UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration No. 28925)

PROPOSED CAPITAL REORGANISATION

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1. INTRODUCTION

The Board of Directors ("**Board**") of United Food Holdings Limited (the "**Company**") wishes to announce that the Company is proposing to undertake a reorganisation of its share capital to, *inter alia,* reduce the par value of each ordinary share in the share capital of the Company ("**Share**") to HK$0.10 (the "**Proposed Capital Reorganisation**").

As at the date of this announcement, the authorised share capital of the Company is HK$500,000,000 divided into 200,000,000 Shares of a par value of HK$2.50 each, of which 110,080,868 Shares of a par value of HK$2.50 each have been issued and fully paid or credited as fully paid. For the purpose of this Announcement, "**Shares**" means ordinary shares in the capital of the Company.

The Proposed Capital Reorganisation will involve the following:

(a) the reduction of the issued and paid-up share capital of the Company by cancelling the paid-up share capital of the Company to the extent of HK$2.40 on each of the issued Shares such that the par value of each of the issued Shares be reduced from HK$2.50 to HK$0.10 ("**Capital Reduction**");

(b) subject to and forthwith upon the Capital Reduction taking effect, all of the authorised but unissued shares of HK$2.50 each in the Company (which shall include, without limitation, the authorised but unissued share capital resulting from the Capital Reduction) be cancelled and the authorised share capital of the Company of HK$500,000,000 be diminished by such amount representing the amount of Shares so cancelled ("**Authorised Capital Diminution**");

(c) forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company be increased from HK$20,000,000 divided into 200,000,000 Shares of par value of HK$0.10 each to HK$500,000,000 divided into 5,000,000,000 Shares of par value HK$0.10 each by the creation of such number of Shares of par value of HK$0.10 each (representing the difference between 5,000,000,000 Shares and the number of Shares of HK$0.10 in issue after the Capital Reduction) ("**Authorised Capital Increase**"), as it is not intended for the par value reduction to lead to a reduction in the authorised share capital, which is currently HK$500,000,000;

(d) the share premium account of the Company be reduced by cancelling the entire sum of HK$475,721,000 standing to the credit of the share premium account as at 31 December 2015 (the "**Share Premium Reduction**");

(e) subject to and forthwith upon the Capital Reduction and the Share Premium Reduction taking effect, the amount of credit arising from the Capital Reduction in the sum of HK$264,194,083 and the amount of credit arising from the Share Premium Reduction in the sum of HK$475,721,000 be credited to the contributed surplus account of the Company (the "**Crediting of Contributed Surplus**"), and the sum of HK$739,915,083 in the contributed surplus account of the Company be utilised to set off against the Accumulated Losses (as defined herein) of the Company in full ; and

(f) the directors of the Company ("**Directors**") shall be authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the bye-laws of the Company ("**Bye-laws**") and all applicable laws.

2. EFFECT OF THE PROPOSED CAPITAL REORGANISATION

The Proposed Capital Reorganisation involves primarily the proposed reduction in par value of each Share in accordance with Bermuda laws.

Upon the Proposed Capital Reorganisation taking effect:

(a) the par value of each issued and unissued Share will be reduced from HK$2.50 to HK$0.10;

(b) the issued share capital will be reduced from HK$275,202,170 to HK$11,008,087 (divided into 110,080,868 Shares of HK$0.10 each). The number of issued Shares will remain unchanged at 110,080,868 Shares;

(c) the share premium account of the Company will be reduced from HK$475,721,000 to zero; and

(d) the authorised share capital will remain unchanged at HK$500,000,000, but divided into 5,000,000,000 Shares of par value HK$0.10 each, instead of 200,000,000 Shares of par value HK$2.50 each.

