

CHINA FOOD COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS **For the period ended 30th June 2014**

Company number: 06077223



Company number: 06077223

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	John McLean, OBE Feng Bo (Resigned 30 June 2017) Raphael Tham Wai Mun Clifford Halvorsen	Executive Chairman Chief Executive Officer Non-executive Director Non-executive Director
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Company Secretary: Nigel Cartwright

Company Number: 06077223

Registered Office: 82 St John Street
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EC1M 4JN

Principal Banks: National Westminster Bank PLC
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Auditors: Grant Thornton UK LLP
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Southampton Science Park
Chilworth
SO16 7QJ

Website: www.chinafoodcompany.com

China Food Company Plc

Chairman's Statement and Strategic Report

China Food Company Plc ("CFC", the "Group" or the "Company")
Condiments business ("Fortune Food" or "Condiments")
Animal Feed business ("Feed")

Shareholders will be aware that the Company has gone through some very difficult times following the guarantee disclosures in December 2013, which resulted in the loss of our new management team, a collapse in our Chinese operations and the delisting of the Company from AIM. During 2014 and 2015, it was a fight for survival, which was achieved but, owing to the lack of working capital and the requirement to pay for raw materials and other supplies up front, the recovery potential was limited without an injection of further funds. The Company's board ("Board") explored a number of alternative funding solutions but, because of the unexecuted bank agreements, it proved to be impossible to raise funds. As a result, the Chinese operations continued to survive solely with the support of, and funding from, the Group's employees, together with the manufacturing margin and working capital loan from CFC's major customer, Weifang HTT (as explained below).

This arrangement worked well in 2016 but, in order to maintain market share and sales, further funds were required which were not forthcoming with the current ownership structure. Accordingly, discussions took place in early 2017 for CFC to partially divest itself of Full Fortune Holdings Limited ("FFS"), the Group's Singapore-based intermediate holding company, whilst retaining a minority equity interest in FFS. These discussions progressed well initially but reached an impasse over the future buy-out of the remaining equity and also the associated controls which would have needed to be put in place. Accordingly, in June 2017, an agreement was reached for the disposal of the entire share capital of FFS for £4.8 million, payable over three years (the first payments under the agreement totaling £750,000 were received in July 2017 and January 2018). The purchaser of FFS is Feng Bo ("Pamela/Pam"), the Company's Chief Executive Officer (and the wife of Mr. Fu Guo Ping ("Mr. Fu")), who has been instrumental in saving the Group and with whom your Board has been working closely at all times.

Over the last few years, there has been constant communication with the loan note holders and, as part of this, before the agreement was signed with Pamela, the major loan note holders gave their agreement to the terms of the sale of FFS. It is anticipated that the loan note holders will receive approximately 70% of their principal once all the funds are received.

To put the above into perspective, I have set out below a summary of the key events leading up to the sale.

BACKGROUND

In November 2013, the Board was informed by the Company's primary bank that Fortune Food (China) Co. Ltd ("Condiments"), a 100% subsidiary of the Group, had in November 2012 extended guarantees to banks and financial institutions on behalf of third parties to enable the Company to obtain bank facilities. One of these third parties defaulted on its facility and the bank enforced Condiments' guarantee of approximately £3 million. It was not expected that there would be any subsequent recovery of these funds and, accordingly, the Group's working capital position in China was immediately reduced by £3 million. This guarantee was entered into by Mr. Fu without either the Board's or local management's knowledge or authority. Furthermore, no disclosure was made by the banks or the local management during the 2012 annual audit.

As a consequence, Mr. Fu agreed to indemnify the Group in full against any losses arising from the other party's default, including any future losses pursuant to such third party guarantees. Furthermore, as the Group owed Mr. Fu approximately £5.9 million in shareholder loans and accrued interest, it had the option of setting off these amounts pursuant to this and any other such defaults. Additionally, Mr. Fu ceased any further involvement within

the Group. It should be noted that as part of the sale agreement, the Company will waive its right to sue Mr. Fu or Main World Investments Limited ("Main World") (Mr. Fu's investment company), if the terms of the agreement are satisfied in full. In the interim, the indemnity agreement has been helpful in ensuring that any amounts due to Mr. Fu/Main World have been waived.

CONDIMENTS

Condiments needed to change its strategy, in order to survive. The original plan had been to focus on building the Hao Tai Tai ("HTT") and Xaka brands but this was abandoned, as the requirement for cash had made the strategy unachievable. Condiments was focused purely on the production of soya sauce which it produced on an 'OEM' basis and supplied a number of well-known soya sauce companies in China, together with the continued supply of HTT to some distributors. In 2015, Condiments had its operations quality audited and it retained its British Retail Consortium (BRC) food safety standard. As has previously been stated on a number of occasions, urbanisation within China continued to grow and, as a result, the demand for consumer branded products continued to increase.

STRATEGY

In order to survive and to maintain the supply of HTT products to supermarkets and distributors, the local management team entered into an arrangement in 2014 with a local food distributor, Weifang HTT, for them to acquire the HTT and Xaka brands, together with the sales team, and take responsibility for all aspects of servicing the Group's customers. In addition, as Condiments had no cash, Weifang HTT purchased production inventories for Condiments and provided regular cash flow, as well as a working capital loan.

Following this change in strategy, the gross margin reduced to about 10% in 2015/16, which compared to the historic rate of about 30%. The Group was, however, no longer required to fund any marketing, brand, inventory or sales costs. On this basis, Condiments operated on a break even basis during the second half of 2015 and for the full year of 2016.

Following the events of late 2013/2014, a large part of the finance team left Condiments as the pressure of dealing with aggressive creditors, combined with not being paid and the requirement to source raw material, became too much for them to bear. The remaining management team purely focused on securing cash and, having done the deal with Weifang HTT, managed to claw its way back so that the business became stable and no longer absorbed cash; a new finance team was appointed, salaries resumed being paid and outstanding trade creditors were largely settled. As a result of the issues facing Condiments in 2013 and 2014, CFC did not have any information from its subsidiaries until February 2016, when the new team provided both management accounts for 2015 and also a budget for 2016.

