	**(974,221)**	25,563	(108,958)	(255,050)	21,539

*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)

	2015	2014	2013	2012	2011
Property, plant and equipment	**146,274**	330,033	389,418	453,877	581,117
Land use rights	**43,806**	52,482	63,521	74,560	85,599
Net current assets	**241,699**	1,028,213	932,226	968,783	1,089,891
Capital and reserves	**431,779**	1,410,728	1,385,165	1,497,220	1,756,607

Management
Discussion and Analysis

The Group recorded a revenue of RMB2.2 billion in FY2015 compared to RMB5.1 billion in FY2014, and such significant decrease in revenue was largely due to the temporary suspension of the production of the soybean processing division since 5 July 2015.

Overall, the Group recorded a loss of RMB974.2 million in FY2015, against a profit of RMB25.6 million in FY2014. The loss in FY2015 mainly resulted from temporary suspension of our key business division and the impairment loss for property, plant and equipment, loss on sales of raw soybeans and on soybean contracts.

Detailed explanations on segmental performance

1. Soybean Processing Division

1.1 Revenue and operating results

The soybean processing division recorded a revenue of RMB2.0 billion in FY2015 compared to RMB4.8 billion in FY2014, because the Group has temporarily suspended the production of the soybean processing division since 5 July 2015.

The division recorded a loss of RMB836.0 million in FY2015, compared to a profit of RMB41.2 million in FY2014. The loss was mainly attributable to an increase in the cost of sales resulting from an increase in soybean raw material cost, temporary suspension of the production, an impairment loss for property, plant and equipment of RMB131.1 million, loss on sales of raw soybeans of RMB238.1 million and loss on cancellation of 11 shipments of soybeans of RMB162.3 million, an impairment loss for prepayment, deposits and other receivables of RMB189.7 million.

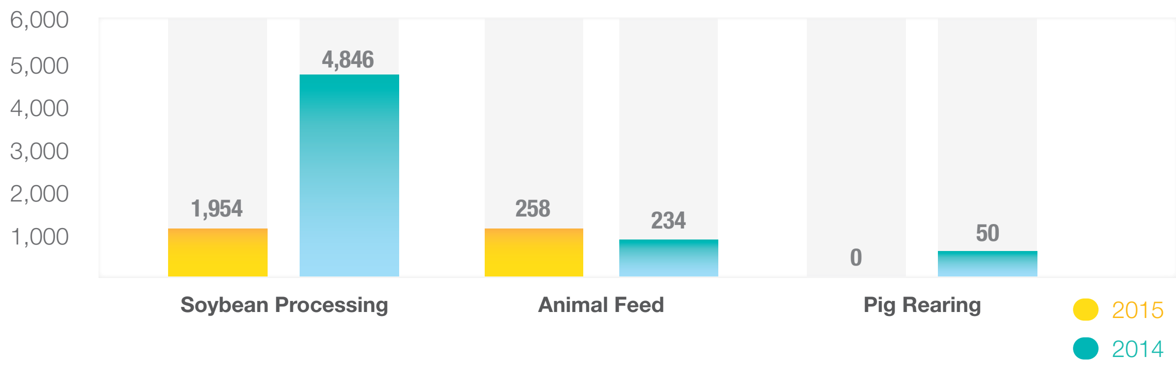
1.2 Risk factors

The primary risk lies in the volatile prices of soybean raw material and the government's policy stand on pollution caused by power generating plants. Raw material price fluctuation risk has been identified as the major risk faced by the Group. The Group's business is affected by the world commodity price fluctuations, market conditions, government policies, and the slowing PRC economy which will reduce consumption.

1.3 Outlook

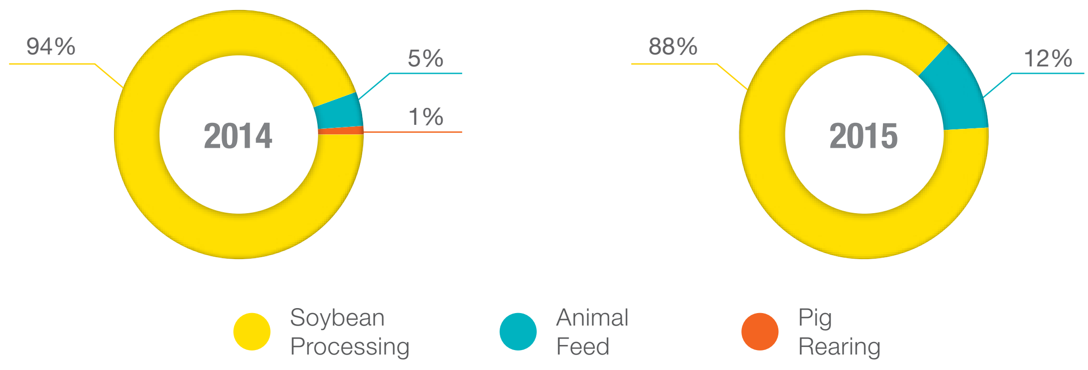
The Group continues to review the government's policy stand on pollution caused by power generating plants which is beyond the Group's control. The Group continues to face volatile soybean prices, stiff competition, price sensitivity and uncertainties arising from China's challenging economic environment. The Group will monitor and assess the situation before deciding whether to resume the Group's soybeans processing operation.

Revenue (By Activities)
RMB (million)



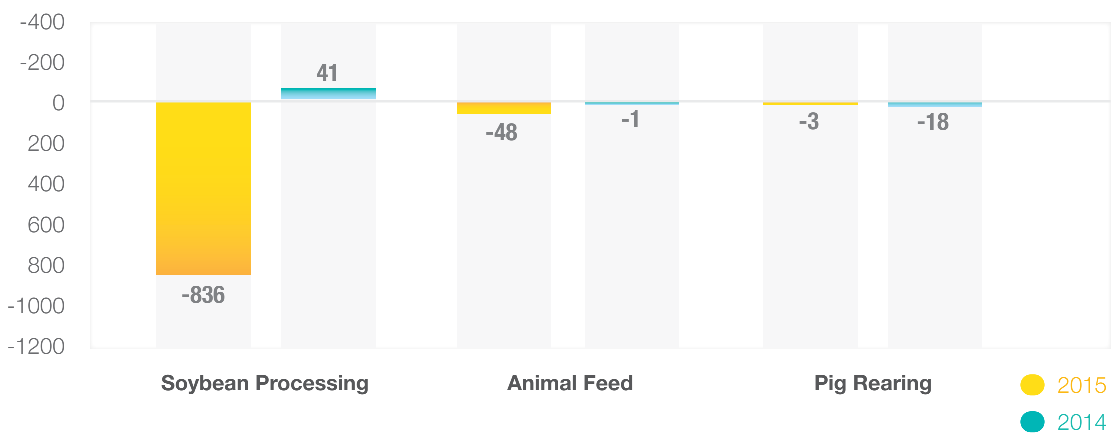
Management Discussion and Analysis

Revenue (By Activities)



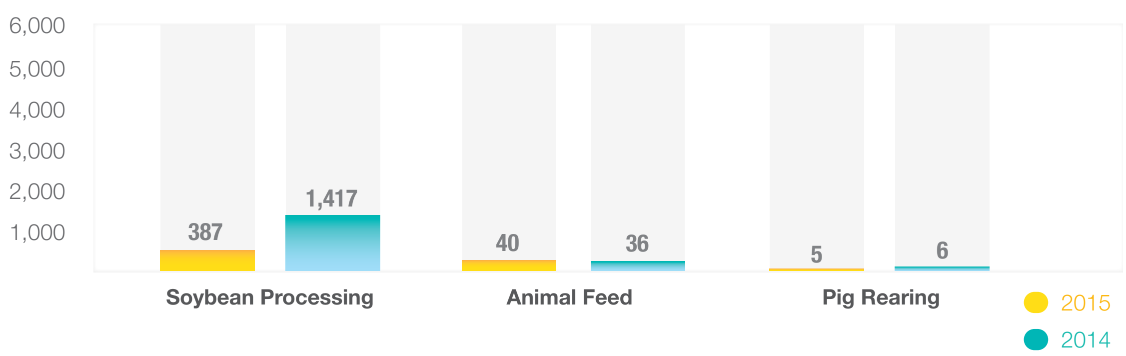
Profit/Loss for the year

RMB (million)



Total Assets

(By Million)



Management Discussion and Analysis

2. Animal Feed

The animal feed division recorded a slightly higher revenue of RMB258.2 million in FY2015, compared to RMB234.0 million in FY2014. The division recorded a loss of RMB48.1 million in FY2015, compared to a loss of RMB0.7 million in FY2014, mainly due to an increase in the raw material cost.

