

## UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda as an exempted company limited by shares)

(Company Registration No. 28925)

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### RESPONSES TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RELATION TO THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

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*Unless otherwise specified, all capitalised terms used herein shall have the meanings ascribed to them in the announcement made by United Food Holdings Limited on 14 December 2023 with respect to the Annual Report for the financial year ended 31 March 2022 (the “**Announcement**”).*

The board of directors (the “**Board**”) of United Food Holdings Limited (the “**Company**”, and collectively with its subsidiaries, the “**Group**”) wishes to provide its responses to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) with respect to Annual Report for the financial year ended 31 March 2022 (the “**Annual Report FY2022**”).

#### **SGX-ST Query 1**

Listing Rule 1207(18B) requires an explanation of how the issuer has complied with the following that include, inter alia, (b) the issuer ensures that the identity of the whistleblower is kept confidential; (c) the issuer discloses its commitment to ensure protection of the whistleblower against detrimental or unfair treatment; and (d) the Audit Committee is responsible for oversight and monitoring of whistleblowing. We noted that the Company had not provided an explanation of the aforementioned in its "Whistle-Blowing" Programme stated on Page 24 of its FY2022 Annual Report. Please disclose accordingly pursuant to Listing Rule 1207(18B).

#### **Company’s response:**

The Company’s “Whistle-Blowing” Programme (“**Programme**”) provides a channel for employees of the Group to report in good faith and in confidence their concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee (“**AC**”) exercises the overseeing function over the administration of the Programme. The Programme provides for procedures to validate concerns and for investigations to be carried out independently. The whistle-blower shall report to any member of the AC of the Company by email or mail directly. All whistle-blowing reports will be investigated by an Investigation Committee which shall comprise the AC members and two (2) independent managers recommended by the Head of the Human Resource.

The Company views whistle-blowing seriously and would:

- Not allow the whistle-blower(s) to be victimized;
- Treat victimization of whistle-blower(s) as a serious matter that may lead to disciplinary action including dismissal; and
- Take disciplinary action if any employee destroys or conceals evidence or makes untrue allegations.

The employee and any other persons who have reported a suspicion of fraudulent activities, malpractices or improprieties in good faith and in compliance with the provisions of this Programme would not be prejudiced in his position in any way as a result of having made a report.

The AC did not receive any whistleblowing reports in FY2022.

### **SGX-ST Query 2**

Listing Rule 1207(10C) requires the Audit Committee's ("AC") comments on whether the internal audit function is independent, effective and adequately resourced. We noted that the head of the Company's in-house internal audit department, Mr Liu Yang, "holds an Executive Master Degree from the Chinese University of Hong Kong and a Diploma from the Chartered Institute of Purchasing and Supply in United Kingdom" and was awarded Certified Professional in Supply Management by the Institute for Supply Management in United States. Please elaborate on how has the AC determined that Mr Liu Yang, who specializes in Supply Management, has the relevant experience and qualifications for his role as the head of the internal audit department and elaborate on his experience in internal audit which, in the AC's view makes him able to head the internal audit department. To also provide AC's assessment of the independence, effectiveness and adequacy of the Company's in-house internal audit function team and, AC's confirmation that the internal audits are carried out in compliance with the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

### **Company's response:**

Mr Liu Yang was appointed as Chief Marketing Officer on 29 September 2017 and has been with the Group for 6 years. The AC has reviewed Mr Liu Yang education background, his working experience as Head of Global Procurement with renowned companies in China as well as 10-year solid management experience in Fortune 500 multinational corporation and listed companies and China and Hong Kong. Mr Liu Yang is also a member of the China Institute of Internal Audit and is recognized as a Certified Internal Auditor by The Institute of Internal Auditors in Y2023. Accordingly, the AC is of the view that Mr Liu Yang is able to head the internal audit department.

Mr Liu Yang is assisted by Mr Ni ShaoJun, a qualified Chinese Accountant is a member of the internal audit team and a Finance Manager of the Group since 2018. He has more than 20 years of experience in auditing fields and has great exposure in the manufacturing, trading and food industries. The internal audit function team adopted the Enterprise Risk Management (ERM) Framework with reference to the principles of the International Professional Practice Framework of the Institute of Internal Auditors in performing the Company's internal audit.

The internal audit team prepared and presented the internal audit plan which, inter alia, categorized inputs gathered from the audits, reviewed the risk map, reviewed core programs of the Group and critical internal control areas. Furthermore, there is a training programme to ensure that the team is kept updated and current on relevant matters of audit, risks and internal controls.