OPERATIONS

The Group's plant continued to operate efficiently but, given Condiments' parlous state, the level of activity had been low with a reported utilisation of 15,000 tonnes in 2015, representing 30% of the plant's overall capacity of 50,000 tonnes. In the second half of 2015, the activity level improved to a year end exit rate of 18,000 tonnes which supported the budgeted activity level of 24,000 tonnes for 2016. In order to achieve this level of activity in 2016, Condiments acquired some additional equipment, which was funded locally and was in place for the second half of 2016. Management's internal plans currently indicate that capacity utilisation will climb to about 33,000 tonnes for 2018.

BANKS

One of the key ingredients for the stabilisation of Condiments had been the support and attitude of the local banks. The China operations (Feed and Condiments) had five banks and negotiations were entered into with them in 2014 to provide a standstill agreement, whilst the operations were stabilised. Four of the banks were supportive, with one bank unwilling to enter into any agreement. However, as trading had started to improve during 2015, the banks again became willing to discuss a solution and, as a result, the banks entered into an asset swap arrangement whereby the plant, land and equipment would be swapped for the China operation's bank borrowings, its guarantees and bills payable. Following the swap, it was anticipated that the China businesses would have no bank liabilities. In late 2015, an agreement was reached in principle, with the detail remaining outstanding, which included the ongoing rental of the equipment, together with negotiations for an option to reacquire the plant and land in the future. We understand that the relevant court eventually approved

the standstill agreement but formal execution of the agreement remains outstanding until agreement is reached on the rental and option terms.

FEED

In 2014, PwC were hired to produce a memorandum to sell the Feed business. This resulted in a number of offers, none of which was attractive, save that from the Feed management. Agreement was reached with the management team, however due to the bank collateralisation of the Feed assets by Condiments, no deal could be completed until Condiments' bank arrangements could be resolved. In the interim, Feed continued to be run by the MBO team and the draft results for the year to 31 December 2015 showed a trading break-even position. However, in 2016, the feed industry in China came under significant pressure as commodity prices were low and, as a result, the Feed team reduced activity until the market improved and planned to operate on a cash neutral basis. The management team did reduce the activity level, however market conditions worsened and the business made losses in 2016. This state of affairs continued during 2017.

ACCOUNTS AND OTHER REGULATORY MATTERS

Because of the significant issues encountered in China, CFC had been unable to prepare consolidated accounts, since there had been no flow of management information, as the management team were focused entirely on survival. Additionally, the Company had no cash with which it could pay its auditors. Accordingly, the accounts which have been produced are those solely for the CFC parent company and, as a result of the issues in China, all of the parent company's investments in its subsidiaries have been written off. Further, it should be noted that until the recent inflow of funds from the first tranche of the sale consideration, the Company had been unable to prepare any information for audit, which has resulted in numerous discussions with Companies House for various filing extensions and the removal of striking off notices as the filing dates passed.

Now that the 2014 accounts have been produced and the Company is in funds, the plan is to complete the 2015 and 2016 accounts and thereafter start to operate on a more normal basis.

FINANCIAL COMMENTARY

The accounts presented are those of the Company only. In view of the circumstances and lack of financial information, it has not been possible to prepare consolidated accounts for the group. The Company accounts reflect a prudent approach to the recognition of assets and liabilities. Investments have been written down to zero and no value attributed to the monies arising from the transaction agreed in June 2017, due to the structure of this transaction and inherent uncertainty. Liabilities include all known creditors in full and they do not reflect Mr. Fu/Main World's loan waiver or liability reductions arising from any creditor negotiations. As at the date of this report, £750,000 has been received from Pamela; Mr. Fu/Main World have waived their rights to repayment and agreement has been reached with the majority of the Group's creditors. The Directors believe this cautious approach is sensible and will reflect progress in future accounting periods as milestones are reached.

CASH

Following the events of 2013, the Company was left with limited funds, which it has used sparingly, whilst relying on additional funding from the Board.

SALE

As had been announced on 8 October 2015, discussions took place with an interested party for the purchase of Condiments (via an acquisition of CFC) and, as part of these talks, Condiments' sauce was trialed with the potential purchaser's customers, with successful results. However, given the financial issues facing the operations, the lack of CFC accounts and also the interested party's own change in strategy, these discussions ceased.

DELISTING

Following the guarantee announcement in December 2013 and the impact on the Group's finances, the financial year-end of the Group was changed to 30 June to allow more time to resolve the issues. However, as shareholders are aware, the Group was unable to finalise its accounts by the 29 December 2014 deadline and, as a result, the Company was delisted.

MANAGEMENT

When it was apparent in 2013/2014 that the Group's finances were extremely strained, several of the newly appointed personnel, including the newly appointed Chief Executive Officer (not Pamela), the Chief Financial Officer, Sales Manager and a Non-executive Director, all resigned and left the management and strategy of CFC to Pamela, her team and the Board. The Chinese management team, under the leadership of Pamela, should be congratulated for salvaging the operations and creating a platform for survival. The current personnel in Weifang consist of approximately 230 people, with a core leadership group of four people. During the last few years, an open dialogue has continued to exist between Pamela and myself.

LOAN NOTES

On 6 September 2013, CFC raised £850,000 and, on 15 October 2013, a further £78,000 was raised in loan notes, while further loan notes (£39,000) were issued on 24 October 2014 as part-payment of some outstanding liabilities. As at 30 June 2014, the principal loan notes outstanding amounted to approximately £5.8 million. Up until 31 December 2015, the repayment date of the loan notes had been extended and, following discussions with the loan note holders, the loan notes were further extended to 30 September 2016.

Given the various discussions taking place as to the disposals of Condiments and Feed, formal loan note extensions were suspended until a financial outcome appeared certain. Following the sale of FFS in June 2017, there have been no formal loan note extensions; however the Board continues to work with the major loan note holders for their approval of all the key actions and strategy.

