

RESPONSES TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RELATION TO THE FINANCIAL RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

*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 12 November 2020 with respect to the Unaudited Financial Statements for the financial period ended 30 September 2020 (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 the Unaudited Financial Statements for the financial period ended 30 September 2020 (the “Financial Results”).

SGX-ST Query 1

Page 1 of the Financial Results – Revenue of RMB636,000

We note the significant decrease from RMB7,432,000 to RMB636,000 was “mainly due to the COVID-19 situation which affected both natural gas supply and market”. Please disclose in detail how the COVID-19 situation affected the Company’s operations and why revenue amounted to only RMB636,000 in 2Q2020 versus RMB7,432,000 in 2Q2019. You are reminded that it is crucial for the Company to provide timely disclosures to shareholders on the business impact or any other material aspects due to the latest advisories and measures amid COVID-19. The Company should refer to SGX RegCo’s regulator’s column published on 22 April 2020 on the expectations of disclosure during COVID-19.

Company’s response:

As at 30 September 2020, the Company’s sales plummeted mainly due to the following factors:

- 1) Since late 2019 till 30 September 2020, China government had imposed severe movement restrictions and unprecedented measures in order to curb the spread of COVID-19 pandemic. In view thereof and even after resuming operations, the Group continued to encounter disruptions, the factory production staff of the Group were unable to carry out their work as usual, such as operating machinery and issuing invoices and etc. As a result, the sales were stagnant.
- 2) The revenue recorded in 2Q2019 comprised mainly revenue from Trading segment as compared to 2Q2020. Our international sales as at 30 September 2020 have been suspended due to the COVID-19 pandemic and the adverse impact from trade war between US and China. There were only sporadic sales registered for the 1st half of 2020. This was the main reason for sharp decline in sales.
- 3) We have disclosed the reasons as to why the Group was unable to carry out normal production due to movement restrictions in our last application dated 14 September 2020 for an extension of time to SGX-ST. The COVID-19 pandemic has resulted a sluggish market demand which indirectly impacted the Group’s revenue.

SGX-ST Query 2

Page 5 of the Financial Results – Net cash used in operating activities of RMB27,067,000

Pursuant to paragraph 8, Appendix 7.2, please provide reasonable explanations for the material deficit in cash from operations.

Company's response:

The net cash used in operating activities mainly comprised of:

1. Loss for the year of RMB2,931,000 (after adjustment of translation difference between Amortisation and Depreciation) which mainly attributed by accumulated depreciation, exchange gains and losses, and administrative and staff expenses.
2. Increase in account receivables of RMB8,854,000 which mainly due to the prepayment of part of the payment to upstream companies for production needs.
3. Decrease in account payables of RMB15,189,000 being partial payments to downstream companies.

In general, the net cash used was for the production related activities in order to create a sustainable operating environment for the Company.

SGX-ST Query 3

Page 9 of the Financial Results – Updates on the efforts taken to resolve each outstanding audit issue

Explain in detail, the Group's efforts to resolve the auditors' "inability to obtain sufficient appropriate audit evidence", with regard to each of the points (a) to (f).

Company's response:

- a) Opening Balance

Management has informed the Board and the Audit Committee that there has been no spill over effects arising from the disposal of the Post-Ante Group for the year ended 31 March 2019 onto the current financial year ending 31 March 2021 to-date nor any spill over effects on the financial year ended 31 March 2020. Nevertheless, the management will continue to monitor any spill over effects thereon until the finalisation of the financial statements of the Group and the Company as of and for the year ending 31 March 2021.

- b) Impairment of non-financial assets

The valuer had evaluated the forecasts of CDPR and HBXR and the transactions adjusted according to market conditions, which had been reflected in the valuation report.

- c) Deferred tax liabilities

The Group is in the midst of consulting with the corresponding tax experts in China and would make relevant adjustment upon clarification received from China tax authority.

- d) Valuation of contingent consideration for acquisition of subsidiaries

Management has communicated with the valuer and confirmed that the valuation was given in a conservative approach, to protect the Company's interests.

e) Recoverability of financial assets

Management has been actively communicated with various parties and had obtained their written confirmation including corresponding financial supporting documents such as assessment report, in determining the recoverability.

f) Veracity, existence and completeness of bank balance

Management has provided to the Board and the Audit Committee a notarised declaration in China dated 14 October 2020 by its employees that they had obtained directly from the bank the above bank statements. In addition, the Board and the Audit Committee have noted that these local or rural bank accounts had been closed and are now opened with a state-owned bank, China Construction Bank, which showed an account balance of RMB 24.0million based on the bank statement with that bank as at 27 July 2020. Furthermore, the Audit Committee will be recommending a special investigation into the inconsistencies noted above in due course.