Other income and gains

Other income and gains decreased by RMB5.7 million or 46.5% in FY2015 compared to FY2014, due mainly to lower interest income from RMB11.1 million in FY2014 to RMB5.7 million in FY2015.

Selling and distribution costs

In line with the decrease in sales revenue, the Group incurred a lower selling and distribution expenses in FY2015 compared to FY2014.

Administrative expenses

Administrative expenses increased by 102.9% in FY2015 compared to FY2014. This was due mainly to the re-allocation of amortization and depreciation of the property, plant and equipment of the soybean processing division into administrative expenses after the temporary suspension of its production.

Other expenses, net

An increase in other expenses by RMB720.2 million in FY2015 compared to FY2014, was mainly due to a loss on sales of raw soybeans of RMB238.1 million, a loss on cancellation of 11 shipments of soybeans of RMB162.3 million and an impairment loss for prepayment, deposits and other receivables of RMB189.7 million, and the impairment loss of property, plant and equipment of RMB131.1 million. The reasons for such impairment losses are as follows:

- Due to the uncertainty of supply of utilities and raw material costs, a management decision was made to cancel the remaining 11 shipments of soybeans in August 2015. Pursuant to the purchase agreements with the soybean supplier, the Group would be liable for the losses suffered by the supplier. Accordingly, the Group recorded a total loss of RMB352.0 million, including the impairment loss of RMB189.7 million made by the Group in respect of the prepayments and deposits to the supplier.

- The Group operated three divisions, namely Soybean Processing, Animal Feed and Pig Rearing. Pig Rearing Division and Soybean Processing Division ceased operations in FY2014 and FY2015, respectively. The remaining operation is relating to the production of animal feed which are operated by two production centres, or cash generating units. The Group considered both centres to be under one cash generating unit. The Company engaged BMI Appraisals Limited, a registered independent valuer, to perform a valuation on the recoverable amount of the asset based on the fair market value of the assets less costs of disposal (imputed to be 5% of the selling prices). Based on the difference between the recoverable amount and the net book value of those property, plant and equipment, an impairment amount of RMB131.1 million has been made.

Inventories

The decrease in inventories was due mainly to the decrease in prices of soybean raw materials and finished goods.

Prepayment, deposits and other receivables

The decrease in the prepayment, deposits and other receivables was due mainly to a decrease in deposits and prepayment made to soybean suppliers.

Cash, bank balances and deposits

At 31 December 2014, the Group's restricted bank deposits were pledged as security for the issuance of letters of credits to its suppliers and banking facilities. The decrease in restricted bank deposits was due mainly to the settlement of the Group's letters of credit, and these restricted bank deposits were released and transferred to the Group's current bank accounts in FY2015.

Management Discussion and Analysis

The increase in cash and bank balances was as a result of the transfer of restricted bank deposits into current bank accounts.

Trade payables

All trade payables were settled during in the year as the soybean processing division has temporarily suspended the production during the year.

Other payables, deposit received and accruals

The decrease in other payables, deposit received and accruals was due mainly to settlement made in the year.

Cash flow statement

Positive cash flows from the Company were generated in FY2015. The cash inflows from investing activities amounted to RMB388.1 million were utilised mainly for the operating activities of RMB282.4 million and dividend paid of RMB5.2 million.

Shareholders' Equity

The Group's shareholders' equity decreased from RMB1,410.7 million as at 31 December 2014 to RMB431.8 million as at 31 December 2015, due mainly to the loss recorded for the year.

Contingent Liability

The Group had no contingent liabilities as at 31 December 2014 and 31 December 2015.

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 and Hong Kong dollars. The reporting currency of the Group is RMB. The Directors are of the view that RMB is relatively stable against the relevant currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging by means of derivative instruments is therefore not necessary.

Board of Directors

David Yip Wai Sun
Non-Executive Chairman

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

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

Wang Tingbao
Executive Vice Chairman

Mr Wang Tingbao is one of co-founders of the Group. He was first appointed to the Board on 30 August 2000 and was last re-elected on 20 April 2012. As Executive Vice Chairman and Chief Executive Officer, Mr Wang Tingbao charts the corporate directions and strategies as well as oversees the Group's day-to-day operations. Mr Wang Tingbao graduated from the Yishui Medical College and had practised as a medical physician in the Coal Mining Hospital at Linyi, Province of Shandong, China.

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

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

Chng Hee Kok
Independent Director

Mr Chng Hee Kok was appointed as an Independent Director of the Company on 23 October 2015. 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, Pacific Century Regional Developments Ltd and Infinio Group Limited. He also chairs the audit committees of Mainboard listed Luxking Group Holdings Ltd, China Flexible Packaging Holdings Ltd and Chinasing Investments Holdings Ltd. Previously, Mr Chng was the Chief Executive Officer of Yeo Hiap Seng Ltd, Scotts Holdings Ltd, Hartawan Holdings Ltd and HG Metals Manufacturing Ltd. He was a Member of Parliament of Singapore from 1984 to 2001 and held past directorships at Public Utilities Board, Sentosa Development Corporation and Singapore Institute of Directors.

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.

Ling Chung Yee Roy
Lead Independent Director

Prof Ling Chung Yee Roy was appointed as the Lead Independent Director of the Company on 20 November 2015. He is an investment banker with more than 19 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.

Key Executives

Li Ai
Chief Operating Officer

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

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

Leung Wai Ping Noel
Chief Financial Officer

Mr Leung joined the Group on 18 January 2016 and is in charge of the Group's financial management and operations. Prior to joining the Group, he held managerial positions, qualified accountant and company secretary in listed companies in Hong Kong and Singapore. He is a fellow member of the Institute of Chartered Accountant in England and Wales and a fellow member of Association of Chartered Certified Accountants.

Corporate Information

Board of Directors
David Yip Wai Sun, *Non-Executive Chairman*
Wang Tingbao, *Executive Vice Chairman*
Chng Hee Kok, *Independent Director*
Ling Chung Yee Roy, *Lead Independent Director*

Management Team
Wang Tingbao, *Chief Executive Officer*
Li Ai, *Chief Operating Officer*
Leung Wai Ping Noel, *Chief Financial Officer*

Nominating Committee
Ling Chung Yee Roy, *Chairman*
Chng Hee Kok
David Yip Wai Sun

Remuneration Committee
Ling Chung Yee Roy, *Chairman*
Chng Hee Kok
Wang Tingbao

Audit Committee
Chng Hee Kok, *Chairman*
David Yip Wai Sun
Ling Chung Yee Roy

Company Secretaries
Yoo Loo Ping
Chiang Wai Ming

Assistant Company Secretary
Codan Services Limited

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Fax: [65] 6337 2197
Audit Partner-in-charge
Robin Chin Sin Beng
(Effect from financial year ended 31 December 2015)

HLB Hodgson Impey Cheng Limited
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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)

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.

Corporate Governance

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 FY2015, 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 FY2015	**6**	**4**	**1**	**1**
Mr Wang Tingbao	6	–	1	–
Mr David Yip Wai Sun	6	4	–	1
Mr Chng Hee Kok*	1	1	–	–
Prof Ling Chung Yee Roy**	–	–	–	–
Mr Lee Teck Leng^	6	4	1	1
Mr Sitoh Yih Pin^^	5	3	1	1
Mr Fu Qiang^^^	3	2	–	–

* Appointed on 23 October 2015
** Appointed on 20 November 2015
^ Resigned on 20 November 2015
^^ Resigned on 23 October 2015
^^^ Resigned on 18 August 2015

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 4 members, two of whom are independent.

Non-Executive Director:
Mr David Yip Wai Sun (Chairman)

Executive Director:
Mr Wang Tingbao (Vice Chairman)

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

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 page 10 this Annual Report.

At least 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, noting that the guidelines are an exhaustive list. 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.

Mr David Yip Wai Sun is the Group's Non-Executive Chairman. 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. He 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.

Mr Lee Teck Leng was appointed as the Lead Independent Director on 4 November 2013 to co-ordinate and lead the other Independent Director to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He will be available to shareholders in the event their concerns are not resolved through the Chairman, the Vice Chairman or the Chief Financial Officer ("CFO"), or for which contact is inappropriate. Prof Ling Chung Yee Roy was appointed as Lead Independent Director on 20 November 2015 in place of Mr Lee Teck Leng who has resigned on 20 November 2015.

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. The majority, including the NC Chairman, are Independent Directors. Members of the NC are:

Prof Ling Chung Yee Roy (Chairman, Lead Independent Director)
Mr Chng Hee Kok
Mr David Yip Wai Sun

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 Annual General Meeting ("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 AGM.

