UNITED FOOD HOLDINGS LIMITED

Second Quarter and Half Year Financial Statement for the Six Months ended 30 June 2016

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

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

The figures presented below have not been audited.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Group					
		3 months ended			6 months ended		
	Note	30/6/2016 RMB'000	30/6/2015 RMB'000	Change %	30/6/2016 RMB'000	30/6/2015 RMB'000	Change %
CONTINUING OPERATIONS							
Revenue	(A)	74,824	989,999	(92.4)	149,690	2,008,466	(92.5)
Cost of sales		(98,397)	(1,121,683)	(91.2)	(195,538)	(2,130,101)	(90.8)
Gross loss	(B)	(23,573)	(131,684)	(82.1)	(45,848)	(121,635)	(62.3)
Other income and gains	(C)	339	2,257	(85.0)	469	4,656	(89.9)
Selling and distribution costs	(D)	(1,245)	(2,990)	(58.4)	(2,570)	(5,629)	(54.3)
Administrative expenses	(E)	(22,715)	(8,717)	160.6	(44,360)	(14,532)	205.3
Other expenses, net	(F)	-	(421,441)	(100.0)	-	(422,141)	(100.0)
Loss before tax		(47,194)	(562,575)	(91.6)	(92,309)	(559,281)	(83.5)
Tax		-	-	-	-	-	-
Loss after tax		(47,194)	(562,575)	(91.6)	(92,309)	(559,281)	(83.5)
DISCONTINUED OPERATION							
Loss for the period from a discontinued operation	(G)	(685)	(684)	0.1	(1,369)	(1,369)	0.0
Loss for the year		(47,879)	(563,259)	(91.5)	(93,678)	(560,650)	(83.3)
Attributable to :							
Owners of the Company		(47,879)	(563,259)	(91.5)	(93,678)	(560,650)	(83.3)
LOSS PER SHARE							
- Basic		(RMB0.43)	(RMB5.12)		(RMB0.85)	(RMB5.09)	
- Diluted		N/A	N/A		N/A	N/A	

For notes (A) to (G), please refer to item 8 for further analysis.

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

CONSOLIDATED STATMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Group					
	3 months ended			6 months ended		
	30/6/2016 RMB'000	30/6/2015 RMB'000	Change %	30/6/2016 RMB'000	30/6/2015 RMB'000	Change %
Loss for the period	(47,879)	(563,259)	(91.5)	(93,678)	(560,650)	(91.2)
Other comprehensive expenses						
Exchange differences on translation of financial statements of foreign operation	(269)	-	N/M	(277)	-	N/M
Total comprehensive expense	(48,148)	(563,259)	(91.5)	(93,955)	(560,650)	(91.2)

Loss before tax is arrived at after charging the following:

	3 months ended			6 months ended		
	30/6/2016 RMB'000	30/6/2015 RMB'000	Change %	30/6/2016 RMB'000	30/6/2015 RMB'000	Change %
Depreciation	11,888	13,401	(11.3)	23,777	28,569	(16.8)
Amortisation of land use rights	2,357	2,124	11.0	4,714	4,249	10.9
Loss on sales of raw soybeans	-	231,106	(100.0)	-	231,106	(100.0)
Impairment loss for prepayments, deposits and other receivables	-	189,708	(100.0)	-	189,708	(100.0)

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 30 JUNE 2016

		Group		Company	
		30/6/2016	31/12/2015	30/6/2016	31/12/2015
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment		122,497	146,274	-	-
Land use right		39,092	43,806	-	-
		161,589	190,080	-	-
Current assets					
Inventories	(H)	56,279	61,342	-	-
Prepayments, deposits and other receivables		72	358	-	-
Cash and cash equivalents	(I)	132,069	183,257	77	483
		188,420	244,957	77	483
Total assets		350,009	435,037	77	483
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital		294,465	294,465	294,465	294,465
Reserves		43,359	137,314	(306,654)	(304,372)
		337,824	431,779	(12,189)	(9,907)
LIABILITIES					
Current liabilities					
Amounts due to subsidiaries		-	-	12,193	9,304
Other payables, deposits received and accrued	(J)	12,185	3,258	73	1,086
		12,185	3,258	12,266	10,390
Total equity and liabilities		350,009	435,037	77	483

For notes (H) to (J), please refer to item 8 for further analysis.

