

**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 DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

- **Responses to questions raised pursuant to the Company's announcement dated 6 September 2021**
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*Unless otherwise expressly defined herein, all capitalized terms in this announcement shall bear the same meanings ascribed to them under the Company's announcement dated 6 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 6 September 2021 in relation to the disclaimer of opinion by Independent Auditor on Financial Statements for the financial year ended 31 March 2021 (the "**Announcement**").

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**

**Page 3 of 30 – Audit Disclaimer on Impairment of non-financial assets (Cont'd)**

In the audit disclaimer, it was stated that "In addition, as explained below, due to incomplete records which management provided to us, we were unable to ascertain the veracity of the HBXR transactions regarding the recording of production. On this premise, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the extent of the work performed by the Independent Valuer regarding the VIU calculation that was based on the Forecast in that..."

**SGX:** In order for investors to understand the issues surrounding the valuation report, please announce via SGXNet the full valuation report performed by the Independent Valuer regarding the VIU calculation that was based on the Forecast. Also provide the name and qualifications of the professional/s who undertook the valuation, their track record and relevant experience, whether they are accredited by the China Appraisal Society or any other relevant professional valuation body, and the name of the valuation firm undertaking the valuation. Does the valuation firm and professional/s undertaking the valuation have the relevant experience in valuing similar companies? Provide details of these relevant experiences and how they obtained the satisfactory evidence to arrive at its valuation amount, given the state of affairs and low revenue reported by the relevant entities being valued.

**Company's response:**

Whilst there are no licensing requirements in Singapore and Hong Kong for companies providing business valuation services, there are professional qualifications pertaining to business valuation. Ascent Partners has in-house professionals, including two RICS Chartered Surveyors, two CVAs (Chartered Valuer & Appraiser), five Chartered Financial Analysts (CFA) and two Chartered Management Accountants (CMA), who are responsible for the respective valuation tasks. CVA is the official certification by Singapore Accountancy Commission for individuals practicing business valuations in Singapore. CFA is an accreditation issued by CFA Institute and is widely accepted as a benchmark of competency in financial analysis and valuation.

Established in 2008, Ascent Partners has been since providing full range of valuation services covering real estate properties, plant & equipment, business entities, financial instruments, intangible assets and goodwill, and etc. for financial reporting, mergers & acquisitions, pre-IPO investments and management decision-making purposes. Its clients are mostly companies listed on Hong Kong, Singapore, Australia and United Kingdom stock exchanges. Besides, it also serves some sizeable accounting firms as their valuation experts to review their clients' valuations and attend the Court as valuation expert. With headquarters

located in Hong Kong, it has now subsidiaries in Shenzhen and Singapore, employing approximately about 15 people.

For the previous experience in the valuation of similar industry and jurisdiction, we have been engaged by the following companies in the industry of Biotech & Pharma, the industry classification of the valuation targets manufacturing animal feeds and additives using biotechnology, and with operations in China.

- Shenzhen Neptunus Interlong Bio-Technique Co., Limited, 8329.HK;
- Lansen Pharmaceutical Holdings Limited, 503.HK;
- Cathay International Holdings Limited, CTI.UK;

Mr. Paul Wu, who signed the above reports and the VIU valuation, is a Certified Management Accountant (CMA) and Chartered Valuer and Appraiser (CVA). He also holds a Master degree of Science. He has extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Prior to working in the financial service industry, Mr. Wu had worked as a senior management in world class technology companies.

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.

Please refer to the attached full valuation report marked as Appendix A.

The AC had instructed the Company to engage another qualified valuer for the FY2022 audit.

## **SGX-ST Query 2**

### **Page 3 of 30 – Audit Disclaimer relating to the Reliability of the key assumptions to the Forecast**

**In the audit disclaimer, it was stated that “In addition, the correctness of the historical data of the production of the Antioxidant Product for the financial year ended 31 March 2020 was not reviewed by the Independent Valuer. Instead, the Independent Valuer has limited its scope of work by taking the presumption that the historical data can be accepted and that the use of the key assumptions and estimates for the Forecast can be relied upon.”[emphasis added]**

**SGX: Please disclose if the Independent Valuer’s valuation was performed in line with international valuation standards, and which specific valuation standards were applied in the production of their valuation report. Please elaborate on how the Independent Valuer had satisfied themselves about the reasonableness and reliability of their valuation if they had not reviewed the correctness of historical data of production, and whether international valuation standards require the Independent Valuer to review the correctness of historical data before relying on these. Disclose the Independent Valuer’s view on how they have satisfied themselves that their use of the key assumptions and estimates for the Forecast are reliable and accurately reflects the valuation of the underlying assets being valued by them.**

### **Company’s response:**

Ascent Partners has confirmed that the valuation was performed with reference to International Valuation Standard (“**IVS**”).