2014/15/16 SUMMARY

Whilst the Group had made some significant steps to improve the operations in China, there were still major further hurdles to overcome, which included:

1. Gaining additional funding for the China operations;
2. Finalising the bank asset swap agreement in China;
3. Obtaining funding for the Company to allow the annual accounts to be audited and for the website to be updated;
4. Finalising the 2014 accounts and registering them at Companies House.

As no financial resource could be found to support the Company and, in particular, the funding required to bring the Company's regulatory filings up to date, sale discussions were initiated with the China operation's CEO, Pamela.

DISPOSAL

In spring 2017, the Board began discussions with Pamela for the sale of FFS and, after consultation and agreement with a majority of the loan note holders, the following was agreed on 21st June 2017.

1. *China Food Company plc ("CFC") granted to Pam an option to purchase 100% of the issued shares in FFS for a consideration of £100 in cash.*
2. *The option may only be exercised by Pam if Pam makes a loan of £4,799,900 to FFS to repay FFS's creditors. The said loan shall be made by Pam to FFS in the following tranches:-*
 1. *£250,000 on the signing of the option by June 2017;*
 2. *£500,000 by 31st December 2017;*
 3. *£1,250,000 by 30th June 2018;*
 4. *£1,500,000 by 31st December 2018; and*
 5. *£1,299,975 by 30th June 2020.*
3. *The sale and purchase agreement for the sale of the shares duly signed undated by CFC and Pam together with the share certificates of FFS together with the instrument of transfer in respect of 100% of*

the issued shares in FFS will be held by Straits Law Practice LLC ("SLP") (the Company's Singapore lawyers) in escrow.

4. *The loan instalments referred to in paragraph 2 above will be made by Pam to SLP accompanied by remittance instructions to make payments to the relevant creditor(s) of FFS.*
5. *Upon receipt of the relevant loan instalment and the remittance instructions, SLP shall give written notification to CFC and to seek written confirmation on the remittance instructions.*
6. *Upon receipt of written notification from CFC of the remittance instructions, SLP shall make the relevant remittances. All banking charges, if any, shall be deducted accordingly.*
7. *Upon receipt of the final loan instalment of £1,299,900 by 30th June 2020 and the sum of £100, being the purchase consideration for the FFS shares, SLP shall release the sale and purchase agreements to the parties and the share certificates of FFS together with the instrument of transfer in respect of 100% of the issued shares in FFS to Pam.*
8. *If SLP does not receive any of the loan instalment payments from Pam within the stipulated time or receive written confirmation from CFC on the remittance instructions, SLP shall duly inform both parties of the same and shall be under no obligation to act until written instructions are received from both parties.*
9. *No warranties will be given by CFC in respect of the shares in FFS or in FFS save as to title of FFS shareholding.*
10. *Other points*

On or before the signing of the option, the parties shall procure the following:-

- a) *Pam will resign as a director of;*
- b) *Raphael Tham will resign as a director of FFS;*
- c) *Fuss Feed will be sold to Pam by FFS for £1 with the condition that if Pam sells Fuss Feed within a period of 2 years for an amount of £1 million or more, Pam shall pay to CFC an amount equal to 50% of the sale proceeds;*
- d) *Mr Fu/Main World will waive their right to any amounts due to them by CFC;*
- e) *Mr Fu/Main World will provide an irrevocable undertaking to vote either/both their shareholdings/ loan notes CFC in favour of the transaction.*

CFC shall, as soon as is practicable, undertake and procure the following:-

- f) *At its own cost, procure FFS's accounts to be audited in respect of the financial year ending 31 December 2017 and such audit shall show that FFS has no creditors other than CFC. If other creditors exist the debts of such creditors shall be paid by CFC on behalf of FFS;*
- g) *Any tax liability determined for FFS following the audit will be paid by CFC for an on behalf of FFS;*
- h) *All inter-company debts between CFC and FFS after the full loan of £4,799,900 have been made by Pam to FFS to repay its creditors, including CFC, shall be waived by CFC.*

On receipt of the final loan instalment (instalment 5) by 30th June 2020, CFC will confirm that:-

- i) *it has given up/waived any rights to take action against Fu/Main World for any losses/damages under the indemnity agreement dated December 2013;*
- j) *The legal costs of the transaction in Singapore will be split equally and to the extent that Pam has funded CFC's costs, such amounts will be deducted from the respective final payments in Phase 1 and Phase 2;*
- k) *There will be no shareholder agreement.*

SUBSEQUENT EVENTS

The initial tranche of £250,000 of the sale consideration was paid in June 2017 and, with the agreement of the majority of the loan note holders, has been used to repay creditors, pay deal expenses and provide working capital to the Company. Additionally, as noted above, FFS's liabilities needed to be cleared and, accordingly, agreement has been reached with all FFS creditors for a full and final settlement of all amounts due; it is anticipated that the audit of FFS as of 31 December 2017 will confirm a clean balance sheet, save for the amounts owing to the Company. Additionally, Mr. Fu and Main World have waived their right to any repayments of any funds due to them as at 21 June 2017.

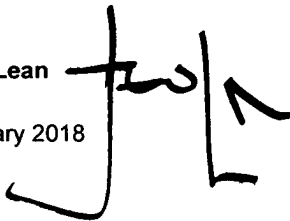
In January 2018, the Company received the final creditor agreement due for FFS and also received the second tranche of £500,000 from Pamela and subsequently on 17 January 2018 commenced the first distribution to the loan note holders of £410,000 (after reserving for creditor payments, professional fees and contingencies). Based on the terms outlined above, it is anticipated that the loan note holders will receive approximately 70% of their principal. As the loan note holders will not receive their full repayment both as to principal and interest, I sincerely regret that the ordinary shareholders will not receive any value for their shares.

GOING CONCERN

As a consequence of the matters reported here, the Company is not considered to be a going concern. The financial statements have been prepared on a basis other than that of a going concern, which includes, where appropriate, writing down the Company's assets to net realisable value and provision being made for contractual commitments and liabilities at the balance sheet date. The financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such costs were committed at the balance sheet date.