The Company would provide updates on the above in the third quarter of FY2021 results announcement.

SGX-ST Query 4

Page 12 of the Financial Results – Other receivables

We note that “Other receivables include deposits paid to the vendors of potential acquisition projects amounting to RMB60 million”. Was this announced? If not, please explain why the Company paid deposits of such a significant amount but did not announce, taking into account the Listing Manual Chapter 10 requirements. When will the acquisitions be completed? Are the refundable deposits safeguarded and assurance provided that the deposits can be refunded when necessary?

Company’s response:

The other receivables include refundable deposits paid to Nongfu in November 2016, and 唐山市胜润生物科技有限公司(Tangshan) in October 2018. The refundable deposits are for potential acquisition project and these were reflected in the audited financial statements and annual report for FY2016, FY2017, FP2019 and FY2020 respectively.

SGX-ST Query 5

Page 12 of the Financial Results – Other receivables

We note that “The vendors have indicated their intention to repay the full sum to the Group and/or convert the deposit into shares in the capital of the vendors based on certain terms to be agreed with the Group.” Provide details on whether the vendors have sufficient financial resources, and what are these terms for repayment? When will it be refunded?

Company’s response:

Management has communicated with each vendor in detail and has obtained their written confirmation on the repayment. According to the valuation report of each respective vendor, they have sufficient asset value to guarantee the repayment of the amount owing. The vendors have also undertaken to gradually refund the amount owing, and/or to convert into the share capital of the vendor, and the full repayment is expected to be finalised by the first quarter of 2021.

SGX-ST Query 6

Page 12 of the Financial Results – Other receivables

We note that “The Group had received RMB3.5 million in May 2020 out of the total remaining proceeds of RMB15 million from disposal of SQ Grease. For the balance proceeds of RMB11.5 million, the Company had received payment of RMB0.5 million from SQ Grease in October 2020, and the Group is expected to receive RMB4.5 million by end of December 2020 while another RMB6.5 million by end of March 2021.” Is the purchaser meeting the terms of payment under the contract?

Company’s response:

The purchaser has stated that it plans to repay the debt in instalment payments as follows :-

Date	Amount RMB'000	Amount Received RMB'000	Status
30 November 2020	1,500	500	Balance RMB1 million to be received in December 2020
December 2020	4,500	-	To be received
January 2021	2,000	-	To be received
February 2021	2,500	-	To be received
March 2021	2,000	-	To be received

As of to-date, the amount owing by the purchaser is RMB11 million.

SGX-ST Query 7

Page 13 of the Financial Results – Contingent considerations

We note “Contingent considerations arose from the Acquisition which was completed in September 2018. The contingent consideration comprises the convertible bond to be issued which is contingent on the profit guarantee of the vendors.” Was the Acquisition announced? Provide details of the Acquisition, including about the contingent considerations. Who are the convertible bonds to be issued by? Provide details of the issuer and the size of their operations and financial positions. What is the quantum of the convertible bonds? When will they be issued? Do the vendors have the financial ability to repay the convertible bonds as and when they fall due? Have the vendors met their profit guarantee obligations? What was guaranteed?

Company’s response:

On 5 October 2017, the Board announced that the Company and two of the Company's wholly owned subsidiaries, Shenzhen Baoyao Agricultural Products Ltd. and Brighten Ocean International Ltd. (collectively, the “Purchasers”), had on 5 October 2017 entered into a sale and purchase agreement (“SPA”) with Chengde Xingxinda Shengwu Keji Co., Ltd. (承德兴新达生物科技有限公司) (“Vendor A”), Chengde Pumeida Shengwu Keji Co., Ltd. (承德普美达生物科技有限公司) (“Vendor B”) and Lin Zhongshi (林忠师) (“Vendor C”) (collectively, the “Vendors”), for the sale and purchase of (i) 80% equity interests in Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) (“HBXR”), (ii) 80% equity interests in Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) (“CDPR”), and (iii) 25,641,026 ordinary shares representing 80% of the issued and paid up share capital of Benchmark Trade Limited (“Benchmark”) (collectively, the “Sale Shares”) (the “Acquisition”).

Pursuant to the terms of the SPA, Shenzhen Baoyao Agricultural Products Ltd. will purchase (i) 80% equity interests in HBXR and (ii) 80% equity interests in CDPR from each of Vendor A

and Vendor B, respectively, and Brighten Ocean International Ltd. will purchase 25,641,026 ordinary shares representing 80% of the issued and paid up share capital of Benchmark from Vendor C.