The AC had reviewed the report prepared by the internal auditors. The AC noted the below during

the review of the internal audit report ended 31 March 2022:

- i. The Company wishes to provide the proper context against which the AC's assessment of the Company's internal audit function at the material time ought to be viewed. There was minimal or zero production activity for Hebei Xingrun Shengwu Keji Gufen Co., Ltd. ("HBXR") and Chengde Purun Shengwu Zhiyao Co., Ltd. ("CDPR") between 2019 and 2021. There was also limited trading activity by Really Time Trading Limited (another subsidiary of the Company, in the food products trading business), with only around RMB 13 million in FY2020 and no trading activity in FY2021. This is relevant to the scale / scope of any internal audit. The AC also had to consider the Group's financial position at the relevant time.
- ii. The Company and the AC concur that there were adequate internal controls in place within the Group addressing financial, operational, information technology controls and compliance risks. In particular, the AC noted that there were no instances of missing funds nor any reports of misconduct or whistleblowing allegations.
- iii. The internal audit team was headed by Mr Liu (the Chief Marketing Officer), who had extensive exposure in internal audit projects in his past working experience which has been elaborated above.
- iv. While the internal audit was not carried out by a separate internal audit department, the internal audit was structured with a view to be as independent as possible as each member audited the activities from other departments, and did not participate in the auditing of activities/ work which he was responsible for.
- v. The Company wishes to highlight that the AC had given due consideration to the need for an effective and independent internal audit function. The AC had also raised with management the outsourcing of the internal audit function for FY2023.

### **SGX-ST Query 3**

In the disclaimer of opinion under the Independent Auditor's report on Page 40 of the Annual Report, it was mentioned that the Group recorded the receivable for sales transactions entered into by Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) HBXR for the supply of equipment to Huizhou KWJ Biotechnology Co., Ltd (惠州市康维健生物科技有限公司) ("KWJ") totalling RMB 47.5 million as at 31 March 2022 for which, the auditors were provided with incomplete delivery orders and no sales invoices. Please disclose more information on KWJ that includes:

- (i) its nature of business and the reason why there were no sales invoices nor delivery orders;
- (ii) its key management, directors and shareholders;
- (iii) whether its key management, directors and shareholders are related to the Company's key management, directors and shareholders; and
- (iv) the reason why the Company is unable to collect the outstanding accounts receivable or determine when the amount will be repaid to the Company.

To also provide the breakdown, aging and the Board's assessment of the recoverability of the receivables of RMB 47.5 million as at 31 March 2022.

### Company's response:

Given the weakening macroeconomic environment in China and KWJ lacks cash liquidity and thus, it requires a gradual repayment until December 2023. Please refer to the announcement "Debt Restructuring Framework – update on HBXR's trade receivables owing by KWJ" released on 27 November 2023 for more details.

The outstanding amount due from KWJ as of to date was RMB44,824,000.

The Company's management had actively communicated with KWJ but KWJ's fundraising channel was uncertain due to the impact of the epidemic in China had not been fully subsided. Hence, KWJ was not able to provide definite information in a timely manner to the Company and thus, caused the delay of announcement. Please refer to the announcement "Debt Restructuring Framework – update on HBXR's trade receivables owing by Kangweijian" released on 27 November 2023 for more details.

As of 31 December 2022, KWJ recorded revenue of RMB3.8 million, profit/(loss) of (RMB17 million) and net asset value of (RMB1 million). 2021 was KWJ's first year of production. KWJ resumed large-scale of production in 2023 after a suspension of production during the epidemic in 2022. The main losses were mainly depreciation and basic manpower costs.

KWJ's shareholders, directors and key management have no relationships with the Company's shareholders, directors and key management.

### SGX Query 4

In the disclaimer of opinion under the Independent Auditor's report on Page 40 of the Annual Report, it was mentioned that "there was no supply or installation of the equipment in respect of the advances of RMB 49.2 million paid to 惠州中凡机电设备有限公司 ("ZhongFan") for the financial year ended 31 March 2021" and yet, "during the financial year 2022, HBXR recorded net outflow of RMB 3.7 million to ZhongFan from the supply of equipment." Please disclose more information on ZhongFan that includes:

- (i) its nature of business and date of incorporation;
- (ii) what is the equipment to be installed by ZhongFan and when had ZhongFan started supplying and installing such equipment;
- (iii) Is ZhongFan currently in operation and if so, please explain why is the equipment not being supplied or installed by ZhongFan;
- (iv) its key management, directors and shareholders; and
- (v) whether its key management, directors and shareholders are related to the Company's key management, directors and shareholders.