As all parties will be aware, the last few years have been extremely challenging. The Board would like to thank our loan note holders, shareholders, advisers and creditors who have been supportive during this period; it has not been easy but, with their continued support, an opportunity has been generated for the Company to create some value and thus provide a partial return to some of our stakeholders.

John McLean
Chairman
28 February 2018

A handwritten signature in black ink, appearing to be 'J. McLean', written over the printed name and title.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited financial statements of China Food Company Plc ("China Food" or the "Company") for the period ended 30 June 2014.

Share capital

There were no new shares issued during the period. The total number of shares in issue, both at the period end and at 31 December 2012, was 71,446,972.

Directors

The following directors served the company during the period:

John McLean, OBE	(Executive Chairman)
Feng Bo (resigned 30 June 2017)	(Chief Executive Officer)
Raphael Tham Wai Mun	(Executive Director)
Clifford Halvorsen	(Non-executive Director)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. The directors have elected to prepare the parent company financial statements in accordance with IFRSs. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group and parent company financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

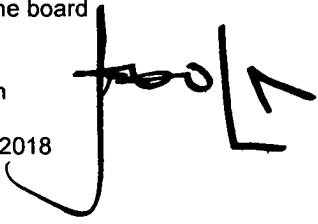
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By order of the board

John McLean
Chairman
28 February 2018

A handwritten signature in black ink, appearing to be 'J. McLean', with a large, stylized flourish extending from the bottom left.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA FOOD COMPANY PLC

We have audited the financial statements of China Food Company plc for the year ended 30 June 2014 which comprise the income statement, statement of comprehensive income, statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Basis for adverse opinion on financial statements

As explained more fully in Note 3.3 to the financial statements, the company has prepared individual accounts in accordance with Section 394 of the Companies Act 2006 and has not consolidated the financial information of any of its subsidiary undertakings. In our opinion, the company is required to prepare group accounts in accordance with section 339 of the Companies Act 2006 and to consolidate the financial information of its subsidiary undertakings. Had group accounts been prepared, many elements in the financial statements would be materially affected. The effects on the financial statements of the failure to consolidate has not been determined.

Adverse opinion on financial statements

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph, solely in relation to the non-preparation of group accounts, the financial statements:

- do not give a true and fair view of the state of the group's affairs as at 30 June 2014 and of the group's profit or loss for the year then ended;
- have not been properly prepared in accordance with International Financial Reporting Standards;
- have not been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on parent company financial statements

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of its loss for the year then ended;
- have not been properly prepared in accordance with International Financial Reporting Standards;
- have not been properly prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements we have considered the adequacy of the disclosure made in note 3.1 to the financial statements concerning the group's ability to continue as a going concern.

For the reasons disclosed, the company is not considered to be a going concern and the accounts have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

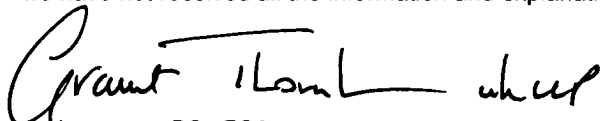
Notwithstanding our adverse opinion on the financial statements, in our opinion the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the non-preparation of group accounts, described above, we have not obtained all the information and explanations we considered necessary for the purpose of our audit.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Norman Armstrong BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
28 February 2018

INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2014

	Notes	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
<u>Continuing operations</u>			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other operating income	4	100	100
Administrative costs		(16,297)	(426)
Operating result		(16,197)	(326)
Finance costs	5	(2,046)	(729)
Loss before taxation for continuing operations	6	(18,243)	(1,055)
Taxation	7	-	-
Loss after taxation for continuing operations		(18,243)	(1,055)
Loss for the period attributable to equity holders of the parent		(18,243)	(1,055)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014**

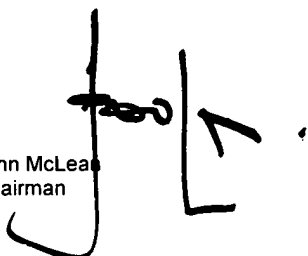
	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Loss for the year	(18,243)	(1,055)
Other comprehensive income		
Exchange differences on translating foreign operations	-	-
Other comprehensive result, net of tax	(18,243)	(1,055)
Total comprehensive result for the year attributable to equity holders of the parent	(18,243)	(1,055)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	As at 30 June 2014 £'000	As at 31 December 2012 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	16	-	30,508
Current assets			
Trade and other receivables	8	7	5
VAT recoverable		5	7
Advance to a subsidiary		-	2,768
Amount due from a subsidiary		-	416
Cash and cash equivalents	9	15	6
Total current assets		27	3,202
Total assets		27	33,710
LIABILITIES			
Current liabilities			
Trade and other payables	10	1,210	967
Current portion of convertible loan notes	11	2,392	622
Current portion of Shareholders' loan	12	1,169	1,230
Amount due to director's		-	56
Total current liabilities		4,771	2,875
Net current assets/(liabilities)		(4,744)	327
Total assets less current liabilities		(4,744)	30,835
Non-current liabilities			
Convertible loan notes	11	5,189	3,985
Shareholder's loan	12	491	516
		5,680	4,501
Net assets		(10,424)	26,334
EQUITY			
Share capital	13	2,858	2,858
Share premium	14	5,331	5,331
Shares to be issued reserve		-	371
Merger relief reserve		-	18,553
Convertible loan notes - equity	11	569	160
Accumulated losses		(19,182)	(939)
		(10,424)	26,334

These financial statements were approved by the directors on 28 February 2018, and signed on their behalf by:

John McLean
Chairman



STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014

	Notes	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Cash flows from operating activities			
Loss before taxation		(18,243)	(1,055)
Adjustments for:			
Employee share options		(371)	71
Finance costs		2,046	729
Debt modification charge		284	-
Impairment of investments		15,764	-
Operating loss before working capital changes		(520)	(255)
Changes in working capital:			
Trade and other receivables		-	(98)
Trade and other payables		322	276
Cash used in operations		(198)	(77)
Interest received		-	-
Net cash used in operating activities		(198)	(77)
Cash flows from investing activities			
Advance to subsidiary		(579)	-
Proceeds from advance from subsidiary		-	176
Net cash generated/(outflow) from investing activities		(579)	176
Cash flows from financing activities			
Proceeds from convertible loan notes		928	45
Proceeds from director's loan		(56)	56
Interest paid		-	(253)
Net cash (outflow)/generated from financing activities		872	(152)
Net decrease in cash and cash equivalents		95	(53)
Effect of foreign exchange rate changes		(86)	51
Cash and cash equivalents at beginning of period		6	8
Cash and cash equivalents at end of period		15	6

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Share capital £'000	Share premium £'000	Shares to be issued reserve £'000	Merger relief reserve £'000	Convertible loan notes - equity £'000	Accumulated losses £'000	Total equity attributable to owners of the parent £'000
As at 1 January 2012	2,858	5,331	300	18,553	160	115	27,317
Employee share options granted	-	-	71	-	-	-	71
Convertible loan notes - equity	-	-	-	-	-	-	-
Transactions with owners	-	-	71	-	-	-	71
Loss for the period	-	-	-	-	-	(1,054)	(1,054)
As at 31 December 2012	2,858	5,331	371	18,553	160	(939)	26,334
As at 1 January 2013	2,858	5,331	371	18,553	160	(939)	26,334
Employee share options cancelled	-	-	(371)	-	-	-	(371)
Write-offs	-	-	-	(18,553)	-	-	(18,553)
Convertible loan notes - equity	-	-	-	-	409	-	409
Transactions with owners	-	-	(371)	(18,553)	409	-	(18,515)
Loss for the period	-	-	-	-	-	(18,243)	(18,243)
As at 30 June 2014	2,858	5,331	-	-	569	(19,182)	(10,424)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. General Information

The principal activity of China Food Company Plc ("China Food" or the "Company") is that of a holding company and cost centre for the wider group. The Group's main operations are in the People's Republic of China (the "PRC").

China Food, a public limited company, is the Group's ultimate parent company. It is incorporated and domiciled in the United Kingdom. The address of China Food's registered office is 82 St John Street, London.

2. Changes in accounting policies

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

The following is a list of newly issued standards but not yet effective:

- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- IFRS 15 Revenue recognition (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- IFRS 9 Financial instruments (effective 1 January 2018)

3. Summary of significant accounting policies

The principal accounting policies of the company are set out below.

3.1 Going Concern

The company income statement reports a loss for the year of £18.2 million (2012: loss £1.0 million) and the statement of financial position shows net liabilities as at 30 June 2014 of £10.4 million (2012: net assets £26.3 million).

As described in the Strategic Review and Directors Report, in November 2013 the Board was informed by its bank that, unbeknown to Board and local management, Fortune Food (China) Co. Ltd, a subsidiary of the group, had in 2012 extended guarantees to banks and financial institutions on behalf of third parties to enable the subsidiary to obtain bank facilities. One of the parties defaulted leading to the enforcement of the guarantee of approximately £3 million following which the group's trading subsidiaries in China entered a period of financial and operational difficulties where it was not able to settle liabilities as they fell due and the group was subsequently delisted. The circumstances since that date are fully explained in the Strategic Report.

In June 2017, and with the agreement of the majority of loan note holders, as more fully explained in the Strategic report, the Directors agreed to dispose of the Group's Singapore based intermediate holding company Full Fortune Holdings Limited ("FFS") to Feng Bo, the CEO for a consideration of £4.8 million payable in installments over 3 years to 2020. Upon receipt of the final installment, the Directors will confirm transfer of 100% of the issued shares in FFS to Feng Bo thus completing sale of all the Company's subsidiary interests. The proceeds of sale will be used to bring the Company's accounts and other regulatory matters up to date and, insofar as is possible, repay outstanding loan note holders the balance of proceeds.

Accordingly, the company is not considered to be a going concern. The financial statements have been prepared on a basis other than that of a going concern, which includes, where appropriate, writing down the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

company's assets to net realisable value and provision being made for contractual commitments and liabilities at the balance sheet date. The financial statements do not include any provision for the future costs of terminating the business of the company except the extent that such costs were committed at the balance sheet date.

3.2 Presentation of financial statements

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements* (Revised 2007). The Company has elected to present the 'Statement of comprehensive income' in two statements: the 'Income statement' and a 'Statement of comprehensive income'.

3.3 Basis of preparation

The financial statements comprise only the results for the UK entity due to the restrictions described in the Strategic Report and Audit Report in relation to the absence of information for management and audit purposes from the company's subsidiaries. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. The financial statements have been prepared on a break-up basis. Assets are stated at the lower of cost or net realizable value and liabilities are stated at their expected settlement amounts.

Subsidiary undertakings

As at 31 December 2012 and 30 June 2014, China Food had the following subsidiaries:

Name of subsidiary	Date and place of establishment	Percentage of equity attributable to China Food	Principal activities
Full Fortune Holdings Pte Ltd	26 May 2005 Singapore	100%	Holding company
<u>Held by Full Fortune</u>			
Fuss Feed (Weifang) Co., Ltd ("Fuss Feed") 富氏饲料(潍坊)有限公司	28 November 1994 PRC	100%	Manufacture and sale of animal feed
Fortune Food (China) Co., Ltd ("Fortune Food") 富氏食品(中国)有限公司	24 June 2005 PRC	100%	Manufacture and sales of condiments
<u>Held by Fuss Feed</u>			
Shandong Fu-Rich Co., Ltd ("Fu-Rich") 山东富氏味业有限公司	7 August 2001 PRC	100%	Manufacture and sale of condiments

Investments

Investments in subsidiary companies are stated at cost, less provisions for diminution in carrying value.

