UNITED FOOD HOLDINGS LIMITED

First Quarter Financial Statements for the Three Months Ended 31 March 2017

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

The figures presented below have not been audited.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2017

		Group 3 months ended		
	Note	31/3/2017 RMB'000	31/3/2016 RMB'000	Change %
CONTINUING OPERATIONS				
Revenue	(A)	34,331	74,866	(54.1)
Cost of sales		(33,968)	(97,141)	(65.0)
Gross profit / (loss)	(B)	363	(22,275)	(98.4)
Other income	(C)	36	130	(72.3)
Selling and distribution costs	(D)	(832)	(1,325)	(37.2)
Administrative expenses	(E)	(13,452)	(21,645)	(37.9)
Loss before tax from continuing operations		(13,885)	(45,115)	(69.2)
Income tax expense		-	-	-
Loss for the period from continuing operations		(13,885)	(45,115)	(69.2)
DISCONTINUED OPERATION				
Loss for the period from a discontinued operation	(F)	(684)	(684)	-
Loss for the period		(14,569)	(45,799)	(68.2)
Attributable to :				
Owners of the Company		(14,569)	(45,799)	(68.2)
LOSS PER SHARE				
- Basic		(0.12)	(0.42)	
- Diluted		N/A	N/A	

Note: For Notes (A) – (F), please refer to Item 8.

Note: N/A - Not applicable
N/M – Not meaningful

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Group		
	3 months ended		
	31/3/2017	31/3/2016	Change
	RMB'000	RMB'000	%
Loss for the period	(14,569)	(45,799)	(68.2)
Other comprehensive income/(loss)			
Exchange differences on translation of financial statements of foreign operation	23	(8)	N/M
Total comprehensive loss for the period	(14,546)	(45,807)	(68.2)

The Group ' s loss before tax is arrived at after

	Group		
	3 months ended		
	31/3/2017	31/3/2016	Change
	RMB'000	RMB'000	%
Depreciation	3,864	11,889	(67.5)
Amortisation of land use rights	1,930	2,357	(18.1)

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

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

		Group		Company	
		31/3/2017	31/12/2016	31/3/2017	31/12/2016
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investment in subsidiary		-	-	9	9
Property, plant and equipment		64,693	68,557	-	-
Land use rights		34,157	36,087	-	-
		98,850	104,644	9	9
Current assets					
Inventories	(G)	13,288	15,253	-	-
Other receivables	(H)	75,032	75,273	-	-
Cash and cash equivalents		24,982	24,292	2,031	-
		113,302	114,818	2,031	-
Total assets		212,152	219,462	2,040	9
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital		13,733	11,779	13,733	11,779
Reserves		177,832	190,474	(25,789)	(28,433)
		191,565	202,253	(12,056)	(16,654)
LIABILITIES					
Current liabilities					
Amounts due to subsidiaries		-	-	12,589	13,919
Amount due to a shareholder	(I)	613	1,064	613	797
Other payables and accruals	(J)	8,417	4,588	894	1,947
Provision	(K)	11,557	11,557	-	-
		20,587	17,209	14,096	16,663
Total equity and liabilities		212,152	219,462	2,040	9

Note: For Notes (G) to (K), please refer to Item 8.

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

Amount repayable in one year or less, or on demand

As at 31/3/2017		As at 31/12/2016	
Secured	**Unsecured**	**Secured**	**Unsecured**
RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
N/A	613	N/A	1,064*

* Restated

Amount repayable after one year

As at 31/3/2017		As at 31/12/2016	
Secured	**Unsecured**	**Secured**	**Unsecured**
RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
N/A	N/A	N/A	N/A

Details of any collateral

N/A

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Group	
	3 months ended	
	31/3/2017	31/3/2016
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		
From continuing operations	(13,885)	(45,115)
From a discontinued operation	(684)	(684)
Adjustments for:		
Amortisation of land use rights	1,930	2,357
Depreciation of property, plant and equipment	3,864	11,889
Bank interest income	(21)	(120)
Cash flow used in operating activities before working capital changes	(8,796)	(31,673)
Change in inventories	1,965	2,529
Change in other receivables	241	(11,273)
Change in other payables and accruals	3,829	4,575
Cash used in operations	(2,761)	(35,842)
Interest received	21	120
Net cash used in operating activities	(2,740)	(35,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from a shareholder	613	-
Repayment of advance to a shareholder	(1,064)	-
Proceeds from issue of new shares	4,032	-
Share issue expenses	(174)	-
Net cash generated from financing activities	3,407	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	667	(35,722)
Exchange difference	23	(8)
Cash and cash equivalents at the beginning of period	24,292	183,257
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	24,982	147,527