To also state the purpose of the "installation of equipment purchased from Zhongfan" and disclose why there was a net outflow to ZhongFan in the financial year 2022 when there were no supply and installation of the equipment in respect of the advances of RMB 49.2 million paid for financial year ended 31 March 2021.

### Company's response:

Zhongfan is an equipment provider and has been providing the Group with corresponding equipment customization, installation, maintenance and other services. The LAP equipment sold to the Group's downstream companies is mainly provided by Zhongfan.

The details of Zhongfan are as follows :

Name	Reg. No.	Date of incorporation	Name of Director/Legal Representative / Shareholder	Paid up Capital	Principle Activities
Zhongfan	91441303MA4WPFGU88	16 June 2017	Zeng Cui Qing	RMB20 million	Production, research and development, sales of food processing machinery and equipment

The Group has entered into a sales contract with KWJ for a total amount of RMB77.5 million. In this respect, the Group has placed a deposit to Zhongfan in procuring the relevant equipment and other relevant materials for order fulfilment.

Based on the sales secured so far, the equipment of the downstream manufacturers could not be arranged in time as a result of some parts of the equipment assembly could not be imported from overseas, hence the order and delivery could not be fulfilled. To address this issue, the Group widened its geographic scope to work with multiple downstream industrial countries including Europe and India. The Group has identified Zhongfan as its downstream strategic partner for the sale of LAP equipment in 2021. Zhongfan will consolidate the components.

Zhongfan is one of the Group's equipment suppliers. The revenue stream of the Group was mainly selling customized equipment to the customer. In order for Zhongfan to provide the corresponding equipment, the Group would need to pay them in advance. These funds were mainly from the operating capital.

HBXR had signed a total 5 purchase contracts with Zhongfan, and prepaid RMB49 million for the purchase. The equipment includes a special tank for production, an evaporator, fully automatic vertical scraper centrifuge for filtering products, two in one washing and filtering, rake vacuum dryer for drying products, and the expansion of the food additive production line of KWJ installation items, etc. HBXR began to order the corresponding equipment from Zhongfan in 3Q 2020.

HBXR had entered into 3 sales contracts with KWJ for RMB77 million. The products sold include special tanks for production, evaporators, fully automatic vertical scraper centrifuges for filtration, two in one washing and filtration, rake vacuum dryer used and the expansion and installation project of the food additive production line of KWJ, etc. HBXR will provide project management expertise, production installation expertise and use of its patent for the sales contracts. The production of LAP equipment would be assembled in China which required special environment and technical know-how, which KWJ has the capability and capacity.

Zhongfan's key management, directors and shareholders have no relationships with the Company's

key management, directors and shareholders.

Since the annual report for FY2022 of the Company has just been finalized, the accounting entries of Zhongfan have been properly recorded after the completion of the delivery to KWJ. The claims and debts have been transferred to KWJ in FY2023. Please refer to the announcement “Debt Restructuring Framework – update on HBXR’s trade receivables owing by Kangweijian” released on 27 November 2023 for more details.

#### **SGX Query 5**

In the disclaimer of opinion under the Independent Auditor’s report on Page 41 of the Annual Report, it was mentioned that “as at 31 March 2022, the intangible assets of RMB 120 million arising from the Acquisition had been fully impaired from inception.” Please disclose:

- (i) how the amount of impairment was determined;
- (ii) whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation;
- (iii) the Board’s confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
- (iv) the reasons for the impairment losses.

To also provide the Board’s assessment of the recoverability of the remaining sum of goodwill of RMB 3.049 million that relates to the August 2017 acquisition of Really Time Trading Limited (“RTTL”) and the subsidiary acquired is Shenzhen Hualitai Food Trading Co., Ltd. (“Hualitai”), considering that RTTL has no trading activities since FY2020 while Hualitai has no trading activities since FY2019.

#### **Company’s response:**

- (i) how the amount of impairment was determined

The impairment was based on the valuation report provided by the valuer.

- (ii) whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation;

The valuer was engaged to evaluate the assets in accordance with the requirements of the audit procedures.

- (iii) the Board’s confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and

The Board confirmed that they were satisfied with the reasonableness of the methodologies used to determine amount of impairment.

- (iv) the reasons for the impairment losses.

The reported low revenue of the entities to be valued is mainly due to the pandemic impact and the lack of gas supply, which has been taken into consideration in the valuation, with very low projected production outputs in the first forecasted year and gradually increase in production outputs in the subsequent forecasted years as well as a high company specific risk premium added in the discount rate to account for the uncertainty. For the gas supply issue, Ascent Partners have obtained the official public notice in August 2020 from the local authority which had indicated an expected gas resumption in October 2020. Management and valuer had relied on this date as basis for their forecast going forward.