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

Prof Ling Chung Yee Roy and Mr Chng Hee Kok will be retiring at the forthcoming AGM pursuant to Bye-law 85(2) of the Company's Bye-laws. Both Prof Ling Chung Yee Roy and Mr Chng Hee Kok have signified their consent to remain in office.

The NC having considered the attendance and participation of Mr Wang Tingbao at the Board and Board Committee meetings, in particular, his contribution to the business and operations of the Group had nominated Mr Wang Tingbao for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation on the re-election of Mr Wang Tingbao at the forthcoming AGM. Mr Chng Hee Kok and Prof Ling Chung Yee Roy who were appointed on 23 October 2015 and 20 November 2015 respectively were 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.

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 and Mr Chng Hee Kok 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.

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 the Board and Board Committees performance evaluation questionnaires and the findings were 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 FY2015, 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 is made up of a majority of independent Directors and is chaired by an Independent Director. Members of the RC are:

Prof Ling Chung Yee Roy (Chairman)
Mr Chng Hee Kok
Mr David Yip Wai Sun

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 SGD234,000 as Directors' fees for the financial year ending 31 December 2016, payable quarterly in arrears. The Board will table this at the coming 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 the financial year ended 31 December 2015:

Name of Directors	Fees	Salary	Total
Mr Wang Tingbao	–	RMB600,000	RMB600,000
Mr David Yip Wai Sun	#HKD600,000	–	HKD600,000
Prof Ling Chung Yee Roy*	SGD6,848	–	SGD6,848
Mr Chng Hee Kok **	SGD11,413	–	SGD11,413
Mr Lee Teck Leng^	SGD53,152	–	SGD53,152
Mr Sitoh Yih Pin^^	SGD46,500	–	SGD46,500
Mr Fu Qiang^^^	#RMB25,205	–	RMB25,205

* Appointed on 20 November 2015
** Appointed on 23 October 2015
^ Resigned on 20 November 2015
^^ Resigned on 23 October 2015
^^^ Resigned on 18 August 2015

\# *These have been converted to SGD equivalent and approved by shareholders at the last AGM held on 22 April 2015.*

The Executive Director's Service Agreement was for an initial period of 3 years, commencing 1 February 2001 and, is renewable for successive periods of one year each. The service agreement can be terminated by not less than 3 months' notice in writing by either party. Gross remuneration of the Group's key management personnel for FY2015 is set out below:

Name of Key Management Personnel	Salary %
Below SGD250,000 per annum	
Ms Li Ai	100
Mr Hung Chung Wah, George*	100

* Resigned on 21 September 2015

Notwithstanding Guideline 9.3 of the Code, there were only 2 key management personnel in FY2015 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 SGD159,187.

Subsequent to the year end, the Company appointed an additional key management personnel in January 2016.

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

Ms Wang Yu, the Administration 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 FY2015.

(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 CFO:

(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 reviews of both the internal and external auditors and management's assurance on the state of the Group's internal controls, the Board opines, with the concurrence of the AC, that there are adequate and effective internal controls in place within the Group addressing financial, operational, information technology and compliance risks in its current business environment as at 31 December 2015.

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 Non-Executive Directors, a majority of whom, including the Chairman, are independent. The members of the AC are as follows:

Mr Chng Hee Kok (Chairman)
Prof Ling Chung Yee Roy
Mr David Yip Wai Sun

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

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 FY2015, 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 FY2015. 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 RMB858,000 (SGD185,000) for the audit of the Company and its subsidiaries in FY2015. No non-audit services were rendered by the auditors in FY2015.

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 page 57 of this Annual Report.

The AC, with the concurrence of the Board, had recommended the re-appointment of HLB Hodgson Impey Cheng Limited and Foo Kon Tan LLP as the joint external auditors of the Company at the forthcoming AGM, based on their performance and quality of their audit.

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 FY2015, this was done through quarterly updates and advice from the external auditors.

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 FY2015.

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, PRC. 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 FY2015 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

Principle 14: 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.

Principle 15: 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 encouraged 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;
- 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.

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 concrete dividend policy at present. 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 FY2015 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 FY2015, other than transactions with Jiang Quan Hotel and Linyi Zhiheng Logistics Co., Ltd, there were no transactions with other Interested Persons. Transactions with Jiang Quan Hotel and Linyi Zhiheng Logistics Co., Ltd. which amounted to less than 3% of the Group's NTA, are disclosed in the audited financial statements.

(F) Material Contracts

Since the end of the previous financial year ended 31 December 2013, the Group did not enter into any material contracts involving the interest of the CEO, Directors or Controlling Shareholders and no such material contracts subsists at the end of FY2015.

(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.

The Company confirmed that it has adhered to its policy for securities transactions for FY2015 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 domestic 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 has temporarily suspended the production of the soybean processing division since 5 July 2015 due to the anti-pollution issue in Linyi, China.

Threat of Outbreak of Epidemics

The Group's policy of not breeding all the piglets by itself is in fact a measure to mitigate the threat of outbreak of epidemics. In the event of an outbreak, the Group has measures in place to ensure that the livestock are well protected. These measures include the disinfecting of all incoming motor vehicles driving through the chemical pathway and segregation of potential infected livestock from those healthy ones.

The Group had ceased its pig rearing business in the second quarter of 2014 in view of the continued losses and dim prospect. The threat of outbreak of epidemics will also cease to be a significant business risk to the Group going forward.

Environment Pollution

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, laws, 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 management objectives and policies is discussed under the Note 23 to Financial Statements of the Annual Report.

Financial Contents

Financial Calendar

First Quarter	22 April 2015
Second Quarter and Half-Year	18 September 2015
Third Quarter	13 November 2015
Fourth Quarter and Full Year	31 March 2016
FINANCIAL YEAR END	31 December 2015
DESPATCH OF ANNUAL REPORT TO SHAREHOLDERS	27 April 2016
ANNUAL GENERAL MEETING	12 May 2016

Directors' Statement

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 2015.

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 34 to 74 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 2015 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 director:
Mr Wang Tingbao

Non-executive director:
Mr David Yip Wai Sun (Chairman)

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

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 2015:		
David Yip Wai Sun	–	483,304,620
Wang Tingbao	50,000,000	485,304,844
Ordinary shares of the Company of HK$2.50 each at 31 December 2015:		
David Yip Wai Sun	–	48,330,462*
Wang Tingbao	5,000,000*	48,530,484*

* Following the shareholders' approval obtained at a special general meeting on 22 April 2015, the Company had consolidated its 10 existing issued ordinary shares into 1 ordinary share with effect from 16 June 2015. Accordingly, the directors' interests in shares had been adjusted for such consolidation.

Directors' Statement

There were no changes in any of the above mentioned interests between the end of the financial year and 21 January 2016.

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
Mr David Yip Wai Sun

Details of the Company's audit committee, nominating committee and remuneration committee are set out on pages 13 to 27 of 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, Ernst & Young, Hong Kong was appointed as the auditors of the Company. Ernst & Young, Hong Kong had resigned on 12 January 2016.

Foo Kon Tan LLP and HLB Hodgson Impey Cheng Limited who were appointed as the Joint Auditors of the Company at the special general meeting held on 11 March 2016, will retire and a resolution for their re-appointment as Joint Auditors of the Company will be proposed at the forthcoming annual general meeting.

Material information

The details are set out in pages 13 to 27 of the Corporate Governance Statement.

Interested person transactions

Except for the transactions disclosed in note 19 to the financial statements, there were no interested person transactions during the financial year ended 31 December 2015. 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

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 2015 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

David Yip Wai Sun
Chairman

Wang Tingbao
Director

21 April 2016

Independent Joint Auditors' Report

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

We have audited the accompanying financial statements of United Food Holdings Limited (the "Company") and its subsidiaries, (collectively 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 2015, and 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 of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

Directors are 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended on that date.

Emphasis of matters

Without qualifying our opinion, we draw attention to the following:

We draw attention to note 1(b) to the uncertainty involving the resumption of the soybean processing division which is temporarily suspended due to the slowdown in the local economy and the resultant weaker market demand of soybean products. Under Notes 8 and 9, management has assessed the temporary suspension of soybean processing division and has impaired an amount of RMB223,738,000 (Note 8) and RMB131,071,000 (Note 9) in respect of the carrying amount of the Company's investment in its subsidiaries and property, plant and equipment of the Group respectively as at 31 December 2015 based on recoverable amounts and their assumptions.

The consolidated financial statements which indicate that as at 31 December 2015, the Group incurred net losses of approximately RMB974,221,000 and negative cash flow from operating activities of approximately RMB 282,438,000. The Group ability to continue as a going concern is dependent on the sufficiency of cash resources of RMB183.3 million as at 31 December 2015 and cash flow forecast prepared by management for the next twelve months from the end of the reporting period that adequate liquidity exists to finance the working capital requirement. If there is any adverse change on the assumption of the cash flow forecast prepared by the management, these may cast significant doubt about the Group's ability to continue as a going concern.

