

**Youyue International Limited (Formerly known as Youcan Foods International Limited)**  
**(Company Registration No. 200401338W)**

**HALF YEAR RESULTS ANNOUNCEMENT FOR HY 2014**

The Board of Directors of Youyue International Limited are pleased to announce the consolidated results of the Group for the 6 months ended 30 June 2014 ("HY2014"). The figures presented below have not been reviewed or audited.

**1(a)(i) A statement of comprehensive income (for the group) with comparatives for the corresponding period of the immediately preceding financial year.**

|                                                                            | <b>Group</b>   |                |                                 |
|----------------------------------------------------------------------------|----------------|----------------|---------------------------------|
|                                                                            | <b>HY2014</b>  | <b>HY2013</b>  |                                 |
|                                                                            | <b>RMB'000</b> | <b>RMB'000</b> | <b>Increase/<br/>(Decrease)</b> |
|                                                                            | <i>(Note)</i>  |                |                                 |
| Revenue                                                                    | 105,279        | 98,710         | 6.7%                            |
| Cost of sales                                                              | (91,387)       | (84,407)       | 8.3%                            |
| Gross profit                                                               | 13,892         | 14,303         | -2.9%                           |
| Other operating income                                                     | 2,456          | 2,822          | -13.0%                          |
| Selling and distribution expenses                                          | (2,905)        | (2,898)        | 0.2%                            |
| Administrative expenses                                                    | (7,837)        | (8,957)        | -12.5%                          |
| Other operating expenses                                                   | (2,176)        | (1,405)        | 54.9%                           |
| Profit from operations                                                     | 3,430          | 3,865          | -11.3%                          |
| Interest expense on interest-bearing loans                                 | (2,467)        | (2,103)        | 17.3%                           |
| Bank charges                                                               | (43)           | (63)           | -31.7%                          |
| Profit before tax for the period                                           | 920            | 1,699          | -45.9%                          |
| Income tax                                                                 | (83)           | (1,423)        | -94.2%                          |
| <b>Net profit after tax for the period</b>                                 | <b>837</b>     | <b>276</b>     | <b>203.3%</b>                   |
| <b>Net profit/(loss) after tax for the period attributable to:</b>         |                |                |                                 |
| Equity holders of the Company                                              | (388)          | (1,194)        | -67.5%                          |
| Non-controlling interests                                                  | 1,225          | 1,470          | -16.7%                          |
|                                                                            | <u>837</u>     | <u>276</u>     | <u>203.3%</u>                   |
| <b>Net profit after tax for the period</b>                                 | <b>837</b>     | <b>276</b>     | <b>203.3%</b>                   |
| Foreign currency translation, representing other comprehensive income, net | (607)          | 600            | NM                              |
| <b>Total comprehensive income for the period</b>                           | <b>230</b>     | <b>876</b>     | <b>-73.7%</b>                   |
| <b>Total comprehensive income attributable to:</b>                         |                |                |                                 |
| Equity holders of the Company                                              | (995)          | (594)          | 67.5%                           |
| Non-controlling interests                                                  | 1,225          | 1,470          | -16.7%                          |
|                                                                            | <u>230</u>     | <u>876</u>     | <u>-73.7%</u>                   |

**NOTE:** Further to the Group's restructuring exercise intended to provide alternative revenue streams to the Group and improve the financial position of the Group, the Group acquired 100% of WYW Capital Pte Ltd, which in turn owned 100% of Harbin Promlite Energy Saving Technology Co., Ltd. (the "New Subsidiaries") in June 2014. The New Subsidiaries are principally engaged in project-based activities involving energy conservation services and sustainable developments. These activities aim to upgrade and/or replace existing infrastructure with environmentally friendly technology and architecture. As such, profit and loss for the period include the operations of the New Subsidiaries from the date of acquisition till 30 June 2014 and the balance sheet as at 30 June 2014 is also inclusive of the New Subsidiaries.