3.4 Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The preparation of financial statements in conformity with IFRS require the use of estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. As disclosed more fully in the Chairman's Statement and Strategic Report judgement and estimation has been applied in deeming the recoverable amount of the Company's investments and in the presentation of its liabilities. Investments have been written down to zero and no value attributable to the monies arising from the transaction agreed in June 2017 due to the structure of this transaction and inherent uncertainty. Liabilities include all known creditors in full, they do not reflect Mr. Fu/Main World's loan waiver or liability reductions arising from any creditor negotiations. As at the date of this report, £750,000 has been received from Pamela; Mr. Fu/Main World have waived their rights to repayment and agreement has been reached with the majority of the Group's creditors. The Director's believe this cautious approach is sensible and will reflect progress in future accounting periods as milestones are reached.

3.5 Functional and foreign currency

Certain of the Directors are based in the UK and remunerated through this Company. The UK head office has responsibility for corporate functions such as fund raising, treasury and company secretarial. The company incurs costs in respect of these activities which are denominated in GBP, and are sufficiently significant for the Directors to be satisfied that the Company operates as an entity in its own right as envisaged under IAS 21. In turn it levies a management fee to its subsidiaries in respect of services performed. As such the Directors conclude that the functional currency of the Company is GBP.

Transactions in foreign currencies are measured in the respective functional currencies of China Food and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

3.6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement as 'impairment losses'.

3.7 Financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. All financial assets of the Company are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less impairment losses. Any change in their value is recognised in the income statement.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

3.9 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

3.10 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

3.11 Financial liabilities

Financial liabilities include trade and other payables, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

Convertible loan notes

Convertible loan notes issued by the Company are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Recognition and derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

3.12 Equity

The share capital represents the nominal value of the issued share capital of China Food Company Plc. Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

The merger reserve represents the combined paid-up registered capital of the subsidiaries of Full Fortune less the payment made by Fuss Feed for the acquisition of Fu-Rich. It arises as a result of adopting the pooling of interest-type accounting method.

The shares to be issued reserve represents equity-settled share-based payments until such share options are exercised or cancelled.

3.13 Share-based payments

All share-based payment arrangements are recognised in the financial statements in the period in which the associated goods or services are provided.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Company operates equity-settled share-based remuneration plans for its employees. None of the plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to "Shares to be issued reserve". If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values at the date the services are provided by reference to the fair value of the services provided.

3.14 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

3.15 Taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(b) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the years when the liability is settled or the asset realised.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Other operating income

	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Sundry income	100	100

5. Finance costs

Finance costs include all interest-related expenses. The following amounts have been included in the income statement line for the reporting periods presented:

	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Gain on foreign currency	62	-
Finance income	62	-

	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Interest expense on shareholders' loan	338	197
Interest expense on convertible loan	1,770	493
Loss on foreign currency financial liabilities	-	39
Finance costs	2,108	729

6. Loss before tax

	Period ended 30 June 2014	Year ended 31 December 2012
Auditors' remuneration:		
Payable to the company's auditors:		
- audit of the financial statements	10	68
Payable to the company's auditors for other services:		
Taxation services	4	4
Other services	5	-

Average number of persons employed by the Company (including executive directors) during the period:

	Period ended 30 June 2014	Year ended 31 December 2012
Administration	2	4
	2	4

7. Income tax

The major components of income tax expense are as follows:

	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Current income tax	-	-
Deferred income tax	-	-
Income tax expense recognised in the income statement	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

China Food is subject to a United Kingdom Tax rate of 21% (2012: 25%).

A reconciliation of the continuing operations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates is as follows:

	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Accounting (loss)/profit before tax	(18,243)	(1,055)
Tax at the domestic rates applicable to profits / losses in the countries concerned (see above)	(3,831)	(264)
<i>Adjustments:</i>		
- Non-deductible expenses	-	-
- Unrelieved tax losses	3,831	264
Income tax expense recognised in the income statement	-	-

8. Trade and other receivables

	As at 30 June 2014 £'000	As at 31 December 2012 £'000
Other receivables	2	2
Prepayments	5	3
	7	5

9. Cash and bank balances

	As at 30 June 2014 £'000	As at 31 December 2012 £'000
	15	6

10. Trade and other payables

	As at 30 June 2014 £'000	As at 31 December 2012 £'000
Other payables	475	371
Accrued expenses	735	596
	1,210	967

11. Convertible loan notes

The convertible loan notes C (Notes C) were issued on 23 June 2010 and 11 March 2011. The Notes C were convertible into ordinary shares of the Company at any time between the date of issue of the notes and the final redemption dates of 15 of June 2012. The loan notes were convertible at £0.50 per share. The effective interest rate used to calculate the interest charged to the income statement was 10%.

On 14 June 2012, the Company announced that, following approval by the majority of Note C holders, it has been agreed that the Note C has been rolled into the Note A. These terms have been amended to reflect those of the Notes A that carry a coupon of 10% per annum and are convertible at 32 pence per ordinary share. The modification is not deemed to be significant.

On 2 November 2012, the Company announced that, following approval by the majority of A, B & C Loan Note holders, the terms of the A, B & C Loan Notes ("Loan Notes") have been amended as detailed below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Loan Notes were initially extended to 31 January 2013 to accommodate the delay in Korean regulatory approvals required to consummate the disposal of the Fuss Feed subsidiary ("Disposal") announced in July 2012.