Upon the Proposed Capital Reorganisation becoming effective, there is no change in the number of issued and paid-up Shares held by, or the percentage level of shareholding of each shareholder of the Company ("**Shareholder**") as a result of the Proposed Capital Reorganisation. The Shares of par value HK$0.10 each will rank *pari passu* in all respects with each other. Other than the expenses incurred in relation to the Proposed Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

The Proposed Capital Reorganisation will not involve the diminution of any liability in respect of the unpaid capital or the payment to any Shareholders of any fully paid-up share capital of the Company. The amount of credit arising from the Proposed Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company and utilised to set off against the Accumulated Losses in full.

3. CONDITIONS FOR THE PROPOSED CAPITAL REORGANISATION

An application will be made for the approval of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the Proposed Capital Reorganisation. The Company will make the appropriate announcement on the in-principle approval from SGX-ST as and when necessary. The approval-in-principle granted by the SGX-ST for the Proposed Capital Reorganisation is not an indication of the merits of the Proposed Capital Reorganisation, the Company, and/or its subsidiaries.

The implementation of the Proposed Capital Reorganisation is subject to, *inter alia*, the following:

(a) approval of the Shareholders for the Proposed Capital Reorganisation by way of a special resolution at a special general meeting of the Company ("**SGM**"), that is to say, the Proposed Capital Reorganisation has to be approved by a majority of not less than three-fourths (3/4) of the votes cast by the Shareholders, being entitled so to do, present and voting at the SGM (either voting in person or by duly authorised corporate representative or by proxy) of which not less than fifteen (15) market days' notice shall have been given;

(b) compliance with relevant legal procedures and requirements under Bermuda laws and Singapore laws (if any) to effect the Proposed Capital Reorganisation, including the publication of a notice in an appointed newspaper in Bermuda at a date not more than thirty (30) days and not less than fifteen (15) days before the Effective Date (as defined below) of the Proposed Capital Reorganisation as required under Section 46 of the Companies Act 1981 of Bermuda (the "**Bermuda Companies Act**")**;** and

(c) the receipt of all necessary approvals (if any) from the regulatory authorities, as may be required in respect of the Proposed Capital Reorganisation.

Shareholders may wish to note that Bermuda law does not require any application to the Bermuda courts for the purpose of the Proposed Capital Reorganisation.

4. RATIONALE

The Shares have been trading between approximately S$0.025 (equivalent to HK$0.137) and approximately S$0.055 (equivalent to HK$0.302) with a volume weighted average price of approximately S$0.034 (equivalent to HK$0.184), which is below the existing par value per Share of HK$2.50, during the three (3) months prior to 14 November 2016.

Under the laws of Bermuda, which (unlike certain other jurisdictions such as Singapore) have yet to abolish the concept of par value, shares of a Bermuda company may not be issued for an amount less than the par value of the shares. The Proposed Capital Reorganisation will provide the Company with greater flexibility to issue new Shares in the future should fund raising opportunities or requirements arise and facilitate corporate actions which may require the issuance of new Shares. The Proposed Capital Reorganisation will also increase the distributable reserves of the Company thereby giving the Company greater flexibility in relation to its dividend policy and distributions.

Further, based on the audited consolidated financial statements of the Group for the latest financial year ended 31 December 2015, the paid-up share capital of the Company which is lost or unrepresented by available assets ("**Accumulated Losses**") of the Company as at 31 December 2015 amounted to RMB$395,464,000 (equivalent to HK$471,998,568 based on a foreign currency exchange rate of HK$1:RMB$0.83785 as at 31 December 2015). The cancellation of capital no longer represented by assets would result in the par value of the Shares that more closely reflect the value of the Company's underlying assets and consequently the capital employed by the Company's business.