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Independent Joint Auditors' Report

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 financial statements for the year ended 31 December 2014 were audited by another firm of auditors whose report dated 19 March 2015 expressed an unmodified opinion on those financial statements.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore

21 April 2016

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong

21 April 2016

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Continuing operations			
Revenue	3	2,211,658	5,080,301
Cost of sales		(2,402,629)	(5,008,125)
Gross (loss) / profit		(190,971)	72,176
Other income and gains	3	6,574	12,285
Selling and distribution expenses		(8,719)	(11,298)
Administrative expenses		(56,441)	(27,813)
Other expenses, net		(721,926)	(1,734)
Loss/ (profit) before income tax from continuing operations	4	(971,483)	43,616
Income tax expense	5	–	–
(Loss) / Profit for the year from continuing operations		(971,483)	43,616
Discontinued operation			
Loss for the year from a discontinued operation	6	(2,738)	(18,053)
(Loss) / Profit for the year		(974,221)	25,563
Other comprehensive income for the year, net of tax		–	–
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference (at nil tax)		446	–
Total comprehensive (loss) / income for the year		(973,775)	25,563
Loss / (Earnings) per share attributable to ordinary equity holders of the Company			
			(Restated)
Basic and diluted (loss) / earnings per share			
- (Loss) / Profit for the year	7	RMB(8.85)	RMB0.23
- (Loss) / Profit from continuing operations	7	RMB(8.83)	RMB0.40

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

Consolidated and Company Statements of Financial Position

At as 31 December 2015

		The Group		The Company	
		2015	2014	2015	2014
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investments in subsidiaries	8	–	–	–	223,738
Property, plant and equipment	9	146,274	330,033	–	–
Land use rights	10	43,806	52,482	–	–
		190,080	382,515	–	223,738
Current assets					
Inventories	11	61,342	553,389	–	–
Amounts due from subsidiaries		–	–	–	536,667
Prepayments, deposits and other receivables	12	358	57,116	–	–
Restricted bank deposits	13	–	388,093	–	–
Cash and cash equivalents	13	183,257	82,330	483	495
		244,957	1,080,928	483	537,162
Total assets		435,037	1,463,443	483	760,900
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	14	294,465	294,465	294,465	294,465
Reserves	15	137,314	1,111,089	(304,372)	460,519
Proposed final dividend	16	–	5,174	–	5,174
		431,779	1,410,728	(9,907)	760,158
LIABILITIES					
Current liabilities					
Trade payables	17	–	5,028	–	–
Amounts due to subsidiaries		–	–	9,304	–
Other payables, deposits received and accruals	18	3,258	47,687	1,086	742
		3,258	52,715	10,390	742
Total equity and liabilities		435,037	1,463,443	483	760,900

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company							
	Issued capital RMB'000 (Note 14)	Share premium RMB'000 [Note 15(a)]	Statutory reserve RMB'000 [Note 15(a)]	Capital redemption reserve RMB'000 [Note 15(a)]	Retained profits RMB'000	Exchange translation reserve RMB'000 [Note 15(a)]	Proposed final dividend RMB'000 [Note 16]	Total RMB'000
Balance at 1 January 2014	294,465	509,919	19,431	2,982	558,368	–	–	1,385,165
Total comprehensive income for the year	–	–	–	–	25,563	–	–	25,563
Proposed final 2014 dividend	–	–	–	–	(5,174)	–	5,174	–
Balance at 31 December 2014	294,465	509,919*	19,431*	2,982*	578,757*	–*	5,174	1,410,728
Balance at 1 January 2015	294,465	509,919	19,431	2,982	578,757	–	5,174	1,410,728
Total comprehensive loss for the year	–	–	–	–	(974,221)	–	–	(974,221)
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	–	446	–	446
Dividend paid – 2014 final	–	–	–	–	–	–	(5,174)	(5,174)
Balance at 31 December 2015	294,465*	509,919*	19,431*	2,982*	(395,464)*	446*	–	431,779

* These reserve accounts comprise the consolidated reserves of RMB137,314,000 (2014 - RMB1,111,089,000) in the consolidated statement of financial position.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Cash Flows from Operating Activities			
(Loss) / Profit before taxation			
- from continuing operations		(971,483)	43,616
- from a discontinued operation		(2,738)	(18,053)
Adjustments for:			
Depreciation of property, plant and equipment	9	52,688	78,055
Amortisation of land use rights	10	8,676	11,039
Impairment loss on prepayment, deposits and other receivables		189,708	–
Impairment loss on property, plant and equipment		131,071	–
Interest income	3	(5,657)	(11,065)
Operating (loss) / profit before working capital changes		(597,735)	103,592
Decrease in inventories		492,047	35,951
Decrease in biological assets		–	35,450
Decrease in trade receivables		–	2,317
Increase in prepayments, deposits and other receivables		(132,950)	(13,575)
Decrease in trade payables		(5,028)	(222,607)
Decrease in other payables, deposits received and accruals		(44,429)	(8,534)
Cash used in operations		(288,095)	(67,406)
Interest received		5,657	11,065
Net cash used in operating activities		(282,438)	(56,341)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	9	–	(15,391)
Cash transferred to restricted bank deposits		–	(773,036)
Cash transferred from restricted bank deposits		388,093	883,700
Net cash generated from investing activities		388,093	95,273
Cash Flows from Financing Activities			
Dividends paid		(5,174)	–
Net Cash used in financing activities		(5,174)	–
Net increase in cash and cash equivalents		100,481	38,932
Exchange differences		446	–
Cash and cash equivalents at beginning of year		82,330	43,398
Cash and cash equivalents at end of year	13	183,257	82,330

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

1(a) Corporate information

The financial statements of United Food Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

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, Shandong, 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 net losses of approximately RMB974,221,000 and negative cash flow from operating activities of approximately RMB282,438,000 for the year ended 31 December 2015. There is uncertainty involving the resumption of the soybean processing division which is temporarily suspended due to the slowdown in the local economy and the resultant weaker market demand of soybean products. The soybean processing division has been a major contributor to the Group's revenue. The Group will monitor and assess the situation before deciding when to resume the Group's soybeans processing operations. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Company prepared the financial statements based on the assumption that the Group can be operated as a going concern and is of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from the end of the reporting period, after taking into consideration of the following:

(i) Excluding the loss on sales of raw soybeans of RMB238,100,000 and loss on cancellation of 11 shipments of soybeans of RMB162,300,000, the cash flow from operating activities for the year ended 31 December 2015 is a positive RMB117,962,000.

(ii) The Group has net current asset of approximately RMB241,699,000 as of 31 December 2015 which is able to support working capital requirement; and

(iii) The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

Barring any unforeseen circumstance, the management of the Company believes that given the above financing/business plans and operational measures, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements in next twelve months. In addition, the management are of the opinion that the Group and the Company are able to meet their obligations for the next financial year as and when they fall due having regard to the sufficiency of cash flows estimated by the management. Based on the cash flow forecast prepared by management for the next twelve months from the end of the reporting period, the management have estimated that adequate liquidity exists to finance the working capital requirements of the Group for the next financial year. Accordingly, the management considers it appropriate that these financial statements should be prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

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 financial statements are presented in Renminbi ("RMB") which is the Company's functional currency. All the financial information presented in RMB has been rounded to the nearest thousand, 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.

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 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 Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(ii) Income tax (Note 5)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities as at 31 December 2015 were Nil (2014 – Nil) and Nil (2014 - Nil).

The Group's subsidiaries make tax submissions to the local tax authorities in accordance with interpretations and local practices. Management has assessed and concluded that all tax submissions are appropriate and except for the outstanding payments so determined, there are no further tax and related liabilities.

As at 31 December 2015, the Group did not recognise deferred tax assets in relation to unutilised tax losses and temporary differences arising from deductible expenses due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

2(a) Basis of preparation (Continued)

Significant judgements made in applying accounting policies (Continued)

(iii) 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 other 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 other receivables may be required.

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

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) Impairment of investment in subsidiaries (Note 8)

Investments in subsidiaries are tested for impairment when there are indicators that the carrying amount may not be recoverable 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. Recoverable amount is defined as the higher of an asset's or cash generating unit's fair value less costs of disposal and its value-in-use.

In making this judgment, the Group determined the recoverable amount of the cash-generating units using fair value less cost of disposal in respect of property, plant and equipment and the realization of net assets as at 31 December 2015. The assumption applied in the fair valuation assessment is disclosed in Note 9. The net assets after the fair valuation assessment of the investment in subsidiaries are disclosed in Note 8.