On 6 September 2013, CFC raised £850,000, on 15 October 2013, a further £78,000 was raised and on 24 October 2014 a further £39,000 were issued in loan notes. Up until 31 December 2015, the repayment date of the loan notes had been extended following discussions with loan note holders and were subsequently extended to 30 September 2016. Given the various discussions taking place as to the disposals formal loan note extensions were suspended until a financial outcome appeared more certain. Following the agreement to sell Full Fortune Holdings in June 2017, there have been no formal loan note extensions, however the Board continues to work with the major loan note holders for their approval of all the key actions.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	Notes A&B			Notes C			Total
	Gross amount	Transaction costs	Net amount	Gross amount	Transaction costs	Net amount	Net amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liability component at 30 June 2014			3,144			1,463	4,607
New loan notes issued	1,102	(57)	1,045	-	-	-	1,045
	1,102	(57)	4,189	-	-	1,463	5,652
Adjustment to terms of old loan notes			334			(175)	159
Interest charged			1,314			456	1,770
Liability component at 30 June 2014			5,837			1,744	7,581

	Notes A&B			Notes C			Total
	Gross amount	Transaction costs	Net amount	Gross amount	Transaction costs	Net amount	Net amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity component at 31 December 2012	(127)	(8)	(119)	(44)	(3)	(41)	(160)
New loan notes issued	(291)	(6)	(285)				(285)
	(418)	(14)	(404)	(44)	(3)	(41)	(445)
Adjustment to terms of old loan notes	(78)	-	(78)	(46)	-	(46)	(124)
Equity component at 30 June 2014			(482)			(87)	(569)

	Notes A&B			Notes C			Total
	Gross amount	Transaction costs	Net amount	Gross amount	Transaction costs	Net amount	Net amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Convertible loan notes issued	3,004	188	2,816	1,425	96	1,329	4,145
Equity component	(127)	(8)	(119)	(44)	(3)	(41)	(160)
Liability component at date of issue	2,877	180	2,697	1,381	93	1,288	3,985
Interest charged			1,090			329	1,419
Interest paid			(643)			(154)	(797)
Liability component at 31 December 2012			3,144			1,463	4,607

12. Shareholders' loans

As at

As at

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	30 June 2014 £'000	31 December 2012 £'000
Current	1,169	1,230
Non-current	491	516
	<u>1,660</u>	<u>1,746</u>

The loan from two shareholders is denominated in USD. It is unsecured and bears interest from 10% to 12.5% per annum.

13. Share capital

	No. of shares	£'000
Authorised		
As at 31 December 2012 and 30 June 2014 - Ordinary shares of 4p each	<u>100,000,000</u>	<u>4,000</u>
Issued, called up and fully paid		
As at 31 December 2012 and 30 June 2014 - Ordinary shares of 4p each	<u>71,446,972</u>	<u>2,858</u>

14. Share premium

	As at 30 June 2014 £'000	As at 31 December 2012 £'000
As at 1 January	<u>5,331</u>	<u>5,331</u>
As at 30 June	<u>5,331</u>	<u>5,331</u>

15. Employee remuneration

Remuneration of the Directors is disclosed in note 19.

15.1 Share-based payments

15.1.1 Employee share option

The Group established a share option scheme in 2007 (the "Share Option Scheme"). On 10 June 2009 (the "Date of Grant"), the Group granted 4,648,000 options to its Directors and employees with an exercise price of £0.355 per ordinary share. On 25 May 2011, the Group granted additional 1,950,000 options to its Directors and employees with an exercise price of £0.53 per ordinary share. The purpose of granting options under the Share Option Scheme was to incentivise and reward the Group's employees.

The Options may normally be exercised as follows:

2009 Options		Number of options granted		Total
Date of Grant	Vesting dates	Directors	Employees	
10 June 2009	From the date of grant	464,800	1,084,533	1,549,333
	From the date falling 12 months after the date of grant	464,800	1,084,533	1,549,333
	From the date falling 24 months after the date of grant	464,800	1,084,534	1,549,334
		<u>1,394,400</u>	<u>3,253,600</u>	<u>4,648,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

<u>2011 Options</u> Date of Grant	Vesting dates	<u>Number of options granted</u>		Total
		Directors	Employees	
25 May 2011	From the date of grant	583,334	66,666	650,000
	From the date falling 12 months after the date of grant	583,333	66,667	650,000
	From the date falling 24 months after the date of grant	583,333	66,667	650,000
		1,750,000	200,000	1,950,000

The fair values of options granted were determined using the Black Scholes model. The following principal assumptions were used in the valuation:

	2011 Options	2009 Options
Exercise price (£)	0.53	0.355
Share price at date of grant (£)	0.485	0.313
Option life	3 years	730 days
Volatility	40%	20%
Risk free interest rate	0.50%	1.115%
Dividend yield	-	-
Fair value at date of grant (£)	0.119	0.0225

The underlying expected volatility was determined by reference to historical data of the Company's shares from the date of completion of the reverse takeover to the date of grant of the share options. Though the options have a contract life of ten years, a shorter option life is used as early exercise is expected.

In accordance with the requirements of IFRS2, a total credit of £371,000 (FY2012: charge of £71,000) has been recognised in the income statement in respect of the full reversal of the previously recognized charges due to the vesting conditions not being met.

15.1.2 Other share-based payments

On 12 December 2007, the Company granted Strand Partners a warrant to subscribe for 1,328,000 new ordinary shares of the company at a subscription price of £0.50 per share. These were granted in respect of the services they provided in relation to the acquisition of Full Fortune and its subsidiaries. The warrant may be exercised at any time during the period of five years from 10 December 2007. As at 30 June 2014 the warrant remained unexercised.

16. Investments in subsidiaries

	As at 30 June 2014 £'000	As at 31 December 2012 £'000
Equity investment	-	25,167
Advance to a subsidiary	-	5,341
As at end of the period	-	30,508

Please refer to note 3.3 for details of the subsidiary companies of the Company.

As more fully described in the Chairman's Statement and Strategic Report, in June 2017 agreement was reached to sell the Company's interest in Full Fortune Holdings Limited for £4.8million. Under the terms of the agreement staged payments will be made over the period from July 2017 to June 2020 as loans and on completion of the final installment due June 2020, shares in Full Fortune Holdings Limited may be transferred for consideration of £100. To February 2018 loan installments totaling £750,000 have been received, however in view of the structure of this transaction and uncertainty over the expected recoverable value, nil value has been ascribed to the investments in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17. Capital commitments

As at the balance sheet date, there were no known material capital commitments.