According to Ascent Partners’ understanding, the historical data (financial performance of the valuation targets) provided by the Company have been audited, and hence, Ascent Partners believed that those data have gone through professional processes so that they were from reliable sources to be incorporated in the valuation task, which is consistent with the requirement in IVS.

For the key assumptions and forecast provided by the management, Ascent Partners have made the appropriateness assessment as follows:

- i. Ascent Partners have made enquiry to the Management about the expected date of the resumption of gas supply, and request for any related supporting documents after noting the gas supply issue. In response to Ascent Partners' enquiry, the Management provided the correspondence documents regarding the subject matter of the gas pipeline to the local authority, and the official public notice by the local authority with the expected date of the gas supply resumption. Such evidence was believed to be sufficient for the valuation task;
- ii. Ascent Partners have checked, reviewed and discussed the valuation forecast provided by the Management together with their business plan, product plan and consideration in the demand and supply under the COVID-19 situations. It was noted that the impacts regarding the lack of gas supply and the pandemic have been taken into consideration in the forecast, with the observations of low projected production outputs in the first forecast year and gradually increase in production outputs in the subsequent years;
- iii. Ascent Partners have reviewed the production forecast and found out that the outputs were within the max production capacity;
- iv. Ascent Partners have noted that the net profit margins of the financial forecast in CDPR were within a reasonable range as compared to net profit margins of the comparable guideline companies;
- v. Ascent Partners have made enquiry to the Management after noting the projected profit margins of HBXR were higher than those of comparable guideline companies, and have got confirmation from the Management that the unique features of the product have put them in good competitive advantages resulting in higher net profit margins;
- vi. And Ascent Partners have evaluated the risks and challenges of the Management to meet the financial projections as a result of the uncertainties faced by the Company included but not limited to the gas supply and COVID-19 factors, and as a result, Ascent Partners have applied a company specific risk premium to the discount rates in the Value in Use ("VIU") valuation of both CDPR and HBXR to account for such uncertainties.

Please refer to the attached full valuation report marked as Appendix A.

The AC had instructed the Company to engage another qualified valuer for the FY2022 audit.

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

#### **Page 4 of 30 – Audit Disclaimer relating to the Veracity of HBXR transactions**

**In the audit disclaimer, it was stated that “despite production activities being carried out in the months of April 2019 to August 2019, there was no record of any Antioxidant Product being produced during this period.”**

**SGX: Please explain why there was no record of any Antioxidant Product being produced by HBXR despite production activities being carried out from April 2019 to August 2019.**

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

There was an error in the recording as management was performing additional testing on the production during this period for which the records were not properly kept.

### **SGX-ST Query 4**

#### **Page 4 of 30 – Audit Disclaimer relating to the Veracity of HBXR transactions**

**In the audit disclaimer, it was stated that “in the months of September 2019 to December 2019, while the records showed a production output of the Antioxidant Product of approximately 939 kilograms (“kg”) during this period, there was little production activity to support such output.”**

**SGX: The Company must explain how it managed to record production output of 939kg during the period from September 2019 to December 2019, when there was little production activity by HBXR to support such output. Please also provide the Independent Valuer's explanation how it satisfied itself of its assumptions on such production activity when it provided the market valuation of HBXR**

set out in its valuation report. Please confirm if the Independent Valuer is of the view that its valuation can be relied upon, and the value contained in its valuation report is reliable and accurately reflects the market value of the assets in HBXR being valued.

**Company's response:**

The Company is seeking confirmation from Ascent Partners and will respond to this query by tomorrow, 14 September 2021.

**SGX-ST Query 5**

**Page 4 of 30 – Audit Disclaimer on the Valuation of contingent consideration for acquisition of subsidiaries**

In the audit disclaimer, it was stated that “Due to the matters as discussed therein, we are unable to obtain sufficient appropriate audit evidence to ascertain the extent of the changes in the fair value gain on contingent consideration for acquisition of subsidiaries of RMB 16.8 million that was recognised in profit or loss for the year ended 31 March 2020 or to determine the appropriateness of the carrying amount of the contingent consideration for acquisition of subsidiaries of RMB 0.7 million (2019: RMB 17.5 million) as at that date.”