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

Group

	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Exchange translation reserve RMB'000	Statutory reserves RMB'000	Capital redemption reserve RMB'000	Total RMB'000
Balance at 1 January 2017	11,779	-	397,141	(229,263)	183	19,431	2,982	202,253
Transactions with the owners recognised directly in equity								
Issue of new shares	1,954	2,078	-	-	-	-	-	4,032
Share issue expenses	-	(174)	-	-	-	-	-	(174)
Total transactions with the owners recognised directly in equity	1,954	1,904	-	-	-	-	-	3,858
Total comprehensive income for the period								
Loss for the period	-	-	-	(14,569)	-	-	-	(14,569)
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	23	-	-	23
Total comprehensive loss for the period	-	-	-	(14,569)	23	-	-	(14,546)
Balance at 31 March 2017	13,733	1,904	397,141	(243,832)	206	19,431	2,982	191,565

Group

	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Exchange translation reserve RMB'000	Statutory reserves RMB'000	Capital redemption reserve RMB'000	Total RMB'000
Balance at 1 January 2016	294,465	509,919	-	(395,464)	446	19,431	2,982	431,779
Total comprehensive income for the period								
Loss for the period	-	-	-	(45,799)	-	-	-	(45,799)
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	(8)	-	-	(8)
Total comprehensive loss for the period	-	-	-	(45,799)	(8)	-	-	(45,807)
Balance at 31 March 2016	294,465	509,919	-	(441,263)	438	19,431	2,982	385,972

Company

	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Exchange translation reserve RMB'000	Capital redemption reserve RMB'000	Total RMB'000
Balance at 1 January 2017	11,779	-	397,141	(427,148)	(1,408)	2,982	(16,654)
Transactions with the owners recognised directly in equity							
Issue of new shares	1,954	2,078	-	-	-	-	4,032
Share issue expenses	-	(174)	-	-	-	-	(174)
Total transactions with the owners recognised directly in equity	1,954	1,904	-	-	-	-	3,858
Total comprehensive income for the period							
Loss for the period	-	-	-	(346)	-	-	(346)
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	1,086	-	1,086
Total comprehensive loss for the period	-	-	-	(346)	1,086	-	740
Balance at 31 March 2017	13,733	1,904	397,141	(427,494)	(322)	2,982	(12,056)

Company

	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Exchange translation reserve RMB'000	Capital redemption reserve RMB'000	Total RMB'000
Balance at 1 January 2016	294,465	509,919	-	(817,719)	446	2,982	(9,907)
Total comprehensive income for the period							
Loss for the period	-	-	-	(363)	-	-	(363)
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	57	-	57
Total comprehensive loss for the period	-	-	-	(363)	57	-	(306)
Balance at 31 March 2016	294,465	509,919	-	(818,082)	503	2,982	(10,213)

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

On 20 February 2017, the Company issued and allotted 22,016,173 Placement Shares in accordance with the Placement Agreements dated 16 January 2017 with net proceeds of RMB3,858,000.

There were no treasury shares and subsidiary holdings. The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 March 2017 and 31 December 2016.

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

	Number of ordinary shares (par value of HK$0.10 each)
Issued and fully paid:	
At 1 January 2017	110,080,868
Issue of new shares	22,016,173
At 31 March 2017	132,097,041

The Company did not hold any treasury shares as at 31 March 2017 and 31 December 2016.

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

N/A

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

N/A

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

The figures have not been audited nor reviewed.

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

N/A

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

The Group has applied the same accounting policies and methods of computation in the preparation of the consolidated financial statements for the current reporting period compared with the audited financial statements as at 31 December 2016.

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

The adoption of the new or revised IFRS that are mandatory for financial year beginning on or after 1 January 2017, and such adoption has no significant impact on the Group's consolidated financial statements.