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

Amount repayable in one year or less, or on demand

As at 30/6/16		As at 31/12/15	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
N/A	N/A	N/A	N/A

Amount repayable after one year

As at 30/6/16		As at 31/12/15	
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 STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Group			
	3 months ended		6 months ended	
	30/6/2016 RMB'000	30/6/2015 RMB'000	30/6/2016 RMB'000	30/6/2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax				
From continuing operations	(47,194)	(562,575)	(92,309)	(559,281)
From a discontinued operation	(685)	(684)	(1,369)	(1,369)
Adjustments for:				
Amortisation of land use rights	2,357	2,124	4,714	4,249
Depreciation	11,888	13,401	23,777	28,569
Impairment loss for prepayments, deposits and other receivables	-	189,708	-	189,708
Bank interest income	(313)	(2,169)	(433)	(4,486)
	(33,947)	(360,195)	(65,620)	(342,610)
Change in inventories	2,534	383,568	5,063	474,788
Change in trade receivables	11,288	19,738	-	-
Change in prepayment, deposits and other receivables	271	11,604	286	(176,550)
Change in trade payables	-	(884)	-	(3,118)
Change in other payables, deposits received and accruals	4,352	(27,107)	8,927	(6,434)
	(15,502)	26,724	(51,344)	(53,924)
Interest received	313	2,169	433	4,486
Net cash generated from/(used in) operating activities	(15,189)	28,893	(50,911)	(49,438)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash transferred to restricted bank deposits	-	(335,058)	-	(656,041)
Cash transferred from restricted bank deposits	-	300,033	-	631,793
Net cash used in investing activities	-	(35,025)	-	(24,248)
CASH FLOW FROM FINANCING ACTIVITIES				
Dividend paid	-	(5,174)	-	(5,174)
Net cash used in financing activities	-	(5,174)	-	(5,174)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,189)	(11,306)	(50,911)	(78,860)
Exchange differences	(269)	-	(277)	-
Cash and cash at the beginning of period	147,527	82,330	183,257	82,330
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	132,069	71,024	132,069	3,470

1(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	Proposed final dividend RMB'000	Accumulated losses RMB'000	Exchange translation reserve RMB'000	Statutory reserves RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Total RMB'000
Balance at 1 January 2016	294,465	-	(395,464)	446	19,431	2,982	509,919	431,779
Loss for the period	-	-	(93,678)	-	-	-	-	(93,678)
Exchange differences on translation of financial statements of foreign operation	-	-	-	(277)	-	-	-	(277)
Balance at 30 June 2016	294,465	-	(489,142)	169	19,431	2,982	509,919	337,824

Group

	Issued capital RMB'000	Proposed final dividend RMB'000	Retained profits RMB'000	Exchange translation reserve RMB'000	Statutory reserves RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Total RMB'000
Balance at 1 January 2015	294,465	5,174	578,757	-	19,431	2,982	509,919	1,410,728
Loss for the period	-	-	(560,650)	-				(560,650)
Dividend paid - 2014 final	-	(5,174)	-	-	-	-	-	(5,174)
Balance at 30 June 2015	294,465	-	18,107	-	19,431	2,982	509,919	844,904

Company

	Issued capital RMB'000	Proposed final dividend RMB'000	Accumulated losses RMB'000	Exchange translation reserve RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Total RMB'000
Balance at 1 January 2016	294,465	-	(817,719)	446	2,982	509,919	(9,907)
Loss for the period	-	-	(1,757)	-	-	-	(1,757)
Exchange differences on translation of financial statements of foreign operation	-	-	-	(525)	-	-	- (525)
Balance at 30 June 2016	294,465	-	(819,476)	(79)	2,982	509,919	(12,189)

Company

	Issued capital RMB'000	Proposed final dividend RMB'000	Accumulated losses RMB'000	Exchange translation reserve RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Total RMB'000
Balance at 1 January 2015	294,465	5,174	(52,382)	-	2,982	509,919	760,158
Loss for the period	-	-	(2,336)	-	-	-	(2,336)
Dividend paid - 2014 final	-	(5,174)	-	-	-	-	(5,174)
Balance at 30 June 2015	294,465	-	(54,718)	-	2,982	509,919	752,648

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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

N/A, see 1 (d) (iii) below.