**1(a)(ii) Breakdown and explanatory notes to the income statement.**

Profit before tax is arrived at after charging/(crediting) the following:

|                                                | <b>Group</b>             |                          | Increase/<br>(Decrease) |
|------------------------------------------------|--------------------------|--------------------------|-------------------------|
|                                                | <b>HY2014</b><br>RMB'000 | <b>HY2013</b><br>RMB'000 |                         |
| Depreciation of property, plant and equipment  | 5,751                    | 6,503                    | -11.6%                  |
| Amortisation of intangibles                    | 4                        | 6                        | -33.3%                  |
| Amortisation of land use rights                | 164                      | 199                      | -17.6%                  |
| Operating lease expenses                       | 143                      | 144                      | -0.7%                   |
| Staff costs                                    | 8,528                    | 9,929                    | -14.1%                  |
| (Gain)/Loss on disposal of plant and equipment | (18)                     | 3                        | NM                      |
| Allowance for doubtful trade debts             | 82                       | 62                       | 32.3%                   |
| Write-back for inventory obsolescence          | -                        | (18)                     | NM                      |
| Interest expense from loan and borrowings      | 2,467                    | 2,103                    | 17.3%                   |
| Interest income from bank balances             | (189)                    | (133)                    | 42.1%                   |
| Foreign exchange (gains)/losses                | (1,094)                  | 1,003                    | NM                      |
| Government grants and awards                   | (174)                    | (231)                    | -24.7%                  |
| Overprovision for prior year's tax             | (289)                    | -                        | NM                      |

NM: Not Meaningful

**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.**

|                                              | <b>Group</b>                 |                              | <b>Company</b>               |                              |
|----------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                              | <b>30.06.2014</b><br>RMB'000 | <b>31.12.2013</b><br>RMB'000 | <b>30.06.2014</b><br>RMB'000 | <b>31.12.2013</b><br>RMB'000 |
| <b>Non-current assets</b>                    |                              |                              |                              |                              |
| Property, plant and equipment                | 82,568                       | 86,463                       | 4                            | 5                            |
| Land use rights                              | 12,905                       | 13,069                       | -                            | -                            |
| Investment in subsidiaries                   | -                            | -                            | 8,931                        | 8,589                        |
| Other unquoted investments                   | 996                          | 996                          | -                            | -                            |
| Prepayment for property, plant and equipment | 1,698                        | 663                          | -                            | -                            |
| Deferred tax assets                          | -                            | 377                          | -                            | -                            |
| Goodwill on consolidation (Note A)           | 592                          | -                            | -                            | -                            |
| Intangible assets                            | 13                           | 17                           | -                            | -                            |
|                                              | <u>98,772</u>                | <u>101,585</u>               | <u>8,935</u>                 | <u>8,594</u>                 |
| <b>Current assets</b>                        |                              |                              |                              |                              |
| Inventories                                  | 33,805                       | 23,313                       | -                            | -                            |
| Trade receivables                            |                              |                              |                              |                              |
| - third parties                              | 65,756                       | 70,251                       | -                            | -                            |
| - related party (Note B)                     | -                            | 2,382                        | -                            | -                            |
| Bills receivable                             | 25,294                       | 30,822                       | -                            | -                            |
| Prepayments                                  | 4,794                        | 931                          | 33                           | 14                           |
| Other receivables                            | 1,189                        | 809                          | 89                           | 67                           |
| Due from a corporate shareholder, non-trade  | 160                          | 142                          | 160                          | 142                          |
| Due from a subsidiary, non-trade             | -                            | -                            | 30                           | 29                           |
| Cash and bank balances                       | 12,268                       | 14,710                       | 772                          | 304                          |
|                                              | <u>143,266</u>               | <u>143,360</u>               | <u>1,084</u>                 | <u>556</u>                   |