(ii) 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. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions. Management will revise the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 20 years.

2(a) Basis of preparation (Continued)

Key sources of estimation uncertainty (Continued)

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

The carrying amount of the Group's plant and equipment as at 31 December 2015 was RMB146,274,000 (2014 – RMB330,033,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the useful lives on plant and machinery were to increase by 1 year, the Group's loss for the year will decrease by approximately RMB 2,532,000 (2014 – Group's profit for the year will increase by RMB 3,355,000). A corresponding decrease in useful life by 1 year would increase the Group's loss for the year by RMB 2,207,000 (2014 - Group's profit for the year will decrease by RMB 8,106,000).

(iii) Impairment of non-current assets (other than goodwill) (Note 9)

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 amount is the higher of an asset's fair value less costs of disposal and value in use. Please refer to the impairment disclosures under Note 9.

(iv) Fair value measurement of non-current assets (Note 9)

With regard to the impairment assessment in Note 9, an independent valuation was performed by the valuers to determine the fair value less cost of disposal of the Group's property, plant and equipment.

The fair value of building (Level 3 valuation) were determined based on established used market comparable. The fair value of plant and machinery (Level 3 valuation) were determined based on established used market comparable and corroborated with using depreciated replacement cost approach. Further explanatory notes are disclosed in Note 9.

The recoverability of these amounts is dependent on the assumptions; and actual results are likely to be different from the estimates since anticipated events frequently do not occur as expected and the variation could be material.

(v) Allowance for inventory obsolescence (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 will decrease/increase by RMB3,067,000 (2014 – Group's profit will increase/decrease by RMB27,669,000).

2(b) Interpretations and amendments to published standards effective in 2015

On 1 January 2015, 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

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective as at 1 January 2015:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2016.
[4] Effective for annual periods beginning on or a date to be determined.

The Group is in the process of assessing the potential impact of the above new and revised IFRSs upon initial application but is not yet in a position to state whether the above new and revised IFRSs, will have a significant impact on the Group's results of operations and financial position.

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

One of the key requirements of IFRS 9 that are applicable to the Group includes the impairment of financial assets, of which IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments, Recognition and Management*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are of the view that the expected credit loss model may result in early provision of credit losses which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

2(c) IFRS not yet effective (Continued)

IFRS 15 *Revenue from Contracts with Customers*

In 2014, IFRS 15 was issued which 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.

The directors of the Company are in the process of reviewing the effect of the application of IFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets (other than mining assets and mining rights) respectively. The Group uses unit of production method for depreciation and amortisation for its mining assets and mining rights respectively. Goodwill is not amortised but reviewed for impairment on annual basis. The directors of the Company are in the process of reviewing the effect of the application of the amendments to IAS.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

2(c) IFRS not yet effective (Continued)

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

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Except for the above, the directors of the Company do not anticipate that the application of other new and revised IFRSs will have significant impact on the Group's consolidated financial statements.

2(d) Summary of significant accounting policies

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.

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

Consolidation (Continued)

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.

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.

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 profit or loss 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 (Continued)

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 (excluding VAT receivables, advances received and prepayments) and cash and bank balances. 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.

Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

Financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

Cash and cash equivalents

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

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

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

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.

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

Financial liabilities at amortised cost

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

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

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

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

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.

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

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

(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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

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

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

Leases

Where the Group is the lessee

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to statement of profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in statement of profit or loss when incurred.

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.

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.

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

Impairment of non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets 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 comprehensive income.

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.

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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs it is intended to compensate.

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 consolidated financial statements of the Group and statement of financial position of the Company are presented in Renminbi, which is also the functional currency of the Company.

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

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 other 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 profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

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.

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, other income and gains

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

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

The Group	2015 RMB'000	2014 RMB'000
Revenue		
Sale of goods attributable to continuing operations	2,211,658	5,080,301
Sale of goods attributable to a discontinued operation (Note 6)	–	49,568
	2,211,658	5,129,869
Other income		
Bank interest income	5,657	11,065
Sale of scrap and raw materials	148	1,012
Others	769	208
Attributable to continuing operations reported in the consolidated statement of profit or loss	6,574	12,285
Sales of scrap and raw materials	–	313
Government grants	–	396
Others	–	3
Attributable to a discontinued operation reported in the consolidated statement of profit or loss (Note 6)	–	712
	6,574	12,997

4 (Loss) / Profit before tax from continuing operations

The Group	2015 RMB'000	2014 RMB'000
(Loss) / Profit before tax from continuing operations is arrived at after charging/ (crediting):		
Cost of inventories sold	2,402,187	5,008,125
Directors' remuneration:		
- Fees	1,121	1,146
- Salary	600	600
	1,721	1,746
Depreciation of property, plant and equipment	52,688	69,682
Amortisation of land use rights	8,676	8,259
Impairment loss on prepayment, deposits and other receivables	189,708	–
Impairment loss on property, plant and equipment	131,071	–
Minimum lease payments under operating leases on buildings	909	821
Research and development costs	442	889
Auditor's remuneration	1,240	1,279
Employee benefit expense (excluding directors' remuneration)		
- Wages and salaries	24,427	31,942
- Retirement scheme contributions	5,486	6,162
- Amount included in research and development costs	308	442
	30,221	38,546

5 Income tax expense

Tax has not been provided by the Group during the year either for the continuing operations or the discontinued operation as the Group did not derive any assessable profits after utilisation of available tax losses during the year (2014 – Nil).

During the year, the applicable tax rate for Linyi Shengquan Grease Co., Ltd. ("SQ Grease") was 25% (2014 - 25%).

Tax has not been provided by the Company as it did not derive any assessable profits during the year (2014 - Nil).

A reconciliation of the tax expense applicable to loss / (profit) 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	2015 RMB'000	2014 RMB'000
(Loss) / Profit before income tax (including loss from a discontinued operation)	(974,221)	25,563
Tax at the applicable tax rates (25%)	(243,555)	6,391
Lower tax rate enacted by local authority	–	178
Tax effect on non-deductible expenses	2,017	2,206
Tax losses utilised from previous periods	–	(12,208)
Tax effect of current year tax losses not recognised	241,538	3,433
Income tax expense	–	–

Deferred tax assets have not been recognised in respect of the following items:

The Group	2015 RMB'000	2014 RMB'000
Tax losses	1,118,386	152,234

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the company in which the losses arose.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

6 Discontinued operation

During the year ended 31 December 2014, the Company ceased the operation in the pig rearing segment. The segment was engaged in the rearing and sale of pigs.

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

The Group	2015 RMB'000	2014 RMB'000
Revenue (Note 3)	–	49,568
Other income and gains (Note 3)	–	712
Expenses	(2,738)	(68,333)
Loss before tax from the discontinued operation	(2,738)	(18,053)
Tax	–	–
Loss for the year from the discontinued operation	(2,738)	(18,053)
Attributable to the Company	(2,738)	(18,053)

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

The Group	2015 RMB'000	2014 RMB'000
Operating activities	(2,738)	(2,298)
Investing activities	–	–
Financing activities	–	7
Net cash (outflow)	(2,738)	(2,291)
Loss per share:		
Basic and diluted from the discontinued operation	(RMB0.02)	(RMB0.16)

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 RMB2,738,000 (2014 – RMB18,053,000) and 110,080,868 ordinary shares (2014 – 110,080,868 shares after been adjusted with the share consolidation) ordinary shares in issue during the year (Note 14).

7 (Loss) / Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic and diluted loss per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company of RMB974,221,000 (2014 – profit of RMB25,563,000) and the weighted average number of ordinary shares of 110,080,868 (2014 - 110,080,868 shares after been adjusted with the share consolidation) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

The calculation of the basic and diluted (loss) / earnings per share is as follows:

The Group	2015 RMB'000	2014 RMB'000
(Loss) / Earnings		
(Loss) / Profit attributable to ordinary equity holders of the Company:		
from continuing operations	(971,483)	43,616
from a discontinued operation	(2,738)	(18,053)
	(974,221)	25,563

	Number of ordinary shares 2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss) /earnings per share calculations	110,080,868	1,100,808,740*

* After the completion of share consolidation on 16 June 2015, the Company has consolidated 10 ordinary shares of HK$0.25 each into 1 ordinary share of HK$2.50 each in the capital of the Company and the number of ordinary shares in issue used for the calculation of net asset value per ordinary share for as at 31 December 2014 has been adjusted for the effect of the share consolidation.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

8 Investments in subsidiaries

The Company	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	223,738	223,738
Less: Impairment loss during the year and at the end of the year	(223,738)	–
Net carrying value	–	223,738

Amounts due from subsidiaries included in the Company's current assets of Nil (2014 – RMB536,667,000) were unsecured, interest-free and repayable on demand. During the financial year, the Company fully impaired the amounts due from subsidiaries of RMB418,600,000 (2014 – Nil).

