

UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration No. 28925)

RESPONSES TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RELATION TO THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

Unless otherwise expressly defined herein, all capitalized terms in this announcement shall bear the same meanings ascribed to them under the Company's announcements dated 28 May 2021 and 13 September 2021.

The board of directors (the "**Board**") of United Food Holdings Limited (the "**Company**", and collectively with its subsidiaries, the "**Group**") refers to the Company's announcement dated 13 September 2021 in relation to the Annual Report for the financial year ended 31 March 2021 ("**FY2021**") and announcement dated 28 May 2021 in relation to the unaudited financial statements FY2021 .

The Board wishes to provide its responses to the following questions raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"):-

SGX-ST Query 1

If there are material discrepancies between an issuer's preliminary full year results and its audited full year results, the issuer is required to disclose and explain the material discrepancies via an SGXNET announcement pursuant to Listing Rule 704(6). Please explain the material discrepancies in Gross profit, Loss before taxation from continuing operations, Loss for the year, Total comprehensive loss for the year, and Earnings per share as stated on page 55 of Annual Report 2021, when compared to the Company's unaudited Financial Statements For The Year Ended 31 March 2021 announced on 28 May 2021.

Company's response:

	Group		
	12 months ended		
	31 March 2021	31 March 2021	Difference
	RMB'000	RMB'000	RMB'000
	(Audited)	(Non-audited)	
CONTINUING OPERATIONS			
Revenue	9,713	9,892	(179)
Cost of sales	(8,397)	(8,397)	-
Gross profit	1,316	1,495	(179)
Other income, net	17,839	296	17,543
Selling and distribution costs	(856)	(856)	-
Administrative expenses	(20,009)	(6,667)	(13,342)
Finance expenses	(1,130)	(1,130)	-
Other expenses, net	(67,657)	308	(67,965)
Profit/(loss) before tax	(70,497)	(6,554)	(63,943)
Income tax expenses	2,556	-	2,556
			-
Profit/(loss) for the period	(67,941)	(6,554)	(61,387)
TOTAL COMPREHENSIVE LOSS			
Profit/(loss) for the period	(67,941)	(6,554)	(61,387)
Other comprehensive income/(loss)			
Exchange differences on translation of financial statements of foreign operation	(3,248)	(3,452)	204
Total comprehensive profit/(loss) for the period	(71,189)	(10,006)	(61,183)
LOSS PER SHARE			
- Basic	(0.30)	(0.03)	
- Diluted	(0.25)	(0.03)	

1. Discrepancy from gross profit of (179,000) is due to being reclassification of sale of raw material to other income, which is not material.
2. Material discrepancy from loss before tax from continuing operations of (63,943,000) is mainly due to as follows,
 - Other income of 17,543,000 is mainly due to reversal of impairment loss on ROU asset – building, ROU asset – land use rights, Plant and equipment, and fair value change in contingent consideration.
 - Administrative expenses of (13,342,000) is mainly due to being adjustments for amortization of patents and other general expenses.
 - Other expenses, net of (67,965,000) is mainly due to being impairment loss on goodwill and being adjustment for impairment loss on non-financial assets.
3. Material discrepancy from loss for the year of (61,387,000), total comprehensive loss for the year (61,183,000) and Earning per share, please refer to above note 2.

SGX-ST Query 2

If there are material discrepancies between an issuer's preliminary full year results and its audited full year results, the issuer is required to disclose and explain the material discrepancies via an SGXNET announcement pursuant to Listing Rule 704(6). Please explain the material discrepancies in Non-current assets, Total assets, Total Equity, Current liabilities, and Non-current liabilities as stated on page 56 of Annual Report 2021, when compared to the Company's unaudited Financial Statements For The Year Ended 31 March 2021 announced on 28 May 2021.

Company's response:

	Group		Difference RMB'000
	31/3/2021	31/3/2021	
	RMB'000 (Audited)	RMB'000 (Non-audited)	
ASSETS			
Non-current assets			
Investment in subsidiary	-	-	-
Property, plant and equipment	2,627	1,812	815
Right-of-use assets	22,418	7,518	14,900
Intangible asset - patents	-	64,383	(64,383)
Goodwill	3,049	12,742	(9,693)
	28,094	86,455	(58,361)
			-
Current assets			
Inventories	2,320	3,098	(778)
Trade and other receivables	136,718	135,626	1,092
Amount due from subsidiaries	-	-	-
Cash and cash equivalents	20,621	20,621	-
	159,659	159,345	314
			-
Total assets	187,753	245,800	(58,047)
			-
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	18,685	18,685	-
Reserves	108,881	159,847	(50,966)
Equity attributable to owners of the company	127,566	178,532	(50,966)
Non-controlling interest	(3,227)	6,990	(10,217)
	124,339	185,522	(61,183)
			-
LIABILITIES			
Current liabilities			
Trade and other payables	52,982	46,987	5,995
Amounts due to subsidiaries	-	-	-
Current tax payable	442	318	124
Borrowings	9,990		9,990
Contingent considerations	-	688	(688)
	63,414	47,993	15,421
Non-current liabilities			
Borrowings	-	9,990	(9,990)
Deferred tax liabilities	-	2,295	(2,295)
	-	12,285	(12,285)
			-
Total equity and liabilities	187,753	245,800	(58,047)

- Material discrepancies in non-current assets of (58,361,000) are mainly due to as follows,
 - ROU assets of (14,900,000) is due to reversal of impairment loss on ROU asset – building, ROU asset – land use rights.
 - Intangible of asset of (64,383,000) is due to being adjustments for amortization of patents and being adjustment for impairment loss on patent
 - Goodwill of (9,693,000) is due to being impairment loss on goodwill.
- Material discrepancies in total assets of (58,047,000), please refer to above note 1
- Material discrepancies in total Equity of (61,183,000) are mainly due to adjustment made on other income, administrative expenses, and other expenses, which result in material discrepancies from total comprehensive loss for the year.
- Material discrepancies in current liabilities of 15,421,000 are due to as follows,
 - Trade and other payable of 5,995,000 is mainly due to being provision for general expenses, being adjustment for administrative expenses, and being reclassification of advances to other payables.