|                                                                       | <b>Group</b>      |                   | <b>Company</b>    |                   |
|-----------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                       | <b>30.06.2014</b> | <b>31.12.2013</b> | <b>30.06.2014</b> | <b>31.12.2013</b> |
|                                                                       | RMB'000           | RMB'000           | RMB'000           | RMB'000           |
| <b>Current liabilities</b>                                            |                   |                   |                   |                   |
| Trade payables                                                        |                   |                   |                   |                   |
| - third parties                                                       | 26,662            | 30,841            | -                 | -                 |
| Bills payable                                                         | 9,733             | 10,927            | -                 | -                 |
| Other payables and accruals                                           | 12,957            | 13,203            | 975               | 1,698             |
| Other payables to a related party of a corporate shareholder (Note B) | 24,465            | -                 | 5,495             | -                 |
| Due to related parties, non-trade (Note B)                            | -                 | 29,329            | -                 | 6,009             |
| Provision for income tax                                              | 474               | 2,210             | -                 | -                 |
| Finance lease obligations                                             | 21                | 44                | 21                | 44                |
| Loan from a related party of a corporate shareholder (Note B)         | 4,488             | -                 | 4,488             | -                 |
| Loan from a related party (Note B)                                    | -                 | 4,488             | -                 | 4,488             |
| Loan from a corporate shareholder                                     | 5,473             | 2,871             | 5,473             | 2,871             |
| Loan from holding company                                             | 995               | -                 | 995               | -                 |
| Bank borrowings                                                       | 83,060            | 72,680            | -                 | -                 |
|                                                                       | <u>168,328</u>    | <u>166,593</u>    | <u>17,447</u>     | <u>15,110</u>     |
| <b>Net current liabilities</b>                                        | <b>(25,062)</b>   | <b>(23,233)</b>   | <b>(16,363)</b>   | <b>(14,554)</b>   |
| <b>Non-current liabilities</b>                                        |                   |                   |                   |                   |
| Deferred tax liabilities                                              | (2,009)           | (2,315)           | -                 | -                 |
|                                                                       | <u>(2,009)</u>    | <u>(2,315)</u>    | <u>-</u>          | <u>-</u>          |
| <b>Net assets/(liabilities)</b>                                       | <b>71,701</b>     | <b>76,037</b>     | <b>(7,428)</b>    | <b>(5,960)</b>    |
| <b>Capital and reserves</b>                                           |                   |                   |                   |                   |
| Share capital                                                         | 113,179           | 113,179           | 113,179           | 113,179           |
| Translation reserves                                                  | 1,033             | 1,640             | 366               | 631               |
| Restricted reserves                                                   | 7,475             | 7,475             | -                 | -                 |
| Accumulated losses                                                    | (102,086)         | (101,698)         | (120,973)         | (119,770)         |
| <b>Equity attributable to equity holders of the Company</b>           | <b>19,601</b>     | <b>20,596</b>     | <b>(7,428)</b>    | <b>(5,960)</b>    |
| <b>Non-controlling interests</b>                                      | <b>52,100</b>     | <b>55,441</b>     | <b>-</b>          | <b>-</b>          |
| <b>Total equity</b>                                                   | <b>71,701</b>     | <b>76,037</b>     | <b>(7,428)</b>    | <b>(5,960)</b>    |

#### NOTES to the Statement of Financial Position:

(A) Represents provisional goodwill recognised on acquisition of the New Subsidiaries.

(B) Pursuant to the resignation of Mr Dai Tianrong as a director of the Company with effect from 10 June 2014, these entities were no longer considered related parties as at 30 June 2014 and has been reclassified accordingly. Nonetheless, Mr Dai Tianrong, through his majority-owned investment vehicle, China Invest Trading Limited, remained as a corporate shareholder of the Company with a stake of approximately 8% in the Company.