8 Investments in subsidiaries (Continued)

Details of the subsidiaries are:

Name	Country of incorporation/ principal place of business	Issued ordinary/ registered shares capital		Percentage of equity interest attributable to the Company		Principal activities
		2015	2014	2015 %	2014 %	
Directly held by the Company						
Post-Ante Trading Limited ("Post-Ante")	British Virgin Islands	US$200	US$200	100	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/ Mainland China	US$59,900,000	US$59,900,000	100	100	Production and sale of soybean meal and soybean oil* and animal feed production

* The Group has temporarily suspended the production and sale of soybean meal and soybean oil during the year.

Impairment of costs of investment in subsidiaries

During the year ended 31 December 2015, having regard to the financial performance of certain subsidiaries that have been loss making in the current year, an impairment loss of approximately RMB223,738,000 was recognised in respect of the Company's investments in these subsidiaries to write off the carrying value of the investments to nil. The recoverable amounts of the investments were determined to be nil in consideration of the net liabilities of subsidiaries after assessing the recoverable amount of the cash-generating units using fair value less disposal cost in respect of property, plant and equipment and the realization of net assets as at 31 December 2015. The property, plant and equipment of the subsidiaries has been impaired based on the fair value less cost of disposal. The assumption of the fair valuation of property, plant and equipment are disclosed in Note 9.

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	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2014	455,442	74,271	519,032	551	5,369	19,768	1,074,433
Additions	780	–	2,499	218	–	15,173	18,670
Transfer	14,814	–	20,127	–	–	(34,941)	–
At 31 December 2014, 1 January 2015 and 31 December 2015	471,036	74,271	541,658	769	5,369	–	1,093,103
Accumulated depreciation and impairment loss							
At 1 January 2014 and 1 January 2015	274,416	58,793	346,099	519	5,188	–	685,015
Depreciation for the year	29,537	10,422	37,914	32	150	–	78,055
At 31 December 2014	303,953	69,215	384,013	551	5,338	–	763,070
Depreciation for the year	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
Net book value							
At 31 December 2015	53,940	1,561	90,602	171	–	–	146,274
At 31 December 2014	167,083	5,056	157,645	218	31	–	330,033

The Group operated three divisions, namely Soybean Processing, Animal Feed and Pig Rearing. Pig Rearing Division ceased operations in 2014. Soybean Processing Division, a cash generating unit, was temporarily suspended in 2015. The other operation is relating to the production of animal feed which are operated by two production centres. The Group considered both centres to be under one cash generating unit.

The Company engaged a registered independent valuer to perform a valuation on the recoverable amount of the asset based on the "fair value less costs of disposal" ("FVLCD") of the assets. Based on the difference between the recoverable amount and the net book value of those property, plant and equipment, an impairment amount of RMB131,071,000 has been made.

As at 31 December 2015, certain items of property, plant and equipment with a gross carrying amount of RMB482,218,000 (2014 - RMB444,750,000) were fully depreciated but still in use.

9 Property, plant and equipment (Continued)

Impairment of property, plant and equipment

During the year ended 31 December 2015, the Group recognised substantial loss from operation and deficit in cash flow from operating activities. Under the requirements of IAS 36, the loss and negative operating cash flow are indicators of impairment which requires management to perform impairment testing of the Group's non-current assets. In view of the persistence of production issues and significant decline in profitability in the current year since the last financial year end, which were indicators of impairment under IAS 36, during the current year the Board conducted reviews on the carrying value of the Group's non-current assets as at the financial year ended 31 December 2015. The Board appointed an independent valuer, which is a Registered Professional Surveyor and Registered Business Valuer, to assess the carrying value of the Group's assets as of the respective period and year end date. According to the valuation reports dated 30 March 2016, there was a shortfall of approximately RMB131.1 million to the carrying value of the Group's property, plant and equipment as at the year ended 31 December 2015. The shortfall to the carrying value represented the need of recognising an impairment loss. This is the first financial year that the Group determined the recoverable amount based on FVLCD. An independent valuation of the Group's property, plant and equipment was performed by independent valuer not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the properties to determine the fair value of the property, plant and equipment as at 31 December 2015. The fair valuation of the assets had taken into consideration the cost of disposal as required under IAS 36. The following table analyses the non-financial assets 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 asset.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset that are not based on observable market data (that is, unobservable inputs).

Level 3	Market and cost approach RMB'000	Market comparable RMB'000	Total RMB'000
Buildings, plant and machinery	81,310	64,702	146,012

Fair value measurements using market comparable and significant unobservable inputs to derive level 3 fair values

The fair value of building (Level 3 valuation) were determined based on established used market comparable. Market comparable assume 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 fair value of plant and machinery (Level 3 valuation) were determined based on established used market comparable and corroborated with using depreciated replacement cost approach. Market comparable was based on recent selling prices based on price trend index for similar assets, with adjustments made to the indicated market prices to reflect the conditions and utilities of the appraised assets relative to their market comparables. Depreciated replacement cost approach was determined based on cost to reproduce or replace under new condition with current market prices based on price trend index 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.

9 Property, plant and equipment (Continued)

Fair value measurements using market comparable and significant unobservable inputs to derive level 3 fair values (Continued)

The following table shows the Group's valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Inter-relationship between key unobservable inputs	Inter-relationship between key unobservable inputs
Property	Market comparable including appropriate adjustments	Coefficient adjustment which include transaction correction coefficients as to the location, time, size and other relevant factors like status, regional factor correction coefficient and specific factor correction coefficient.	The estimated fair value would increase/(decrease) if the coefficient adjustments are lower/(higher).
Plant and equipment	Market approach	Coefficient adjustment which include recent selling prices based on price trend index for similar assets, and other specific factor correction coefficient to reflect the conditions and utilities of the assets.	The estimated fair value would increase/(decrease) if the coefficient adjustments are lower/(higher).
	Cost approach	Cost to replace under new condition with current market prices based on price trend index and other specific factor correction coefficient to reflect the conditions, utilities, age, wear and tear or obsolescence of the assets taking into consideration past and present maintenance policy.	The estimated fair value would increase/(decrease) if the coefficient adjustments are lower/(higher).

An impairment loss of RMB131.1 million was recognized during year ended 31 December 2015 in relation to the Group's non-current assets based on the impairment assessment by management. The calculation of impairment loss is as follows:

	As at 31 December 2015 RMB'000
Carrying amount of:	
- Property, plant and equipment	277,083
FVLCD of:	
- Property, plant and equipment	146,012
Shortfall of FVLCD over the carrying amount of:	
- Property, plant and equipment	131,071

9 Property, plant and equipment (Continued)

Fair value measurements using market comparable and significant unobservable inputs to derive level 3 fair values (Continued)

The shortfall arising from property, plant and equipment during year ended 31 December 2015 was mainly due to the slowdown in the local economy and the resultant weaker market demand of soybean products and to a lesser extent, government control policy on power generation.

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

10 Land use rights

The Group	2015 RMB'000	2014 RMB'000
Cost		
At 1 January and 31 December	216,000	216,000
Accumulated amortisation and impairment		
At 1 January	163,518	152,479
Amortisation during the year	8,676	11,039
At 31 December	172,194	163,518
Net book value		
At 31 December	43,806	52,482

11 Inventories

The Group	2015 RMB'000	2014 RMB'000
Raw materials	57,516	513,338
Finished goods	3,826	40,051
	61,342	553,389

12 Prepayments, deposits and other receivables

The Group	2015 RMB'000	2014 RMB'000
Other receivables	358	177
Prepayments	–	56,939
	358	57,116

Due to the uncertainty of supply of utilities as well as raw material costs which was not commensurate with the soybean product prices, a decision was made to cancel the remaining 11 shipments of soybeans in August 2015. Based on the market future prices of soybean in mid-August 2015, the Group's soybean supplier was expected to suffer a substantial loss in connection with these 11 shipments, and the potential losses would probably exceed the prepayments and deposits as the partial payments of those 11 shipments made by the Group. The said prepayments and deposits were not expected to be recoverable and therefore, the Group had made a full impairment on the said prepayments and deposits of RMB189,708,000 (2014: Nil) for the year.