**SGX:** Please elaborate on why the contingent consideration for acquisition of subsidiaries of RMB16.8 million was recognised in the profit or loss, when the amount of RMB16.8 million will be payable, what are the events that will trigger the payment of the contingent consideration, the reasons why this item was recorded by the Company in its profit or loss, how the value of RMB16.8 million was calculated, and whether this amount of RMB16.8 million has to be adjusted. Please also provide the bases for the Board's views, and substantiate the accuracy of the amount of the RMB 16.8 million recorded in the Company's financial statements.

**Company's response:**

- (a) Please elaborate on why the contingent consideration for acquisition of subsidiaries of RMB16.8 million was recognised in the profit or loss

Management has accounted for the Bonds to be issued representing the balance purchase consideration of RMB 85 million as a contingent consideration classified as a financial liability measured at fair value with changes in fair value recognised in profit or loss under IFRS 3 Business Combinations. This is because the amount of Bonds to be issued varies or depends on the amount of profits that are generated by the Target Companies under the profit warranty given by the vendors in the SPA.

Please refer to Note 10 (page 86) to the FY2020 Annual Report for more information.

- (b) when the amount of RMB16.8 million will be payable, what are the events that will trigger the payment of the contingent consideration

The vendors of the Target Companies have provided a profit warranty of RMB 25 million each year over the next three financial years with a cumulative aggregate profit warranty of RMB 75 million.

The amount of Bonds to be issued is calculated based on an agreed formula as: Amount of Bond to be issued is equal to [(Actual profits/RMB 25 million) x RMB 28.333 million Bonds] subject to a maximum aggregate number of RMB 85 million of Bonds.

Please refer to Note 10 (page 86) to the FY2020 Annual Report for more information.

- (c) the reasons why this item was recorded by the Company in its profit or loss

Please refer to response in (a) above.

- (d) how the value of RMB16.8 million was calculated, and whether this amount of RMB16.8 million has to be adjusted

Please refer to Note 10 (page 86) to the FY2020 Annual Report.

- (e) Please also provide the bases for the Board's views, and substantiate the accuracy of the amount of the RMB 16.8 million recorded in the Company's financial statements.

The Board has relied on the valuation report provided by the independent professional valuer, Ascent Partners.

In the event the net profit for each of FY2020, FY2021 and FY2022 are not met, the shortfall between the actual profit for each FY and RMB25,000,000 will be compensated. Please refer to Page 30 under Section 2.9.3 of the circular dated 5 July 2018.

### **SGX-ST Query 6**

#### **Page 4 of 30 – Audit Disclaimer on the Inability to obtain bank confirmations and bank statements**

In the audit disclaimer, it was stated that “We are not able to obtain bank confirmations or witness the printing of bank statements at the banks’ premises for two of the subsidiaries of the Group, Shenzhen Yi Ke Logistics Supply-chain Ltd or “SZYK” and Shenzhen Bao Yao Agricultural Products Ltd or “SZBY”, for cash at banks amounting to RMB 24.7 million as at 31 March 2020 which are included in Group’s cash and bank balances. This is because the bank accounts have been closed by management and the banks concerned have denied us the bank confirmations or to witness the printing of the bank statements at their banking premises.”

**SGX: Please disclose whether the closure of the bank accounts have been approved by the Board. If not, disclose the Audit Committee's (“AC”) views on whether there were any lapses in internal controls arising from the closure of these bank accounts.**

#### **Company’s response:**

The management is tasked by the Board in managing the bank accounts in accordance with the needs of the business.

Management had authorized the closure of the smaller bank accounts, to re-open the bank accounts with larger bank. This is in-line with the general directions of the AC and the Board to close smaller bank accounts due to their limited scope of services. The Company's cash balance was not affected by the opening and closing of accounts.

The AC had also instructed the Company to engage an external audit firm for a review of the Company’s internal control processes in FY2022.