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

##### Amount repayable in one year or less, or on demand

|                           | <b>30.06.2014</b> | <b>31.12.2013</b> |
|---------------------------|-------------------|-------------------|
|                           | RMB'000           | RMB'000           |
| Finance lease obligations | 21                | 44                |
| Loans and borrowings      | 94,016            | 80,039            |
|                           | <u>94,037</u>     | <u>80,083</u>     |

##### Amount repayable after one year

NIL

#### Details of any collateral

- Bank borrowings amounting to RMB 36.3 million are secured by corporate guarantees from a related party of a corporate shareholder.
  - Bank borrowings amounting to RMB 31.7 million are secured over certain assets of the Group.
  - Bank borrowings amounting to RMB 15.06 million are secured over bills receivables of the Group.
  - The loans from a related party of a corporate shareholder, a corporate shareholder and holding company are unsecured and interest-free.
  - Finance leases are secured by the leased motor vehicles with a net book value of RMB Nil.
- The bank borrowings bear interest of between 5.60% to 7.85% per annum.

**1(c) A Statement of Cash Flow (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|                                                                                                    | <b>Group</b>   |                 |
|----------------------------------------------------------------------------------------------------|----------------|-----------------|
|                                                                                                    | <b>HY2014</b>  | <b>HY2013</b>   |
|                                                                                                    | <b>RMB'000</b> | <b>RMB'000</b>  |
| <b>Cash flows from operating activities</b>                                                        |                |                 |
| Profit before tax                                                                                  | 920            | 1,699           |
| Adjustments for:                                                                                   |                |                 |
| Depreciation of property, plant and equipment                                                      | 5,751          | 6,503           |
| Amortisation of intangibles                                                                        | 4              | 6               |
| Amortisation of land use rights                                                                    | 164            | 199             |
| Allowance for doubtful trade debts                                                                 | 82             | 62              |
| Write-back for inventory obsolescence                                                              | -              | (18)            |
| (Gain)/Loss on disposal of plant and equipment                                                     | (18)           | 3               |
| Exchange differences                                                                               | (607)          | 600             |
| Interest expense                                                                                   | 2,467          | 2,103           |
| Interest income                                                                                    | (189)          | (133)           |
| Operating profit before working capital changes                                                    | 8,574          | 11,024          |
| Changes in working capital:                                                                        |                |                 |
| Inventories                                                                                        | (10,193)       | (5,755)         |
| Trade and bills receivables                                                                        |                |                 |
| - third parties                                                                                    | 9,941          | 15,041          |
| - related parties                                                                                  | 2,382          | 924             |
| Other receivables and prepayments                                                                  | (4,372)        | (2,858)         |
| Trade and bills payables                                                                           |                |                 |
| - third parties                                                                                    | 91             | (12,538)        |
| Other payables and accruals                                                                        | (2,933)        | (2,119)         |
| Cash generated from operating activities                                                           | 3,490          | 3,719           |
| Interest paid                                                                                      | (2,467)        | (2,103)         |
| Interest income received                                                                           | 189            | 133             |
| Income tax paid                                                                                    | (1,748)        | (4,856)         |
| <b>Net cash used in operating activities</b>                                                       | <b>(536)</b>   | <b>(3,107)</b>  |
| <b>Cash flows from investing activities</b>                                                        |                |                 |
| Purchase of plant and equipment                                                                    | (1,025)        | (2,286)         |
| Proceeds from sale of plant and equipment                                                          | 44             | 142             |
| Net cash inflow on acquisition of subsidiaries (Note A)                                            | 33             | -               |
| Proceeds from sale of investments                                                                  | -              | 305             |
| <b>Net cash used in investing activities</b>                                                       | <b>(948)</b>   | <b>(1,839)</b>  |
| <b>Cash flows from financing activities</b>                                                        |                |                 |
| Dividends paid to minority shareholders                                                            | (4,566)        | (12,176)        |
| Proceeds from bank borrowings                                                                      | 85,060         | 84,300          |
| Repayment of bank borrowings                                                                       | (74,680)       | (73,100)        |
| Proceeds from loan from corporate shareholders                                                     | 2,602          | -               |
| Proceeds from loan from holding company                                                            | 995            | -               |
| Repayment of finance lease obligations                                                             | (23)           | (30)            |
| Due from corporate shareholder, non-trade                                                          | (18)           | (9)             |
| Other payables to a related party of a corporate shareholder/<br>Due to related parties, non-trade | (4,864)        | (10,055)        |
| <b>Net cash generated from/(used in) financing activities</b>                                      | <b>4,506</b>   | <b>(11,070)</b> |
| Net increase/(decrease) in cash and cash equivalents                                               | 3,022          | (16,016)        |
| Cash and cash equivalents at beginning of period                                                   | 9,246          | 17,906          |
| <b>Cash and cash equivalents at end of period</b>                                                  | <b>12,268</b>  | <b>1,890</b>    |
| <b>Note: Cash and cash equivalents</b>                                                             |                |                 |
| Cash and cash equivalents                                                                          | 12,268         | 1,890           |
| Deposits pledged for bills payable                                                                 | -              | 3,720           |
| Cash and bank balances                                                                             | 12,268         | 5,610           |