The Board's assessment of the recoverability of the remaining sum of goodwill of RMB 3.049 million that relates to the August 2017 acquisition of Really Time Trading Limited (“RTTL”).

The goodwill related to RTTL was formed due to the consideration paid was greater than the net value at the time of acquisition. RTTL had provided profit guarantee and had achieved the profit guarantee within the two years. As such, the numbers on the books were just historical records.

#### **SGX Query 6**

In the disclaimer of opinion under the Independent Auditor's report on Page 42 of the Annual Report, it was mentioned that the amount owing by subsidiaries were RMB 109.4 million. Please disclose the underlying transactions which gave rise to the amount of RMB 109.4 million and the respective subsidiaries involved. To also explain why the Management of the Company has not performed any assessments of possible impairment of the amount owing by subsidiaries for FY2022.

#### **Company's response:**

The amount owing by subsidiaries were intercompany transactions, the Management therefore did not perform any assessments of possible impairment for FY2022.

#### **SGX Query 7**

Listing Rule 704(6) requires immediate announcement of any material adjustments to its preliminary full-year results made subsequently by auditors. We noted discrepancies between the full-year audited results reported in the Company's FY2022 Annual Report and unaudited full-year results announced on 30 July 2022. Please explain why the Company had not disclose and explain the material adjustments via an SGXNET Announcement.

#### **Company's response:**

	Note	Audited 31 March 2022 RMB'000	Unaudited 31 March 2022 RMB'000	Difference (%)
<b>Continuing operations</b>				
Revenue	18	59,267	59,267	-
Cost of sales		(53,950)	(54,207)	0.47
Gross profit		5,317	5,060	5.08
Other income	19	3,043	125	(2334.40)

Selling and distribution costs		(374)	(148)	(152.70)
Administrative expenses	20	(6,110)	(5,901)	(3.54)
Finance expenses	23	(1,185)	(1,185)	-
Other expenses	21	(67)	(2)	(3,250.00)
Profit/(loss) before taxation from continuing operations		624	(2,051)	69.58
Income tax	22	(980)	-	Not material
<b>Loss for the year</b>	23	<b>(356)</b>	<b>(2,051)</b>	<b>82.64</b>

**Other comprehensive loss:**

*Items that may be reclassified subsequently to profit or loss:*

Foreign currency translation difference		(3,754)	(1,003)	(274.28)
<b>Total comprehensive loss for the year</b>		<b>(4,110)</b>	<b>(3,054)</b>	<b>(34.58)</b>

**Loss attributable to:**

Equity holders of the Company		(476)	(2,375)	
Non-controlling interests	3	120	324	
		<b>(356)</b>	<b>(2,051)</b>	

**Total comprehensive loss attributable to:**

- Equity holders of the Company		(4,490)	(3,485)	
- Non-controlling interests	3	380	431	
		<b>(4,110)</b>	<b>(3,054)</b>	

		Audited	Unaudited	Difference (%)
	Note	31 March 2022 RMB'000	31 March 2022 RMB'000	
<b>ASSETS</b>				
<b>Non-current assets</b>				
Subsidiaries	3	-	-	-
Goodwill	4	3,049	3,049	-
Property, plant and equipment	5	2,154	1,726	24.80
Right-of-use assets	6	21,834	21,272	2.64
Intangible assets	7	-	-	-
		<b>27,037</b>	<b>26,047</b>	<b>3.80</b>
<b>Current assets</b>				
Inventories	8	1,950	1,829	6.62
Trade and other receivables	9	148,694	143,246	3.80
Amounts due from subsidiaries	10	-	-	-
Cash and cash equivalents	11	4,838	4,838	-
		<b>155,482</b>	<b>149,913</b>	
<b>Total Assets</b>		<b>182,519</b>	<b>175,960</b>	<b>3.73</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	12	18,685	18,685	-
Reserves	13	104,391	105,396	(0.95)
Equity attributable to owners of the Company		<b>123,076</b>	<b>124,081</b>	
Non-controlling interests	3	(2,847)	(2,796)	
<b>Total Equity</b>		<b>120,229</b>	<b>121,285</b>	<b>(0.87)</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	14(a)	48,497	42,387	14.41
Provision for onerous contract	14(b)	3,380	2,298	47.08
Amounts due to subsidiaries	10	-	-	-
Borrowings	15	9,990	9,990	-
Contingent consideration for acquisition				



of subsidiaries	16	-	-	
Current tax payable		423	2,298	(81.59)
		<b>62,290</b>	54,675	
<b>Non-current liabilities</b>				
Borrowings	15	-	-	
Deferred tax liabilities	17	-	-	
		-	-	
<b>Total Liabilities</b>		<b>62,290</b>	54,675	13.93
<b>Total Equity and Liabilities</b>		<b>182,519</b>	175,960	3.78