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 preceding year.

There were 110,080,868 ordinary shares in issue as at 30 June 2016 and 31 December 2015. The Company did not hold any treasury shares as at 30 June 2016 and 31 December 2015.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares 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 for the year ended 31 December 2015.

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 new or revised IFRS that are mandatory for financial years beginning on or after 1 January 2016. The adoption of these IFRS 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		6 months ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
LOSS PER ORDINARY SHARE				
(i) Based on weighted average number of ordinary shares in	(RMB0.43)	(RMB5.12)	(RMB0.85)	(RMB5.09)
(ii) On a fully diluted basis	N/A	N/A	N/A	N/A

(i) Loss per ordinary share on the existing issued share capital is computed based on the number of shares in issue during three and six months ended 30 June 2016 of 110,080,868 shares (three and six months ended 30 June 2015: 110,080,868* shares).

*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 weighted average number of ordinary shares used for the calculation of loss per share for the corresponding period in 2015 has been adjusted for the effect of the share consolidation.

(ii) There were no potential dilutive ordinary shares in existence for the three and six months ended 30 June 2016 and 30 June 2015 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 of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015
NET ASSET VALUE PER ORDINARY SHARE				
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	RMB3.07	RMB3.92	(RMB0.11)	(RMB0.09)

The net asset value for the Group per ordinary share was calculated based on 110,080,868 shares in issue as at 30 June 2016 and 31 December 2015.

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 and segmental performance

Group's revenue decreased by 92.4% from RMB990.0 million in the three months ended 30 June 2015 ("2Q2015") to RMB74.8 million in the three months ended 30 June 2016 ("2Q2016"). The decrease in revenue was due mainly to Soybean Processing Division has temporarily been suspended since 5 July 2015.

The Group recorded a pre-tax loss of RMB47.2 million in 2Q2016, compared to RMB562.6 million in 2Q2015.

The following table provides more detailed comparisons of the Group's performances in 2Q2016 and 2Q2015 and the six months ended 30 June 2016 ("6M2016") and the six months ended 30 June 2015 ("6M2015"):

	Group					
	3 months ended			6 months ended		
	30/6/2016 RMB'000	30/6/2015 RMB'000	Change %	30/06/2016 RMB'000	30/06/2015 RMB'000	Change %
Revenue						
Animal Feed	74,824	52,241	43.2	149,690	104,997	42.6
Soybean Processing	-	937,758	(100.0)	-	1,903,469	(100.0)
	74,824	989,999	(92.4)	149,690	2,008,466	(92.5)
Pre-tax loss						
Animal Feed	(25,554)	(2,307)	1007.7	(49,968)	(2,211)	2160.0
Soybean Processing	(20,109)	(559,581)	(96.4)	(40,169)	(557,357)	(92.8)
	(45,663)	(561,888)	(91.9)	(90,137)	(559,568)	(83.9)
Interest income	313	2,169	(85.6)	433	4,486	(90.3)
Unallocated expenses	(1,844)	(2,856)	(35.4)	(2,605)	(4,199)	(38.0)
Loss before tax	(47,194)	(562,575)	(91.6)	(92,309)	(559,281)	(83.5)

Animal Feed

The Animal Feed Division recorded a revenue of RMB74.8 million 2Q2016, representing an increase of 43.2% as compared to that in 2Q2015, and mainly due to the increase in sales volume in this division. However, this division recorded a pre-tax loss of RMB25.6 million in 2Q2016, compared to the pre-tax loss of RMB2.3 million in 2Q2015, and loss in this period was mainly due to an increase in the manufacturing overheads and a decrease in selling prices.