**NOTE A to the Statement of Cash Flow:**

The Group acquired 100% stake in WYW Capital Pte Ltd, which in turn wholly owned Harbin Promlite Energy Saving Technology Co., Ltd (the "New Subsidiaries") in June 2014 for a nominal cash consideration of S\$1.

The value of assets and liabilities of the New Subsidiaries as at the acquisition date, and the cash flow effect of the acquisitions were as follows:

|                                                               | RMB'000      |
|---------------------------------------------------------------|--------------|
| <b>Non-current assets</b>                                     |              |
| Property, plant and equipment                                 | 857          |
| <b>Current assets</b>                                         |              |
| Inventories                                                   | 299          |
| Other receivables and prepayments                             | 906          |
| Cash and cash equivalents                                     | 33           |
|                                                               | <u>1,238</u> |
| <b>Current liabilities</b>                                    |              |
| Other payables and accruals                                   | <u>2,687</u> |
| <b>Carrying value of net liabilities</b>                      | <u>(592)</u> |
| Total consideration paid                                      | - *          |
| <b>Goodwill on acquisition of New Subsidiaries</b>            | <u>592</u>   |
| Total consideration paid                                      | - *          |
| Cash and cash equivalents of the acquired New Subsidiaries    | <u>33</u>    |
| <b>Net cash inflow on acquisition of the New Subsidiaries</b> | <u>33</u>    |

NB\*: Less than RMB1,000.

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.

|                                           | Attributable to equity holders of the Company |                     |                              |                              |               | Non-controlling Interests | Total         |
|-------------------------------------------|-----------------------------------------------|---------------------|------------------------------|------------------------------|---------------|---------------------------|---------------|
|                                           | Share capital                                 | Restricted reserves | Accumulated profits/(losses) | Currency translation reserve | Sub-Total     |                           |               |
|                                           | RMB'000                                       | RMB'000             | RMB'000                      | RMB'000                      | RMB'000       | RMB'000                   | RMB'000       |
| <b>Group</b>                              |                                               |                     |                              |                              |               |                           |               |
| At 1 January 2013                         | 113,179                                       | 7,475               | (102,468)                    | 848                          | 19,034        | 62,480                    | 81,514        |
| Dividends paid                            | -                                             | -                   | -                            | -                            | -             | (12,176)                  | (12,176)      |
| Total comprehensive income for the period | -                                             | -                   | (1,194)                      | 600                          | (594)         | 1,470                     | 876           |
| <b>As at 30 June 2013</b>                 | <u>113,179</u>                                | <u>7,475</u>        | <u>(103,662)</u>             | <u>1,448</u>                 | <u>18,440</u> | <u>51,774</u>             | <u>70,214</u> |
| At 1 January 2014                         | 113,179                                       | 7,475               | (101,698)                    | 1,640                        | 20,596        | 55,441                    | 76,037        |
| Dividends paid                            | -                                             | -                   | -                            | -                            | -             | (4,566)                   | (4,566)       |
| Total comprehensive income for the period | -                                             | -                   | (388)                        | (607)                        | (995)         | 1,225                     | 230           |
| <b>As at 30 June 2014</b>                 | <u>113,179</u>                                | <u>7,475</u>        | <u>(102,086)</u>             | <u>1,033</u>                 | <u>19,601</u> | <u>52,100</u>             | <u>71,701</u> |
|                                           |                                               |                     |                              |                              |               |                           |               |
|                                           | Share capital                                 | Accumulated losses  | Currency translation reserve | Total                        |               |                           |               |
|                                           | RMB'000                                       | RMB'000             | RMB'000                      | RMB'000                      |               |                           |               |
| <b>Company</b>                            |                                               |                     |                              |                              |               |                           |               |
| At 1 January 2013                         | 113,179                                       | (115,590)           | 408                          | (2,003)                      |               |                           |               |
| Total comprehensive income for the period | -                                             | (2,794)             | 157                          | (2,637)                      |               |                           |               |
| <b>As at 30 June 2013</b>                 | <u>113,179</u>                                | <u>(118,384)</u>    | <u>565</u>                   | <u>(4,640)</u>               |               |                           |               |
| At 1 January 2014                         | 113,179                                       | (119,770)           | 631                          | (5,960)                      |               |                           |               |
| Total comprehensive income for the period | -                                             | (1,203)             | (265)                        | (1,468)                      |               |                           |               |
| <b>As at 30 June 2014</b>                 | <u>113,179</u>                                | <u>(120,973)</u>    | <u>366</u>                   | <u>(7,428)</u>               |               |                           |               |