The Purchasers will purchase the Sale Shares for an aggregate Purchase Consideration of RMB120,000,000 (equivalent to S\$24,507,301 based on a foreign currency exchange rate of S\$1: RMB4.8965 as at 4 October 2017), to be satisfied by (i) a Deposit of RMB25,000,000, (ii) a Cash Consideration of RMB10,000,000 as at Completion Date and (iii) the issuance of Bonds up to an aggregate principal amount of RMB85,000,000 (equivalent to S\$17,359,338 based on a foreign currency exchange rate of S\$1: RMB4.8965 as at 4 October 2017).

No Bonds have been issued as at todate as the amount of Bonds to be issued varies or depends on the amount of profits that are generated by CDBR, HBXR and Benchmark under the profit warranty given by the vendors in the SPA.

More details can be found on the announcements released on 5 October 2017 and 20 July 2018 via SGXnet.

The Acquisition was subsequently approved by shareholders at an Extraordinary General Meeting held on 20 July 2018.

In relation to the terms and conditions of the SPA, the Company had released the following announcements:-

1. Released on 26 June 2018 - Supplemental Agreement to the Sale and Purchase Agreement dated 5 October 2017.
2. Released on 1 October 2018 - October 2018 Supplemental Agreement to the Sale and Purchase Agreement dated 5 October 2017.
3. Released on 7 June 2019 - June 2019 Supplemental Agreement to the Sale and Purchase Agreement dated 5 October 2017.

SGX-ST Query 8

Page 13 of the Financial Results – Contingent considerations

We note “Based on the audited financial statements for the year ended 31 March 2020, the contingent consideration was RMB0.69 million.” How was this RMB0.69 million calculated? Was it audited? Please provide details of how this Acquisition has performed since acquisition, and whether there are any issues faced by the Company since acquisition.

Company’s response:

The data reflected in the FP2019 and FY2020 annual reports had been audited based on the valuer’s assessment and adjustment according to the corresponding appraisal methodology and standards. After the Acquisition, HBXR has not been able to carry out its normal and large-scale production due to the stringent environmental protection regulations in the vicinity of Beijing and also restrictions of the supply of basic power sources. Currently, the main source of income of HBXR was to provide downstream activities with L-Ascorbyl Palmitate professional machinery and equipment installment services. The Group hoped that the government would ease the strict control in power supply so that production could be normalized and in achieving the target set next year.

SGX-ST Query 9

Page 13 of the Financial Results – Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

As this is applicable, please disclose and explain the variance as required pursuant to paragraph 9, Appendix 7.2.

Company's response:

In respect of the acquisition of HBXR, CDPR and Benchmark, there was a profit forecast prepared for purpose of valuation. After acquisition, given affected by the government's regulation and control HBXR has not been able to carry out normal and large-scale production. Therefore, the current actual data will be significant varied from the forecasted data. Due to such uncontrollable factors, HBXR was unable to carry out production activities at its optimal scale.

SGX-ST Query 10

Page 13 of the Financial Results – A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

We note that “The Group expects the prolonged COVID-19 outbreak to have significant adverse impact on its businesses. The impact of the COVID-19 remains uncertain and the Group is unable to quantify the impact at this point in time.” Please disclose in detail how the COVID-19 situation affected the Company. You are reminded that it is crucial for the Company to provide timely disclosures to shareholders on the business impact or any other material aspects due to the latest advisories and measures amid COVID-19. The Company should refer to SGX RegCo's regulator's column published on 22 April 2020 on the expectations of disclosure during COVID-19.

Company's response:

COVID-19 pandemic had been directly and indirectly caused adverse impacts on the Group's operation and revenue. The drop in revenue mainly due to weakening market demand, the government's strict control and malfunction of upstream and downstream of the industry chain.

SGX-ST Query 11

Page 13 of the Financial Results – A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

We note that “The natural gas supply is required for the production of L-Ascorbyl Palmitate products. The local government was scheduled to resume the supply of natural gas in October 2020, but the Company has yet to receive any formal notification of the resumption in natural gas supply as of November 2020.” Please provide details about the local government's schedule to resume the supply of natural gas in October 2020, including background information on this issue and how this disruption affects the Company's business, financials, and ability to operate as a going concern.

Company's response:

Management has been closely following up closely with the local government. During the audit process, the Group's auditor had also sent an enquiry letter to them but did not receive a clear reply. Through the understanding of various parties, the resumption of local natural gas supply will not be available for now as the government has yet to come to a decision and formalise its plan. The Company will continue to engage and to follow up with the appropriate parties for a response.

By Order of the Board

**Song Yanan
Non-Executive Chairman
4 December 2020**