### **SGX-ST Query 7**

#### **Page 5 of 30 – Audit Disclaimer on the Inability to obtain bank confirmations and bank statements (Cont’d)**

In the audit disclaimer, it was stated that “Account A held by SZYK, 惠州农村商业银行股份有限公司中心支行 (“Rural Commercial Bank”), bank account number XXXXXXXXX13112521 with a bank balance of RMB 24.7 million as at 31 March 2020)”

**SGX: Please explain when was this closed, who was authorised to operate this account, and what are the reasons for closure? Justify why this was necessary.**

**Company's response:**

The bank account was closed as follows:-

Company	Bank & Bank Account No.	Date of Closure
SZYK	惠州农村商业银行股份有限公司中心支行 (“Rural Commercial Bank”), bank account number XXXXXXXXXX13112521	24 July 2020

The Chairwoman, Ms Song Yanan is the authorized signatory of the bank account. This is in-line with the general directions of the AC and the Board to close smaller bank accounts due to their limited scope of services.

**SGX-ST Query 8**

**Page 5 of 30 – Audit Disclaimer on the Inability to obtain bank confirmations and bank statements (Cont'd)**

In the audit disclaimer, it was stated that “Account B held by SZBY, 惠州农村商业银行股份有限公司江南支行 (“Rural Commercial Bank”), bank account number XXXXXXXXXXX13114084 with a bank balance of RMB Nil as at 31 March 2020)”

**SGX: Please explain when was this closed, who was authorised to operate this account, and what are the reasons for closure? Justify why this was necessary.**

**Company's response:**

These bank accounts were closed as follows:-

Company	Bank & Bank Account No.	Date of Closure
SZBY	惠州农村商业银行股份有限公司江南支行 (“Rural Commercial Bank”), bank account number XXXXXXXXXX13114084	30 March 2020

The Chairwoman, Ms Song Yanan is the authorized signatory of the bank account. This is in-line with the general directions of the AC and the Board to close smaller bank accounts due to their limited scope of services.

**SGX-ST Query 9**

**Page 5 of 30 – Audit Disclaimer on the Inability to obtain bank confirmations and bank statements (Cont'd)**

In the audit disclaimer, it was stated that “Account C held by SZBY, 广发银行股份有限公司惠阳支行 (“China Guangfa Bank”), bank account number XXXXXXXXXXX00100180 with a bank balance of RMB Nil as at 31 March 2020)”

**SGX: Please explain when was this closed, who was authorised to operate this account, and what are the reasons for closure? Justify why this was necessary.**

**Company's response:**

The bank account was closed as follows:-

<b>Company</b>	<b>Bank &amp; Bank Account No.</b>	<b>Date of Closure</b>
SZBY	广发银行股份有限公司惠 阳支行 (“China Guangfa Bank”), bank account number XXXXXXXXXXXX00100180	30 March 2020

The Chairwoman, Ms Song Yanan is the authorized signatory of the bank account. This is in-line with the general directions of the AC and the Board to close smaller bank accounts due to their limited scope of services.

**SGX-ST Query 10**

**Page 5 of 30 – Audit Disclaimer on the Veracity of the bank statements and bank balances**

In the audit disclaimer, it was stated that “Notwithstanding the anomalies noted above, the management has advised that their employees had obtained the bank statements directly from the bank concerned, and any anomalies noted thereon could only be attributed to errors made by the bank, which, according to the management, was also affected by the effects of the Covid-19 pandemic as far as the controls and operations of the banks are concerned. In this regard, the management has provided to the Board and the Audit Committee a notarised declaration in the PRC dated 14 October 2020 by its employees that they had obtained directly from the bank the above bank statements.”

**SGX: Did the AC independently investigate this with the banks, and ask for a confirmation from the Rural Commercial Bank to confirm that their statements with anomalies were indeed issued by them? If not, please elaborate on how the AC has fulfilled its fiduciary duties to independently investigate the concerns about veracity of the bank statements raised by the Independent Auditors to the AC.**

**Company's response:**

The AC had requested the management to arrange corresponding communication with the bank in accordance with the bank process and protocol. The bank responded that the authorised representative of the Company was Ms Song. Both the AC and the management were required to communicate with the bank in the name of the Company and Ms Song. Accordingly, the management had made arrangement for Ms Song to obtain relevant confirmation. However, the response obtained by the management after communicating with the bank was that the bank account had been closed, and the bank will not attend to any request even with Ms Song's authorisation.

Management had provided to the Board and the AC 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 AC noted that bank accounts were opened with a state-owned bank, China Construction Bank, which showed an account balance of RMB 24.0 million transferred from the closed bank accounts.

Notwithstanding the above, the AC had also instructed the Company to undertake a special investigation on the veracity of the said bank balances. The proposed scope of works will be sent to SGX RegCo for review and comment before being finalized.