**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.**

There was no change in the Company's share capital for the 6 months ended 30 June 2014. There are no outstanding convertibles or shares held as treasury shares as at 30 June 2014 and 30 June 2013.

**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.**

|                                         | <u>HY2014</u> | <u>FY2013</u> |
|-----------------------------------------|---------------|---------------|
| Number of issued ordinary shares ('000) | 238,860       | 238,860       |

**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.**

Not applicable.

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

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

Not applicable.

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

Other than the adoption of the new and revised Financial Reporting Standards (FRS) which took effect from the current financial period, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2013.

**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 and revised FRSs is assessed to have no material impact to the results of the Group and of the Company for the period ended 30 June 2014.

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

|                                                                 | <u>Group</u>  |               |
|-----------------------------------------------------------------|---------------|---------------|
|                                                                 | <u>HY2014</u> | <u>HY2013</u> |
| Losses per ordinary share for the period:                       |               |               |
| Net loss from operations attributable to the Company (RMB '000) | (388)         | (1,194)       |
| Weighted average number of ordinary shares in issue ('000)      | 238,860 *     | 238,860 *     |
| (a) Basic Losses per Share* (RMB cents)                         | (0.16)        | (0.50)        |
| (b) On a fully diluted basis** (RMB cents)                      | (0.16)        | (0.50)        |

\*Earnings/Losses per share for HY2014 and HY2013 is calculated by dividing the profit after tax attributable to shareholders of the Company by the weighted average number of shares in issue.

\*\*As there were no options and warrants granted, the basic and fully diluted earnings/losses per share are the same.

**7. Net asset value (for the issuer and the 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**

|                                                                                                                                  | <b>Group</b>      |                   | <b>Company</b>    |                   |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                                                                                  | <b>30.06.2014</b> | <b>31.12.2013</b> | <b>30.06.2014</b> | <b>31.12.2013</b> |
| Net assets/(liabilities)* (RMB'000)                                                                                              | 19,601            | 20,596            | (7,428)           | (5,960)           |
| Net asset/(liability) value per ordinary share based on issued share capital as at the end of the period reported on (RMB cents) | <u>8.21</u>       | <u>8.62</u>       | <u>(3.11)</u>     | <u>(2.50)</u>     |

Net asset value per ordinary share was calculated based on the 238,859,796 issued ordinary shares as at 30 June 2014 and 31 December 2013.

\*: This refers to net assets/liabilities attributable to equity holders of the Company which exclude non-controlling interests.