13 Cash and cash equivalents and restricted bank deposits

The Group	2015 RMB'000	2014 RMB'000
Cash and bank balances	183,257	470,423
Less: restricted bank deposits	–	388,093
Cash and cash equivalents	183,257	82,330

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

As at 31 December 2015, the Group had fixed deposits denominated in RMB amounting to approximately RMB180,809,000 (2014 – RMB467,061,344) deposited with banks in Mainland China. RMB is not freely convertible into foreign currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

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

14 Share capital

The Company	Number of ordinary shares HK$2.50 each (2014:HK$0.25 each)	Nominal value of ordinary shares HK$'000	RMB'000
Authorised:			
At 1 January 2014, 31 December 2014 and 1 January 2015	2,000,000,000	500,000	535,000
Effect of share consolidation	(1,800,000,000)	–	–
At 31 December 2015	200,000,000	500,000	535,000
Issued and fully paid-up ordinary shares:			
At 1 January 2014, 31 December 2014 and 1 January 2015	1,100,808,740	275,202	294,465
Effect of share consolidation	(990,727,872)	–	–
At 31 December 2015	110,080,868	275,202	294,465

At 1 January 2004 and 31 December 2004, the numbers of authorised and issued share capital were 2,000,000,000 and 1,100,808,740 ordinary shares of HK$0.25 each.

In September 2014, the SGX-ST released a regulatory announcement informing the market that the Monetary Authority of Singapore and the SGX-ST intend to introduce a minimum trading price of S$0.20 for Mainboard-listed stocks as a continuing listing requirement ("MTP Requirement"). The MTP Requirement was introduced in March 2015. A transition period of 12 months from the date of introduction of the MTP Requirement will be provided to allow affected issuers to undertake corporate actions to meet the MTP Requirement. Issuers who are unable to record a 6-month volume-weighted average price of S$0.20 or above at each of the quarterly watch-list review dates, which will first commence in March 2016, will be placed on the watch-list. The Company's Shares were trading at the absolute price range of S$0.060 and S$0.083 for the past six (6) months prior to the issuance of this Appendix. Accordingly, the Company proposes to undertake the Proposed Share Consolidation in order to comply with the MTP Requirement and prevent the Company from being placed on the watch-list.

14 Share capital (Continued)

In accordance with the MTP Requirement, the Company consolidated every ten (10) issued and unissued Shares of par value HK$0.25 each in the authorised share capital and issued share capital of the Company into one (1) Consolidated Share. Accordingly, under the Proposed Share Consolidation, every ten (10) Shares of par value HK$0.25 each registered in the name, or standing to the credit of the Securities Account, of each Shareholder or Depositor (as the case may be) as at the Books Closure Date will be consolidated into one (1) Consolidated Share. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

At the Special General Meeting of the Company held on 22 April 2015, the resolution on The Proposed Share Consolidation as set out in the Notice of Special General Meeting dated 6 April 2015 was duly passed. After the completion of share consolidation on 16 June 2015, the Company has consolidated 10 ordinary shares of HK$0.25 each into 1 ordinary share of HK$2.50 each in the capital of the Company, hereby resulting that the authorised number of ordinary shares has reduced from 2,000,000,000 ordinary shares of HK$0.25 each to 200,000,000 ordinary shares of HK$2.50 each, and the number of issued shares has reduced 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

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of this report.

Share premium

The share premium may be distributed in the form of fully paid bonus shares.

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 (2014 – Nil).

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 the functional currency of the Company.

15 Reserves (Continued)

(b) The Company

	Share premium account RMB'000	Capital redemption reserve RMB'000	Accumulated losses RMB'000	Exchange translation reserve RMB'000	Total RMB'000
Balance at 1 January 2014	509,919*	2,982*	(41,383)*	–	471,518
Loss for the year	–	–	(5,825)	–	(5,825)
Proposed final 2014 dividends	–	–	(5,174)	–	(5,174)
Balance at 31 December 2014	509,919*	2,982*	(52,382)*	–	460,519
Loss for the year	–	–	(541,599)		(541,599)
Impairment loss in investments in subsidiaries	–	–	(223,738)	–	(223,738)
Exchange differences on translation of financial statements of foreign operation	–	–	–	446	446
Balance at 31 December 2015	509,919	2,982	(817,719)	446	(304,372)

* These reserve accounts comprise the Company's deficit reserves of RMB304,372,000 (2014 – reserves of RMB460,519,000) in the Company's statement of financial position.

The Company's share premium account with a balance of RMB509,919,000 (2014 – RMB509,919,000) may be distributed in the form of fully paid bonus shares.

16 Dividends

The Group and The Company	2015 RMB'000	2014 RMB'000
Proposed final - Nil (2014 – RMB0.0047) per ordinary shares	–	5,174

The proposed final 2014 dividend was paid in 2015. There is no proposed final dividend for 2015.

17 Trade payables

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

18 Other payables, deposits received and accruals

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Other payables	2,221	28,934	72	742
Deposits received	–	39	–	–
Accruals	1,037	18,714	1,014	–
	3,258	47,687	1,086	742

Other payables included VAT payable amounting to Nil (2014 - RMB24,890,000) and other non-interest-bearing payables amounting to RMB2,221,000 (2014 - RMB4,044,000) with an average term of one month.

19 Interested person transactions/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	2015 RMB'000	2014 RMB'000
Catering and accommodation expenses paid to a related company	(i)	460	380
Expenses paid in relation to transportation of soybeans	(ii)	17,946	–
		18,406	380
Compensation of key management personnel:			
Short-term employee benefits	(iii)	2,914	2,582

Notes:

(i) The directors consider that the catering and accommodation expenses paid to Jiang Quan Hotel, a related company owned by a nephew of Mr Wang Tingbao, a shareholder and director of the Company were incurred in the ordinary course of business of the Group.

(ii) The directors consider that the expenses paid in relation to transportation of soybeans to Linyi Zhiheng Logistics Co., Ltd., a related company owned by the elder brother of Mr Wang Tingbao, a shareholder and director of the Company were incurred in the ordinary course of business of the Group.

(iii) Further details of directors' remuneration are included in Note 20 to the financial statements.

Except for the foregoing, in compliance with the Listing Manual of the Singapore Exchange Limited (the "SGX"), the Group and the Company confirm that there was no other interested person transaction during the year (2014 - Nil).

20 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
2015			
Below S$250,000 (equivalent to approximately RMB1,662,000)	2	5	7
2014			
Below S$250,000 (equivalent to approximately RMB1,212,134)	2	3	5

21 Operating lease commitments

The Group leases certain of its buildings under operating lease arrangements. The leases typically run over a period of two years, with an option to renew the lease after that date..

Future minimum lease payments payable under non-cancellable leases are as follows:

The Group	2015 RMB'000	2014 RMB'000
Within one year	326	815
After one year but within five years	–	272
	326	1,087

22 Commitments

In additions to the operating lease commitments detailed in the Note 21 above, the Group had the following commitments at the end of the reporting period:

The Group	2015 RMB'000	2014 RMB'000
Contracted but not provided for unutilised letters of credit*	–	332,808

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

23 Financial risk management objectives and policies

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

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

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 and the Company's exposure to credit risk arises primarily from other receivables. For the other financial assets (including investment securities, cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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

The Group's credit risk is primarily attributable to its other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

23 Financial risk management objectives and policies (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's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

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

The Group	Less than one year RMB'000	Total RMB'000
At 31 December 2015		
Financial liabilities included in other payables, deposits received and accruals	3,258	3,258
	3,258	3,258
At 31 December 2014		
Trade payables	5,028	5,028
Financial liabilities included in other payables, deposits received and accruals	22,797	22,797
	27,825	27,825
The Company		
At 31 December 2015		
Amount due to subsidiaries	9,304	9,304
Financial liabilities included in other payables, deposits received and accruals	1,086	1,086
	10,390	10,390
At 31 December 2014		
Financial liabilities included in other payables, deposits received and accruals	742	742

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

Interest rate risk

The Group has no significant variable interest bearing liabilities and therefore has no significant interest rate risk exposure.

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. Most of the Group's monetary assets and liabilities are also denominated in RMB. Therefore, the Group has no significant currency risk exposure.

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 reviews and manages 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 monitors capital using Gearing Ratio, which is net debt divided by total equity. Net debt represents the aggregate of hire-purchase creditors, loan from a shareholder of a subsidiary, and bank borrowings less cash and cash equivalents.