Soybean Processing

There was no revenue recorded in this division in 2Q2016 because its operation temporarily suspended since 5 July 2015. This division also recorded a pre-tax loss of RMB20.1 million in 2Q2016, compared to RMB559.6 million in 2Q2015, as the pre-tax loss in 2Q2015 was charged with the loss on sales of raw soybeans of RMB231.1 million and impairment for prepayments, deposits and other receivables of RMB189.7 million for the cancellation of 11 shipments of soybeans.

(B) Gross loss

The Group recorded a gross loss margin of 31.5% for 2Q2016, compared to 13.3% in 2Q2015. The increase in gross loss margin in 2Q2016 mainly due to an increase in the manufacturing overheads and a decrease in selling prices in Animal Feed Division.

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

(C) Other income and gains

Other income and gains decreased by 85.0% in 2Q2016 compared to 2Q2015, due mainly to lower interest income.

(D) Selling and distribution costs

In line with the decrease in revenue and only one operating division in 2Q2016, the Group incurred lower selling and distribution expenses in 2Q2016 compared to that in 2Q2015.

(E) Administrative expenses

Administrative expenses increased by 160.6% in 2Q2016 compared to 2Q2015. This was due mainly to the reallocation 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.

(F) Other expenses, net

There was no other expenses, net in 2Q2016. The other expenses, net in 2Q2015 represented loss on sales of raw soybeans of RMB231.1 million and impairment for prepayments, deposits and other receivables of RMB189.7 million for the cancellation of 11 shipments of soybeans.

(G) 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.

(H) Inventories

The decrease in inventories in 6M2016 was due mainly to the lower of the raw materials in the non-peak session in Animal Feed Division.

(I) Cash and cash equivalents

The decrease in cash and cash equivalents was due to an amount of RMB50.9 million used in the operating activities in 6M2016.

(J) Other payables, deposit received and accruals

The increase in other payables, deposit received and accruals was due mainly to an increase in staff welfare and tax payables in 6M2016.

(K) Cash flow statement

Net cash flow of RMB15.2 million was used in 2Q2016 by the Group due to the operating loss and cash used in the operating activities.

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 dated 29 July 2016.

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 industry in which the Group operates in continues to face soybean prices volatility, stiff competitive pricing and uncertainties arising from changes to China's challenging economic environment. As stated in the Company's announcement dated 18 August 2015, due to the anti-pollution issue promulgated by the provincial government in Linyi, the Group was forced to shut down the operations of the Soybean Processing Division, and remains so to date.

The Group will continue its animal feed production business, and 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.

Going forward, the PRC will continue to be the focus market for the Group; but with economic growth moderating coupled with global uncertainties, the Group anticipates a challenging business outlook.

From our announcement dated 21 June 2016 on shareholding changes, the new strategic investor has been introduced to the Group to assist in exploring new business opportunities and to enhance the performance of the Group.

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 Six Months Ended 30 June 2016

Pursuant to Rule 920 of the SGX-ST's Listing Manual, details of the aggregate value of interested person transactions entered into the six months 30 June 2016, were as follows: -

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 (Note 1)	RMB Expenses paid in relation to catering and accommodation services provided by Jiang Quan Hotel 320,000	Nil*

*. The Company does not have an IPT Mandate.

Note 1: Jiang Quan Hotel is owned by the nephew of Mr. Wang Tingbao, a Director and a substantial shareholder of the Company.

BY ORDER OF THE BOARD

Wang Tingbao
Director
8 August 2016

CONFIRMATION BY DIRECTORS PURSUANT TO CLAUSE 705(5) OF THE LISTING MANUAL OF THE SGX-ST

We 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 these interim financial results to be false or misleading in any material respect.

For and on behalf of the
Board of Directors of
United Food Holdings Limited

David Yip Wai Sun
Director

Wang Tingbao
Director