



YOUYUE INTERNATIONAL LIMITED

**YOUYUE INTERNATIONAL LIMITED
(FORMERLY KNOWN AS YOUCAN FOODS INTERNATIONAL LIMITED)**

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200401338W)

EMPHASIS OF MATTER BY AUDITORS ON FINANCIAL STATEMENTS

The Board of Directors of **YOUYUE INTERNATIONAL LIMITED** ("the Company"), pursuant to Rule 704(5) of the Listing Manual, wishes to inform Members of an Emphasis of Matter stated in the Independent Auditors' Report To The Members of the Company for the financial year ended 31 December 2013 which is reproduced below:-

**Independent Auditors' Report
For the year ended 31 December 2013**

To the members of Youyue International Limited

Report on the financial statements

We have audited the accompanying financial statements of Youyue International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 78, which comprise the balance sheets of the Group and of the Company as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flow of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity, and cash flows of the Group for the year ended on that date.

Emphasis of Matter

We draw attention to Note 2.1 to the financial statements. As at 31 December 2013, the Group's and Company's current liabilities exceeded their current assets by RMB 23 million and RMB 15 million respectively, and the Company has a net equity deficit of RMB 6 million. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. As stated in Note 2.1, the ability of the Group and the Company to continue as going concerns is based on the following:

- (a) a related party's undertaking not to recall the amounts due to it until the cash flows of the Group and the Company permit;
- (b) continuing financial support from its bankers;
- (c) directors' view that the loans from a corporate shareholder and a related party will not be recalled until the cash flows of the Company permits; and
- (d) ability of the Group to generate positive cash flows from its operations and the Company to receive funding from its subsidiaries.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the Group's and Company's balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

31 March 2014

Excerpt from the Relevant Notes to Financial Statements

2. Summary of significant accounting policies

2.1 *Basis of preparation*

As at 31 December 2013, the Group's and Company's current liabilities exceeded their current assets by RMB 23 million (2012: RMB 24 million) and RMB 15 million (2012: RMB 11 million) respectively and the Company has a net equity deficit of RMB 6 million (2012: RMB 2 million). These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

The financial statements have been prepared on the basis that the Group and the Company will continue as going concerns based on the following:

- (a) as disclosed in Note 20, a related party (in which the Group's Non-Executive Chairman is a controlling shareholder) has given an undertaking that it will not recall the amount payable to it by the Group and Company of RMB 29.3 million and RMB 6.0 million respectively until the cash flows of the Group and the Company permit;
- (b) the Group is reliant on loan facilities and it believes it has good working relationships with its principal bankers in the People's Republic of China and that it will be able to obtain re-financing and/or additional loans from the bankers when required;
- (c) the directors of the Company are of the view that a corporate shareholder and a related party will not demand repayment of loans owing to them amounting to RMB 7.6 million until the cash flows of the Company permit; and
- (d) ability of the Group to generate positive cash flows from its operations and the Company to receive funding from its subsidiaries.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the Group's and Company's balance sheets as at 31 December 2013. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.