## **SGX-ST Query 11**

### **Page 6 of 30 – Audit Disclaimer in respect of item 1(a) – impairment assessment of non-financial assets**

**In the audit disclaimer, it was stated that “In respect of the impairment assessment of the Group’s intangible assets - patents, management represented that there has been no supply of gas by the relevant authorities to the factory plants of HBXR and CDPR for the financial year ended 31 March 2021.”**

**SGX: How long have the factories of HBXR and CDPR been operating? Explain in detail why there has been no supply of gas by the relevant authorities to the factory plants of HBXR and CDPR. Had the AC verified whether these plants were operating, and were able to operate at the capacities stated, during the determination of purchase consideration paid/payable and the acquisition of HBXR and CDPR by the Company? Explain in detail how the AC had satisfied itself of the aforementioned. Also disclose whether the surrounding factories are operating, and how they are able to operate with no supply of gas by the relevant authorities to the factories while HBXR and CDPR are unable to do so.**

#### **Company’s response:**

At the time of acquisition, HBXR and CDPR were using fossil fuel burners for production. These burners are now not available due to green initiatives by the PRC government. The AC had at various times queried management on the reasons of lack of natural gas. Since the COVID-19 outbreak, the AC could not visit China and was unable to determine if another factory had similar problem. For the acquisition of HBXR and CDPR, the Company had engaged professionals for relevant due diligence and to prepare the SGX circular.

To the best of the management’s knowledge, most of the surrounding factories that use natural gas as power were also in a state of suspension.

The AC had also instructed the Company to engage an external law firm to write to the PRC government on behalf of the Company to seek clarifications on the natural gas supply situation.

## **SGX-ST Query 12**

### **Page 6 of 30 – Audit Disclaimer in respect of item 1(a) – impairment assessment of non-financial assets**

**In the audit disclaimer, it was stated that “Management confirms that no license or approval is required from the local authorities to operate the factory plants with regard to the supply of gas.”**

**SGX: If this is the case, please explain why HBXR and CPDR are unable to obtain supply of gas. What is required to obtain the supply of gas to commence full scale operations? What has the Company done and what is the Company doing to obtain the supply of gas?**

#### **Company’s response:**

During the acquisition, HBXR and CDPR used its own fossil fuel base burning boiler. After the acquisition, the local government encouraged the replacement of fossil fuel-based boilers with natural gas boilers to reduce pollution. However, the natural gas pipeline has yet to be connected to the plant area of the Hebei factory to date. The implementation by the local government was not expected by the Company at the time of acquisition.

The Company voluntarily heeded the local government guidelines to change to natural gas boilers in 2019. The local government has also compensated the Company with approximately RMB320,000 to remove the fossil fuel boilers. However, the Company did not expect the prolonged delay in the natural gas supply from the local government. Meanwhile, the Company had tried to use portable supply of natural gas for interim production but found this to be not cost effective and the supply to be uncertain in local district.

A copy of the notice issued by the local government, 承德市生态环境局滦平县分局 on 16 December 2019 is attached and marked as Appendix B.



The Company is in discussion with local authority on the supply of gas and at the same time is studying other options. The Company will make necessary announcement.

The AC had also instructed the Company to engage an external law firm to write to the PRC government on behalf of the Company to seek clarifications on the natural gas supply situation.

### **SGX-ST Query 13**

#### **Page 8 of 30 – Audit Disclaimer on the Recoverability of deposit paid of RMB 35.0 million to SST**

In the audit disclaimer, it was stated that “The potential investee was valued at RMB 481.4 million based on a valuation report prepared as of 31 January 2021 by the investee. Based on the information available to the Company including the preliminary due diligence carried out by management and the valuation report prepared by the potential investee, and the undertaking by the Group’s Chairwoman and controlling shareholder, Ms Song Yanan, to recover the security deposit of RMB35 million from SST and/or to personally guarantee the repayment of the security deposit to the Company, management is of the view that the deposit paid to SST is recoverable and no impairment loss is necessary. We were unable to accept the use of the valuation report in determining the recoverability of the deposit paid for potential acquisition. This is because we were unable to assess the appropriateness of the valuation report prepared by the potential investee as we were not given access to perform a review of the valuation report. We were also not provided with the relevant and other financial information in determining the recoverability of the deposit.”

**SGX:** Explain why the AC had not commissioned its own valuation of SST, in view of the disclaimer of opinion by the Independent Auditor. If the AC had commissioned its own valuation, please disclose the report. If not, explain in detail whether this is necessary to safeguard the interests of the Company, and ensure that its financial statements are properly prepared and reported.