- Borrowings of 9,990,000 are due to reclassification borrowing from non-current liabilities to current liabilities
5. Material discrepancies in non-current liabilities of (12,285,000), are mainly due to reclassification borrowing from non-current liabilities to current liabilities.

SGX-ST Query 3

If there are material discrepancies between an issuer's preliminary full year results and its audited full year results, the issuer is required to disclose and explain the material discrepancies via an SGXNET announcement pursuant to Listing Rule 704(6). Please explain the material discrepancies in Net cash used in operating activities and Net changes in cash and cash equivalents as stated on page 59 of Annual Report 2021, when compared to the Company's unaudited Financial Statements For The Year Ended 31 March 2021 announced on 28 May 2021.

Company's response:

Difference between audited amount of net cash used in operating activities of (58,284,000) and preliminary full year results of net cash used in operating activities of (54,992,000) is (3,292,000), it is from exchange difference reclassification. On the audited full year result, exchange translation of (3,308,000) is recognized in operating activities.

SGX-ST Query 4

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please provide the information as required. Also provide details of the qualifications of the internal audit head and team resources. What are the standards applied in the internal audit function and are these are in line with IIA standards? Is the internal audit head a member of any professional body for internal auditors? If yes, which one/s? Did the internal auditors raise any issues on material internal control concerns? If yes, disclose these areas and what actions have been undertaken by the Company and Board to address these internal control weaknesses identified.

Company's response:

The Group has an in-house internal audit function team based at the Group's headquarters in Luanping county, China. The head of the internal audit function team is Mr Liu Yang. 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. He was also awarded Certified Professional in Supply Management by the Institute for Supply Management in United States.

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' experience in auditing fields and has great exposure in 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 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. There is no material internal control concern raised by the internal auditors for FY 2021.

The Audit Committee ("AC") had reviewed the report prepared by the internal auditors. The AC noted the below during the review of the internal audit report ending 31 March 2021:

1. The Company had processes in place for collecting the refundable deposits as of 31 March 2021. The AC noted that the refundable deposits for Tangshan and Kangweijian were fully received as of 31 March 2021, and the refundable deposits for Nongfu was subsequently fully repaid as of 30 June 2021.

2. The Company had processes in place to recover proceeds from disposal of Post Ante Group as of 31 March 2021. The AC noted that the full payment was collected as of 31 March 2021.
3. The valuation of contingent consideration was performed by a licensed valuer. Furthermore, no Bonds have been issued as of to date as the amount of Bonds to be issued varies or depends on the amount of profits that are generated by CDPR, HBXR and Benchmark under the profits warranty given by the vendors in the Sales and Purchase Agreement.
4. Management has provided to the Board and the AC a notarized declaration in China dated 14 October 2020 by its employees that they had obtained directly from the bank for the stated bank statements. In addition, the Board and the AC 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 AC had recommended a special investigation into the inconsistencies, and the scope of the investigation to be reviewed by SGX Regco before appointment of the special auditor. The Board had also received a legal opinion from the legal counsel on this matter.
5. The Company will also be undertaking a special investigation to verify the veracity of the HBXR and CDPR transactions, and the scope of the investigation to be reviewed by SGX Regco before appointment of the special auditor.
6. The Company had received a notice from the local authorities on 19 December 2019 and had been contacting the local PRC government for an update on the lack of natural gas supply.
7. In FY2021, the AC met no less than 10 times. The topics discussed amongst other including (i) the AC has made demands on management to collect the outstandings of RTTL and has suggested legal action be taken if this matter is not resolved by 31 December 2021 (ii) the AC has all along expressed displeasure on the lack of natural gas supply (iii) the AC has also suggested to management to study business options on HBXR and RTTL.

SGX-ST Query 5

Listing Rule 1207(20) requires a status report on the use of IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the prospectus or the announcement of the issuer. Where the proceeds are used for general working capital purposes, the issuer must announce a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of proceeds, the issuer must also announce the reasons for such deviation. Please provide the information as required for the General working capital of S\$707,130.30 on page 31 of the Annual Report 2021.

Company's response:

As at the date of this Annual Report, the net proceeds from the Placement of 30,001,263 new ordinary shares have been fully utilised and the details were as depicted in the table below:

Intended Use of Net Proceeds	Amount allocated		Amount utilised	Balance
	S\$	%	S\$	S\$
Exploration of investments, acquisitions, strategic alliances and/or joint ventures	1,649,970.70	70	1,649,970.70	Nil
General working capital	707,130.30	30	707,130.30	Nil

Breakdown of proceeds used for general working capital:

Items	S\$
Professional fees	39,028.23
Administrative expenses	668,102.07
Total	707,130.30

By Order of the Board

Song Yanan
Non-Executive Chairman
27 September 2021