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

	Group 3 months ended	
	31/3/2017 RMB	31/3/2016 RMB
LOSS PER ORDINARY SHARE		
(i) Based on weighted average number of ordinary shares in issue		
- For loss for the period	(0.12)	(0.42)
- For loss from continuing operations for the period	(0.12)	(0.41)
(ii) On a fully diluted basis	N/A	N/A

(i) Loss per ordinary share on the existing issued share capital is computed based on the weighted average number of shares in issue during three months ended 31 March 2017 of 119,865,834 shares (three months ended 31 March 2016: 110,080,868 shares).

(ii) There were no potential dilutive ordinary shares in existence for the three months ended 31 March 2017 and 31 March 2016, respectively and accordingly, no diluted loss per share has been presented.

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

	Group		Company	
	31/3/2017 RMB	31/12/2016 RMB	31/3/2017 RMB	31/12/2016 RMB
NET ASSETS VALUE PER ORDINARY SHARE				
Net asset backing per ordinary share based on existing issued share capital as at the end of the period report on	1.45	1.84	(0.09)	(0.15)

The net asset value for the Group and the Company per ordinary share were calculated based on 132,097,041 shares and 110,080,868 shares in issue as at 31 March 2017 and 31 December 2016, respectively.

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

Performance Review

(A) Revenue

The Group recorded a revenue of RMB34.3 million in the first quarter ended 31 March 2017 ("1Q2017") compared to RMB74.9 million in the first quarter ended 31 March 2016 ("1Q2016"). The significant decrease in revenue was mainly due to the reduction of revenue in the Feed Production Segment.

Soybean Processing

Our Soybean Processing Segment did not have any revenue in 1Q2017 and 1Q2016, because the Group suspended the production of this division since 5 July 2015.

Feed Production

Our Feed Production Segment recorded a RMB34.3 million in 1Q2017 compared to RMB74.9 million in 1Q2016, representing a decrease by 54.1%. The significant decrease in revenue was mainly due to the closure of one of our production centres since October 2016 and a decrease in the sales volume. In addition, the supply of feed products was distributed only to the surrounding areas of feed production centre situated in Yishui County, Linyi City, Shandong Province, China, which led to cost inefficiency due to low volume of demand.

(B) Gross profit /(loss) margin

The Group recorded a gross profit margin of 1.1% for the continuing operations in 1Q2017 compared to the gross loss margin of 29.8% in 1Q2016. The increase in gross profit margin is mainly due to an increase in selling prices of our animal feed products and a decrease in raw materials of those products in 1Q2017.

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

(C) Other income

Other income decreased by 72.3% in 1Q2017 compared to 1Q2016, due mainly to a lower interest income.

(D) Selling and distribution costs

In line with the decrease in sales revenue, the Group incurred a lower selling and distribution expenses in 1Q2017 compared to 1Q2016.

(E) Administrative expenses

Administrative expenses decreased by 37.9% in 1Q2017 compared to 1Q2016, mainly due to the decrease in the depreciation of property, plant and equipment and the amortisation of land use rights. The administration expenses in 1Q2017 included the labour costs of our inactive staff of RMB2,049,000 (1Q2016: RMB1,701,000) from Soybean Processing Segment and one of feed production centres after their suspension to fulfill corporate social responsibility.

(F) Loss for the period from a discontinued operation

Loss for the period from a discontinued operation represents those expenses incurred and depreciation charges in our Pig Rearing Division which ceased operation in 2014.

(G) Inventories

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

(H) Other receivables.

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

(I) Amount due to a shareholder

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

(J) Other payables and accruals

The increase in other payables, deposit received and accruals was due mainly to an increase in provision for staff welfare and tax payables in 1Q2017.

(K) Provision

Provision included that for litigation claim amounting to RMB11.6 million, and it was made because the Group had closed one of our pig rearing centres in FY2014, and had faced a litigation dispute with regards to an equipment procurement contract. The court judgement in respect of this claim had been reached in the financial year 2016 in favour of the plaintiff. Even though the Group is deliberating on its available legal action(s), it has made a provision for litigation claim of RMB11.6 million to be prudent.