Please refer to the adjustments :

		Notes
Loss for the year	-2,051	Unaudited full-year results FY2022 announced on 30 July 2022
Income tax expense adjustment	-980	Reconciliation of effective tax rate. Please refer to Note 22 to Financial Statements on Page 91 of the Annual Report 2022
Audit fee accrued	-1,169	Please refer to Note 23 to Financial Statements on Page 92 of the Annual Report 2022
Unrealised gain in foreign exchange	2,889	Please refer to Notes 19 and 23 to Financial Statements on respective Pages 89 and 92 of the Annual Report 2022
Sundry adjustment	-35	Adjustment arising from CDPR's books
Depreciation adjustment	990	Group level
<b>Loss for the year</b>	<b>-356</b>	<b>Full-year audited results reported in the Company's FY2022 Annual Report</b>

Based on the Group's Net Assets and against the differences stated above, the Company is of the view that there was no material variance between the full-year audited results reported in the Company's FY2022 Annual Report and unaudited full-year results announced on 30 July 2022.

### **SGX Query 8**

On Page 24 of its FY2022 Annual Report, the Company confirmed that they have met the requirements for Listing Rules 712 and 715. We further note that the Company has multiple foreign-incorporated subsidiaries, which were stated to be audited by the Company's Auditor, Foo Kon Tan LLP for consolidation purposes on Page 70 of the FY2022 Annual Report. Please disclose whether the foreign subsidiaries are audited in the respective local jurisdictions and state the auditing firm for each significant foreign-incorporated subsidiaries. To also provide the audit committee and board's confirmation on the suitability of each of the auditors of each significant foreign-incorporated subsidiaries under Listing Rule 715(2), as well as substantiate the audit committee's confirmation with specific information on each auditors' track record, resource adequacy, as well as any other

information required under Listing Rule 712, and whether they are members of IFIAR and whether they have audited public companies listed in their own jurisdiction of operation.

**Company's response:**

HLB (Liaoning office), a network firm of FKT, performs the component audit for PRC entities. Other entities in HK are inactive which are immaterial to the Group.

The Audit Committee and Board confirmed the suitability of each of the auditors of each significant foreign-incorporated subsidiaries under Listing Rule 715(2). The Audit Committee was satisfied that the resources and experience of FKT, the audit engagement partner and the team assigned to the audit of the Group were adequate to meet their obligations, given the size, nature, operations and complexity of the Group under Listing Rule 712.

**SGX Query 9**

As the Company had mentioned on Page 77 of the Annual Report that the management determined that insofar as the forecast was concerned, there was no certainty to the timing of the gas supply by the local authorities to its factory plants belonging to Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) ("HBXR") and Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) ("CDPR") regarding the business segment of Additives and the Animal Feed and Traditional Medicine, please explain why the management did not perform an assessment of the possible impairment of property, plant and equipment, right of use assets and patent for FY2022.

**Company's response:**

The Company had entered into a Deed of Termination for the acquisition of (i) 80% of the total equity interests in HBXR, (ii) 80% of the total equity interests in CDPR and (iii) 80% of the issued and paid-up share capital of Benchmark. Please refer to the announcement "Entry into a Deed of Termination" released on 30 May 2023 for more details.

**SGX Query 10**

The Company had mentioned under Note 25 of its FY2022 Annual Report, Page 94 that the disclosed transactions under the table are "in addition to the related party information disclosed elsewhere in the financial statements". Please clarify what are these related party transactions information, who are the related parties and how much is the aggregate value of transactions for FY2022, considering that the Company had disclosed on Page 38 of its Annual Report that there were no interested person transactions during the financial year from 1 April 2021 to 31 March 2022 except for the transactions disclosed in Note 25 to the financial statements.

**Company's response:**

The related party transactions were relating to the Directors' remuneration. The Company confirmed that there were no interested person transactions during the financial year from 1 April 2021 to 31 March 2022 except for the transactions disclosed in Note 25 to the financial statements.

By Order of the Board

Song Yanan  
Non-Executive Chairman  
27 December 2023