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following: (a) 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; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

**(A) Performance Review - Overall**

Although revenue from the Packaging segment increased slightly despite the challenging economic climate and competitive landscape over consumer products, gross margins and profits was lower. The Group worked hard to control overall operating expenses to offset the negative impact of lower gross profits. Coupled with a net gain from foreign exchange differences and a lower effective tax rate this period, the net profits for the 6 months ended 30 June 2014 was RMB 0.8 million, compared to RMB 0.3 million for the corresponding period.

**(B) Revenue**

Sales increased by RMB 6.6 million or 6.7% from RMB 98.7 million in HY2013 to RMB 105.3 million in HY2014. The relatively higher sales were achieved due to higher sales of semi-finished generic packaging products, which were also lower-priced. The first half of the year is also traditionally considered a non-peak season for the Packaging segment.

**(C) Gross Profit**

The gross margin decreased slightly from 14.5% in HY2013 to 13.2% in HY2014 as a result of sales mix whereby there were more sales of semi-finished generic packaging products and sales to customers with lower margins compared to prior corresponding period.

**(D) Other profit and loss items**

Other operating income and expenses relate mainly to revenue and its corresponding costs of sales of raw materials/scrap.

Selling and distribution expenses increased slightly due to increase in sales in HY2014 and was 2.8% and 2.9% of sales for HY2014 and HY2013 respectively.

Administrative expenses were lower mainly due to an unrealised foreign exchange gain amounting to RMB 1.1 million arising from an amount due to a related party of a corporate shareholder, compared to a foreign exchange loss of RMB 1.0 million in HY2013. Ignoring the effects of foreign exchange differences, administrative expenses were actually higher in HY2014 due to higher legal and professional fees in HY2014 as the Group embarked on more corporate actions due to its ongoing restructuring activities to improve the Group's financial position.

Interest expense increased in line with the increase in the Group's borrowings.

The effective tax rate was lower in HY2014 mainly a result of over-provision in prior periods adjusted in HY2014 amounting to RMB 0.3 million.

#### **(E) Statement of Financial Position**

The net book value of property, plant and equipment decreased by RMB 3.9 million due to acquisition of new assets amounting to RMB 1.0 million, offset by depreciation in HY2014 of RMB 5.8 million. The net book value of property, plant and equipment attributable to the acquisition of new subsidiaries was RMB 0.9 million.

Inventories increased by RMB 10.5 million in HY2014 in anticipation of the peak seasons in the second half of the year.

Trade and bills receivables to third parties decreased by RMB 10.0 million due to relatively lower sales in June 2014 and faster collections during HY2014.

Prepayments to suppliers were generally higher in HY2014 as the Group anticipated higher raw material prices in future and decided to lock in prices with suppliers.

Trade and bills payables to third parties decreased by RMB 5.4 million in line with the higher prepayments and earlier settlement of trade payables in HY2014.

The Group's net equity attributable to the shareholders of the Company decreased slightly from RMB 20.6 million as at 31 December 2013 to RMB 19.6 million as at 30 June 2014. Although the Group was in a net current liabilities position of RMB 25.1 million as at 30 June 2014, the Group does not foresee any difficulties in meeting its obligations as and when they fall due as the Group continued to have good relationships and support from bankers and that a related party of a corporate shareholder has given an undertaking not to recall the amount payable to it by the Group of RMB 24.5 million unless the cash flows of the Group permit.

#### **(F) Cash flow**

The Group reported a net decrease in cash and bank balances of RMB 2.4 million from RMB 14.7 million as at 31 December 2013 to RMB 12.3 million as at 30 June 2014 but a net increase in cash and cash equivalents of RMB 3.0 million from RMB 9.3 million as at 31 December 2013 to RMB 12.3 million as at 30 June 2014.

The net increase in cash and cash equivalents for HY2014 was due to net cash generated from financing activities of RMB 4.5 million, offset by net cash used in investing activities of RMB 0.9 million and net cash used in operating activities of RMB 0.6 million. Cash flows from operating activities were negative due to the Group's management of the suppliers through advance payments to secure raw materials prices and stocking up of inventories in anticipation of increased usage in the second half of FY2014.