(L) Cash flow statement

Net cash flow of RMB687,000 was generated in 1Q2017 by the Group due to the net proceeds of RMB3,858,000 received from the issue of new Placement Shares as stated in Note 1(d)(ii). The net cash generating from financing activities of RMB3,407,000, offset with the net cash used in the operating activities of RMB2,720,000.

(M) Legal and compliance risk identified

Following the closure of the soybean processing as a result of environmental enforcement by the government of the People's Republic of China ("PRC"), the Group realised the impact local regulations and standards had on the flexibility of its businesses and its ability to respond to changing market conditions. Accordingly, the Group had changed its cost structures to provide more flexibility.

The Group's management is dedicated to finding viable solutions to satisfy compliance requirements and mitigate compliance risks, in particular the risks associated with the Group's existing operations in Shandong, and the Group's exposure to potential claims or disputes in such a volatile period. Management has collectively endeavour that they will, to the best of their ability, identify and manage legal risks through the use of legal advice. Furthermore, the Group's management is also proactively engaging in discussions and consultations with governmental regulators and industry leaders to understand the local requirements in each jurisdiction which the Group conducts its businesses in. The Management will continue to maintain its commitment to comply with the changing PRC legal environment and mitigate the risks associated for operating within it.

Another example of the Group's current commitment to satisfying compliance requirements was the Group's labour payment of RMB 7.1 million, details of which were disclosed in the Annual Report 2016. Despite the accounting records were not sufficient to satisfy the audit requirements, they were adequate to fulfill the requirements of the labour bureau of the PRC and minimise the possibility of possible breaches of the employment contracts, employment funds, the employment laws and regulations relating to occupancy safety applicable in the PRC. In doing so, the Management had mitigated the exposure of the Company, its shareholders and directors, to possible claims and liabilities in this particular respect, during the interim periods following the cessation of the soybean processing operations in 2015.

The Management is in the process of revising a new operational plan to ensure its full compliance of all rules and regulations presently applicable to the Group for the year 2017. The new operation plan will hopefully result in a positive operational mode for the Group for the years to follow.

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

The announcement is in line with the profit guidance announcement of 2 May 2017.

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

The Group is experiencing volatility in soybean prices, intense competition and economic uncertainties in the PRC. These challenges have resulted in the Group suspending the operations of the Soybean Processing Division from FY2015 to date, and for the Group's difficult operating conditions.

The Group is currently reviewing its overall strategic direction and may restart the operations of the Soybean Processing Division when it becomes commercially viable to do so. In addition, the management is also currently exploring options for any disposals that would benefit the Group as a whole. The Group's Feed Production Segment continues to operate, and we are also exploring opportunities on the use or sale of the land vacated by the Group's pig rearing business.

As mentioned in the Company's announcement of 21 April 2017, the Group has entered a memorandum of undertaking for the acquisition of Really Time Food Trading Limited which is engaged in trading, procurement and distribution of pork related food products in the Hong Kong, PRC and Southeast Asian countries.

11. Dividend

a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?
No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
No

(c) Date Payable

N/A

(d) Books Closure Date

N/A

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

No dividend has been declared.

13. Confirmation that the issue has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Board of Directors of United Food Holdings Limited hereby confirms that the undertakings from all its Directors and Executive Officers as required in the format as set out under Rule 720(1) of the Listing Manual were procured.

14. Aggregate Value Of Interested Person Transactions Entered Into For The Three Months Ended 31 March 2017

Pursuant to Rule 920 of the SGX-ST's Listing Manual, details of the aggregate value of interested person transactions entered into for the three months ended 31 March 2017, were as follows: -

The Company does not have an IPT Mandate.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Jiang Quan Hotel*	RMB Expenses paid in relation to catering and accommodation services provided by Jiang Quan Hotel 160,000	Nil

* Jiang Quan Hotel is owned by the nephew of Mr Wang Tingbao, a Director and substantial shareholder of the Company.

15. Confirmation by Directors pursuant to Clause 705(5) of the Listing Manual of the SGX-ST

On behalf of the Board of Directors of the Company, we, Wang Tingbao and Wu Xiaoran, being Directors of the Company, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of United Food Holdings Limited which may render the unaudited financial statements for the three months ended 31 March 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
UNITED FOOD HOLDINGS LIMITED

Wu Xiaoran
Director
11 May 2017