18. Related party disclosures

- (a) In addition to related party information disclosed elsewhere in the financial statements, the following significant related party transactions took place during the year on terms agreed between the parties:

	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Directors		
Convertible loan interest	95	6
Directors loan	-	56
Dividend	-	-
Main World Investments Limited⁽¹⁾		
Convertible loan interest	345	117
Convertible loan as at period end	1,282	1,107
Shareholder loan interest	230	116
Shareholder loan as at period end	491	1,131
Lam Soon Realty (Pte) Ltd⁽²⁾		
Convertible loan interest	258	84
Convertible loan as at period end	960	824
Shareholder loan interest	288	81
Shareholder loan as at period end	1,169	615
Sorbic International PLC⁽³⁾		
Service fee receivable	-	7

⁽¹⁾ Main World Investments Limited is one of the substantial shareholders of the Company.

⁽²⁾ Lam Soon Realty (Pte) Ltd is one of the substantial shareholders of the Company.

⁽³⁾ One of the directors of the Company is also the director of Sorbic International PLC.

- (b) Compensation of key management personnel (as recognised in the consolidated income statement)

	Period ended 30 June 2014 £'000	Year ended 31 December 2012 £'000
Short-term employee benefits	248	95
Post-employment benefits	-	-
Share-based payments	16	71
Total compensation to key management personnel	264	166
Comprised amounts paid to:		
Directors	264	166
Other key management personnel of the Group	-	-
	264	166

- (c) Convertible loan notes

As at 30 June 2014, outstanding convertible loan notes owed to the directors were as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Period ended 30 June 2014	Year ended 31 December 2012
	£'000	£'000
Principal	440	50
Interest accrued	95	7
	<u>535</u>	<u>57</u>

(d) Ultimate controlling party

China Food is a public limited company with no single controlling party.

19. Directors' remuneration

Remuneration paid to or receivable by Directors of China Food in respect of qualifying services was as follows:

	Period ended 30 June 2014	Year ended 31 December 2012
	£'000	£'000
Aggregate fees and emoluments	248	95
Pension scheme contributions	-	-
Share-based payment	16	71
	<u>264</u>	<u>166</u>

There are no directors to whom retirement benefits are accruing under money purchase pension schemes.

All of the directors' fees remain unpaid at year end (2012: £46,000).

20. Risk management objectives and policies

China Food is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk, credit and liquidity risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

China Food does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below. See also note 20.5 for a summary of the Group's financial assets and liabilities by category.

20.1 Foreign currency sensitivity

Most of the Company's transactions are denominated in GBP except for an advance to a subsidiary and a shareholder loan which are denominated in USD.

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

	As at 30 June 2014	As at 31 December 2012
	£'000	£'000
Financial assets	-	2,768
Financial liabilities	(1,169)	(1,230)
Short-term exposure	<u>(1,169)</u>	<u>1,538</u>
Financial liabilities	(491)	(516)
Long-term exposure	<u>(491)</u>	<u>(516)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities and the GBP - USD exchange rate.

It assumes a +1.4% / -1.5% change of the GBP/USD exchange rate for the year ended at 30 June 2014 (2012: +1.3% / -1.5%). Each of these percentages has been determined based on the average monthly market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each balance sheet date.

If the GBP had strengthened against the USD by 1.4% (2012: 1.3%), then this would have had the following increase/ (decrease) in the net result for the year and equity:

	As at 30 June 2014 £'000	As at 31 December 2012 £'000
Net result for the year	23	(13)
Equity	23	(13)

If the GBP had weakened against the USD by 1.5% (2012: 1.5%), then this would have had the following increase/ (decrease) in the net result for the year and equity:

	As at 30 June 2014 £'000	As at 31 December 2012 £'000
Net result for the year	(25)	16
Equity	(25)	16

20.2 Interest rate sensitivity

The Company is not exposed to changes in market interest rate as the Company estimated a reasonably possible change in interest rates of +0.00% and -0.00% (2012: +0.00%/-0.00%), with effect from the beginning of the year.

20.3 Credit risk analysis

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	As at 30 June 2014 £'000	As at 31 December 2012 £'000
Trade and other receivables	7	5
Advance to a subsidiary	-	2,768
Amount due from a subsidiary	-	416
Cash and cash equivalents	15	6
	<u>22</u>	<u>3,195</u>

In respect of trade and other receivables, China Food is not exposed to any significant credit risk exposure. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

20.4 Liquidity risk analysis

As at 30 June 2014, the Company's liabilities have contractual maturities which are summarised below:

	Current		Non-current	
	within 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	later than 5 years £'000
Trade and other payables	1,210	-	-	-
Convertible loan notes	1,666	726	5,189	-
Shareholders' loan	1,169	-	491	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4,045	726	5,680	-
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This compares to the maturity of the Company's financial liabilities in the previous reporting periods as follows:

	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£'000	£'000	£'000	£'000
Trade and other payables	1,023	-	-	-
Convertible loan notes	622	-	3,985	-
Shareholders' loan	1,230	-	516	-
	2,875	-	4,501	-

20.5 Summary of financial assets and liabilities by category

The carrying amounts of the Company's financial assets and liabilities as recognised at the balance sheet date are considered to approximate to their carrying values. These assets and liabilities may also be categorised as follows:

Loan and receivables £'000

2014

Current:

Trade and other receivables

7

Advance to a subsidiary

-

Cash and cash equivalents

15

Total for category

22

2012

Current:

Trade and other receivables

2

Advance to a subsidiary

3,184

Cash and cash equivalents

6

Total for category

3,192

Financial liabilities measured at amortised cost £'000

2014

Non-current:

Borrowings

5,680

Current:

Borrowings

3,561

Trade and other payables

1,210

Total for category

10,451

2012

Non-current:

Borrowings

4,501

Current:

Borrowings

1,908

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Trade and other payables	967
Total for category	<u>7,376</u>

21. Dividend

No dividend was declared in respect of the year ended 30 June 2014.

22. Post balance sheet events

A summary of the events occurring since 30th June 2014 is included in the Chairman's Statement and Strategic Report and is updated to February 2018.