The amount of credit arising from the Capital Reduction and the Share Premium Reduction shall be transferred to the contributed surplus account of the Company and will be utilised to set off the Accumulated Losses in full. The Directors of the Company shall be authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the Bye-laws and all applicable laws. Bye-law 136 of the Bye-laws provides amongst others that the Company may make a distribution out of any contributed surplus (as ascertained in accordance with the Bermuda Companies Act). As such, subject to the Bye-laws and all applicable laws, the Proposed Capital Reorganisation will increase the credit balance in the contributed surplus of the Company and provide the Company with greater flexibility in relation to future distribution, if any, out of contributed surplus (whether or not the Company will make a distribution out of contributed surplus and the timing and amount of distribution to be paid will depend on the Company's earnings, financial position including cash flow position and future capital requirements, future plans and other relevant factors). **As at the date of this Announcement, Shareholders should note that there are currently no plans to make any distribution out of the increased contributed surplus arising from the Proposed Capital Reorganisation.**

The Directors are therefore of the view that the Proposed Capital Reorganisation will mitigate the limitations generally associated with the concept of par value and provide the Company with flexibility on its future capital structure to enable the Company to take advantage of opportunities as and when they arise.

5. FINANCIAL EFFECTS

For illustrative purposes only, the financial position of the Company and the Company and its subsidiaries ("**Group**") are set out below:-

(a) Share Capital

The effects of the Proposed Capital Reorganisation on the share capital of the Company as at the date hereof are follows:

	Before Proposed Capital	**After Proposed Capital**

	Reorganisation	Reorganisation
Authorised Share Capital		
Number of Shares	200,000,000	5,000,000,000
Par Value (HK$)	2.50	0.10
Total (HK$)	500,000,000	500,000,000
Issued and Paid-up Capital		
Number of Shares	110,080,868	110,080,868
Par Value (HK$)	2.50	0.10
Total (HK$)	275,202,170	11,008,087

(b) Shareholders' Funds and Reserves

The Shareholders' funds and reserves of the Company before and after the Proposed Capital Reorganisation (based on the latest audited consolidated financial statements of the Group as at 31 December 2015) are as follows:

	Before Proposed Capital Reorganisation (RMB$'000)	After Capital Reduction (RMB$'000)[(1)]	After Share Premium Reduction and Crediting of Contributed Surplus (RMB$'000)[(1)]
Share capital	294,465	11,779	11,779
Contributed Surplus	-	282,686	397,141
Share premium	509,919	509,919	-
Capital redemption reserve	2,982	2,982	2,982
Exchange translation reserve	446	446	446
Statutory reserve	19,431	19,431	19,431
Retained earnings / (Accumulated Losses)	(395,464)	(395,464)	-[(2)]
Shareholders' Funds	431,779	431,779	431,779

Notes:

(1) Based on a foreign currency exchange rate of HK$1:RMB$0.83785 as at 31 December 2015, except for the share capital balance which was based on a historical foreign currency exchange of HK$1:RMB$1.07000 as at the date the Shares were issued.

(2) After setting off the sum of RMB$792,605,000 in the contributed surplus account of the Company (after the Crediting of Contributed Surplus) against the Accumulated Losses in full.

(c) Net Tangible Assets, Earnings and Gearing

Save for the costs and expenses relating to the Proposed Capital Reorganisation, the implementation of the Proposed Capital Reorganisation will not have any effect on the net tangible assets, earnings and gearing of the Group. No capital will be returned to Shareholders and there will be no change in the number of Shares held by Shareholders immediately after the Proposed Capital Reorganisation.

The proforma analysis above has been prepared solely for illustrative purposes only and does not purport to be indicative or a projection or an estimate of the financial results and financial positions of the Company and the Group immediately after the completion of the Proposed Capital Reorganisation.

6. EFFECTIVE DATE

The effective date of the Proposed Capital Reorganisation, if approved by Shareholders at the SGM, will be 28 December 2016, or such other date as the Directors may determine in accordance with the Bermuda Companies Act and announced by the Company (the "**Effective Date**").

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors have any interest, direct or indirect, in the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company). To the best of the knowledge of the Directors, none of the substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company).

8. CIRCULAR TO SHAREHOLDERS

Further details of the Proposed Capital Reorganisation will be announced and/or included in the circular to be despatched to Shareholders. The circular will also enclose the notice of the SGM for the Proposed Capital Reorganisation.

By Order of the Board

Song Yanan
Non-Executive Chairman

Date: 29 November 2016