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

No forecast or prospect statement was previously disclosed.

#### **10. A commentary at the date of the announcement of the significant trends and 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's packaging business is dependent on consumer spending as its main customers are consumer products companies. The Group expects the economic climate and the trading conditions to continue to be challenging in the coming year and it is unlikely that there will be significant increases in consumer spending behaviour. Petroleum prices is unlikely to come down significantly which will cause the packaging raw material prices to continue to remain high as well.

The Company had on 12 June 2014 entered into a sale and purchase agreement with the controlling shareholder, Mr Zhao Lizhi and a past director of the Company, Mr Wang Yousheng to acquire 100% of the issued and paid-up capital of WYW Capital Pte. Ltd., a company incorporated in Singapore ("Proposed Acquisition"). WYW Capital Pte. Ltd. holds the entire equity interest of Harbin Promlite Energy Saving Technology Co., Ltd ("Harbin Promlite"), a company incorporated in China. Harbin Promlite is principally engaged in project-based activities involving energy conservation services and sustainable developments ("Proposed New Business").

The Company will be convening an extraordinary general meeting to seek shareholders' approval for the Proposed New Business. On the basis that shareholders' approval for the Proposed New Business is obtained, the Group plans to diversify into the business of providing energy conservation services and upgrading of existing infrastructure projects with green architect and green technology in China for new income streams. The Board expects the acquisition to contribute positively to the Group's revenue in the second half of FY2014. The Company will endeavour to meet the requirements of Rule 1314 of the SGX-ST Listing Manual, and apply for its removal from the Watch-list by 5 March 2015.

**11. Dividend****(a) Current Financial Period Reported On**

No

**(b) Corresponding Period of the Immediately Preceding Financial Year**

No

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

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

No dividend has been declared/recommended by the Board for the 6 months ended 30 June 2014.

**13. Interested Person Transactions**

Period from 1 January 2014 to 30 June 2014

| <u>Name of Interested Persons and<br/>Nature of Transactions</u> | Aggregate value of all<br>interested person<br>transactions during the<br>financial period under<br>review (excluding<br>transactions less than<br>S\$100,000 and transactions<br>conducted under the<br>shareholders' mandate<br>pursuant to Rule 920) |                                 | Aggregate value of all<br>interested person<br>transactions conducted<br>under the shareholders'<br>mandate pursuant to Rule<br>920 (excluding<br>transactions less than<br>S\$100,000) |                                 |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
|                                                                  | <u>HY2014</u><br><u>RMB'000</u>                                                                                                                                                                                                                         | <u>HY2013</u><br><u>RMB'000</u> | <u>HY2014</u><br><u>RMB'000</u>                                                                                                                                                         | <u>HY2013</u><br><u>RMB'000</u> |
| <b>Income</b>                                                    |                                                                                                                                                                                                                                                         |                                 |                                                                                                                                                                                         |                                 |
| Youcan Foods (Hangzhou) Co., Ltd                                 |                                                                                                                                                                                                                                                         |                                 |                                                                                                                                                                                         |                                 |
| - Sales of goods *                                               | -                                                                                                                                                                                                                                                       | -                               | 9,545                                                                                                                                                                                   | 6,483                           |

\*: Pursuant to the resignation of Mr Dai Tianrong as a director of the Company with effect from 10 June 2014, Youcan Foods (Hangzhou) Co., Ltd was no longer considered an interested person.

**Confirmation by the Board**

We, Wu Xueying and Li Bin, being two directors of Youyue International Limited (the "Company"), do hereby confirm on behalf of the directors of the Company, that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the half year financial results ended 30 June 2014 to be materially false or misleading.

On behalf of the Board of Directors

Wu Xueying

Li Bin

**BY ORDER OF THE BOARD**

**Li Bin**  
Executive Director  
8 August 2014