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:

The Group	Loans and receivables 2015 RMB'000	2014 RMB'000
Financial assets		
Financial assets included in prepayments, deposits and other receivables (Note 12)	358	177
Restricted bank balances (Note 13)	–	388,093
Cash and cash equivalents (Note 13)	183,257	82,330
	183,615	470,600

	Financial liabilities at amortised cost 2015 RMB'000	2014 RMB'000
Financial liabilities		
Trade payables (Note 17)	–	5,028
Financial liabilities included in other payables, deposits received and accruals (Note 18)	3,258	22,797
	3,258	27,825

25 Financial instruments by category (Continued)

The Company	Loans and receivables 2015 RMB'000	Loans and receivables 2014 RMB'000
Financial assets		
Amounts due from subsidiaries (Note 8)	–	536,667
Cash and cash equivalents (Note 13)	483	495
	483	537,162

	Financial liabilities at amortised cost 2015 RMB'000	Financial liabilities at amortised cost 2014 RMB'000
Financial liabilities		
Financial liabilities included in other payables, deposits received and accruals (Note 18)	1,086	742

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 Group uses the following hierarchy for determining and disclosing the fair values of financial instruments based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

There were no transfers between level 1 and 2 and between level 2 and 3 for the years ended 31 December 2015 and 2014.

Fair value measurement of non-financial assets

Fair value measurement disclosures of property, plant and equipment is disclosed under Note 9.

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

Fair value measurement of other financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and trade in active markets are determined with reference to quoted market bid and ask prices respectively.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management has assessed that the fair value of financial assets included in prepayments, deposits and other receivables, restricted bank balances, cash and cash equivalents, trade payables, financial liabilities included in other payables, deposits received and accruals, and amounts due from subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value as at 31 December 2015 and 2014.

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.

As stated in Note 6 to the financial statements, the Group ceased the business of pig rearing and sold out all pure-bred and cross-bred live pigs.

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 as these assets are managed on a group basis.

Segment liabilities exclude corporate and unallocated liabilities as these liabilities are managed on a group basis.

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

27 Segment information (Continued)

The following tables present revenue, profit or loss and certain asset, liability and expenditure information for the Group for the years ended 31 December 2015 and 2014:

	CONTINUING OPERATIONS						DISCONTINUED OPERATION					
	Soybean processing		Feed production		Sub-total		Pig rearing		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	4,846,287	258,152	234,014	2,211,658	5,080,031	–	49,568		–	2,211,658	5,129,869
Inter-segment sales	18,129	38,018	–	11,340	18,129	49,358	–	–	(18,129)	(49,358)	–	–
	1,971,635	4,884,305	258,152	245,354	2,229,787	5,129,659		49,568		(49,358)	2,211,658	5,129,869
Reconciliation:												
Elimination of inter-segment sales					(18,129)	(49,358)						
Revenue from continuing operations					2,211,658	5,080,031						
Segment results	(835,989)	41,182	(48,100)	(690)	(884,089)	40,492	(2,738)	(18,053)	–	–	(886,826)	22,439
Reconciliation:												
Corporate and other												
Unallocated income and expenses					(93,051)	(7,941)					(93,051)	(7,941)
Bank interest income					5,657	11,065					5,657	11,065
Profit before tax					(971,483)	43,616					(974,221)	25,563

27 Segment information (Continued)

	CONTINUING OPERATIONS				DISCONTINUED OPERATION			
	Soybean processing		Feed production		Pig rearing		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	387,305	1,417,351	40,193	36,333	4,885	6,079	432,383	1,459,763
Reconciliation:								
Corporate and unallocated assets							2,654	3,680
Total assets							435,037	1,463,443
Segment liabilities	210	40,522	1,861	10,914	78	378	2,149	51,814
Reconciliation:								
Corporate and unallocated assets							1,109	901
Total liabilities							3,258	52,715
Other segment information:								
Capital expenditure	–	18,452	–	218	–	–		18,670
Depreciation	51,497	63,722	1,191	5,960	–	8,373	52,688	78,055
Amortisation	6,659	6,659	849	1,600	1,168	2,780	8,676	11,039
Impairment loss for property, plant and equipment	131,071	–	1,157	–	–	–	131,071	–

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 (2014 - Nil).

28 Contingent liabilities

The Group and the Company had no contingent liabilities as at 31 December 2015 (2014-Nil).

29 Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation or restated to disclose the impact of the Share Consolidation. These reclassifications have no impact on the Group's loss for the year ended 31 December 2014 and the Group's total equity as at 31 December 2014.

30 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 21 April 2016.

Statistics of Shareholdings

As at 12 April 2016

No. of shares issued	:	110,080,868
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	11	0.25	324	0.00
100 - 1,000	1,827	41.35	1,293,100	1.17
1,001 - 10,000	2,157	48.81	7,979,927	7.25
10,001 - 1,000,000	415	9.39	18,896,127	17.17
1,000,001 AND ABOVE	9	0.20	81,911,390	74.41
TOTAL	**4,419**	**100.00**	**110,080,868**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHINESE GLORY INVESTMENTS LIMITED	48,330,462	43.90
2	PHILLIP SECURITIES PTE LTD	10,452,215	9.50
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	8,486,720	7.71
4	WANG TINGBAO	5,000,000	4.54
5	RAFFLES NOMINEES (PTE) LIMITED	3,498,860	3.18
6	CHAN WAI MAN	1,850,500	1.68
7	UOB KAY HIAN PRIVATE LIMITED	1,472,933	1.34
8	DBS NOMINEES (PRIVATE) LIMITED	1,460,500	1.33
9	LOKE YEE WOON	1,359,200	1.23
10	TAN AH CHYE	880,000	0.80
11	NG WONG WAI LAN	845,500	0.77
12	CITIBANK NOMINEES SINGAPORE PTE LTD	822,833	0.75
13	GOH BEE LAN	540,200	0.49
14	WIRTZ JOCHEN	466,400	0.42
15	OCBC SECURITIES PRIVATE LIMITED	411,799	0.37
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	322,602	0.29
17	TENG TECK SENG	310,000	0.28
18	WAN ZUOFENG	305,000	0.28
19	KIM LENG TEE INVESTMENTS	300,000	0.27
20	DBSN SERVICES PTE. LTD.	298,120	0.27
	TOTAL	**87,413,844**	**79.40**

Statistics of Shareholdings

As at 12 April 2016

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Chinese Glory Investments Limited	48,330,462	43.90	–	–
Wang Tingbao*	5,000,000	4.54	48,530,484	44.09
David Yip Wai Sun**	–	–	48,330,462	43.90

Notes :

* Wang Tingbao's deemed interested in 48,530,484 shares comprises:-

  (i) 22 shares held under UOB Kay Hian Pte Ltd

  (ii) 48,330,462 shares held by Chinese Glory Investments Limited by virtue of his 20% interests in Chinese Glory Investments Limited

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

** David Yip Wai Sun is deemed to be interested in 48,330,462 shares held by Chinese Glory Investments Limited by virtue of his 70% interests in Chinese Glory Investments Limited.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information provided and to the best knowledge of the Directors, approximately 51.37% of the issued ordinary shares of the Company were held in the hands of the public as at 12 April 2016 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 Whitley Room, Level 6, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on Thursday, 12 May 2016 at 3.30 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 2015 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 Wang Tingbao	[Retiring under Bye-law 86(1)]	**(Resolution 2)**
Mr Chng Hee Kok	[Retiring under Bye-law 85(2)]	**(Resolution 3)**
Prof Ling Chung Yee Roy	[Retiring under Bye-law 85(2)]	**(Resolution 4)**

*Mr Chng Hee Kok will, upon re-election of the Company, remain as 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***").*

Prof Ling Chung Yee Roy will, upon re-election as a Director of the Company, remain as Lead Independent Director of the Company, Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. Prof Ling Chung Roy will be considered independent for the purpose of the Rule 704(8) of the Listing Manual of the SGX-ST.

3. To approve the payment of Directors' fees of S$234,000 for the year ending 31 December 2016, to be paid quarterly in arrears (2015: S$234,000). **(Resolution 5)**

4. To re-appoint HLB Hodgson Impey Cheng Limited, Chartered Accountants and Certified Public Accountants, Hong Kong ("**HICL**") and Foo Kon Tan LLP, Public Accountants and Chartered Accountants, Singapore ("**FKT**") as the Joint 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. **(Resolution 6)**

5. 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:

6. **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) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws for the time being of the Company; and

(4) the authority conferred on the Directors of the Company pursuant to this Ordinary Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this Ordinary Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which share issues have been carried out to the full extent of the authority conferred in this Ordinary Resolution; or

(iii) the date on which the authority conferred in this Ordinary Resolution is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting."

[See Explanatory Note (i)] **(Resolution 7)**

By Order of the Board

Yoo Loo Ping
Chiang Wai Ming
Company Secretaries

Singapore, 27 April 2016

Notice of
Annual General Meeting

Explanatory Notes to Resolutions to be passed –

(i) The Ordinary Resolution 7 proposed in item 6 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 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, from the date of the above Meeting until the date of the next 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.

UNITED FOOD HOLDINGS LIMITED

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