#### **Company’s response:**

The AC has commissioned a valuation of SST which is in progress. If the Company does not proceed with the investment, the deposit of RMB35 million would be refunded per the terms and conditions of the Agreement. In addition, to safeguard the Company’s interests, Ms Song Yanan, the Group’s Chairwoman and controlling shareholder has undertaken to recover the security deposit of RMB35 million from SST and/or to personally guarantee the repayment of the security deposit to the Company.

This undertaking given by the Chairwoman was sought by the AC.

### **SGX-ST Query 14**

#### **Page 9 of 30 – Audit Disclaimer on the Recoverability of advances paid**

In the audit disclaimer, it was stated that “As disclosed in Note 16 to the accompanying financial statements, during the financial year ended 31 March 2021, the Group has contracted for and paid advances of RMB 49.0 million (2020: Nil) to a new supplier, 惠州中凡机电设备有限公司 (“ZhongFan”), for the supply and installation of certain L-AP equipment for sale to a customer, Kangweijian. Under the purchase contracts entered into with the supplier, the supplier has to deliver and/or install the above-mentioned L-AP equipment between December 2020 and September 2021. According to the management, ZhongFan had on 25 March 2021 informed the Group that it had encountered delays in securing certain imported parts and equipment that were necessary for the supply, delivery and installation of the L-AP equipment due to transshipment delays arising from the Covid-19 pandemic.”

**SGX:** Disclose the date of incorporation of ZhongFan, the size of its business, and whether it has an established track record of supplying and installing L-AP equipment. What is the value of the L-AP equipment to be supplied by ZhongFan? Justify why such a significant advance of RMB 49 million had to be paid. Has ZhongFan similarly supplied such significant equipment to other customers? What is its track record of being able to fulfil its obligations of such significant contracts?

**Company's response:**

Zhongfan was established on 16 June 2017 and the details of Zhongfan are as follows :

Name	Reg. No.	Name of Director/Legal Representative/ Shareholder	Paid up Capital	Principle Activities
Zhongfan 惠州中凡机电 设备	91441303MA4WPFGU88	Zeng Cui Qing	RMB20 million	Production, research and development, sales of food processing machinery and equipment

The total amount of the contract is RMB49 million. As the corresponding equipment is customized equipment, Zhongfan has requested for advance payment for ordering of equipment parts.

The Company purchased the equipment in 3Q2020 and the value of the total delivery as of today was RMB50million, including RMB49 million prepayment.

The delivery of LAP equipment to Kangweijian is expected to complete by first quarter of 2022 barring unforeseen circumstances. The Company expects partial payment from Kangweijian as and when the various LAP equipment is delivered. As of to-date, the Company has received a payment of RMB8 million.

**SGX-ST Query 15**

**Page 11 of 30 – Audit Disclaimer on the Impairment of trade receivables (Cont'd)**

**In the audit disclaimer, it was stated that “Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of management’s ECL assessment on these trade receivables amounting to RMB 13.1 million as at 31 March 2021. Based on information available to us, a majority of these trade receivables were either loss-making or have insufficient assets to repay the Group. In addition, there were no collections from these debtors during the financial year ended 31 March 2021 nor as of the date of this report. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.”**

**SGX: Disclose the identity of each of these customers, their date of incorporation and paid-up capital, their principal business and address, when these sales were made, and why they were unable to pay for their purchases during the period when the sales were made. Disclose the members of the board of directors of RTTL, the legal representative/s and the key management personnel of RTTL at the point when such sales were made. Disclose if any of these debtors of RTTL were/are interested persons of RTTL, or of the Company.**

**Company's response:**

The principle business activities of RTTL are import-export trading, procurement and distribution of food products including pork related food products, kitchenware, food additives and food related packaging products and materials, in Hong Kong, People's Republic of China and Southeast Asian countries.

Due to the China and US trade war and the COVID-19 pandemic, the Group's trading business segment has stalled. The upstream and downstream businesses have not been fully recovered as of to-date leading to the slow recovery of cash chains. The management has been working and coordinating on the restoration of trading business and also following up on payment collection with the parties as soon as possible.

The Company is collating corporate information of RTTL's customers and will provide the list of customers and details via announcement tomorrow, 14 September 2021.

The Company has ceased selling to the customers until the payments are fully recovered.

Ms. Zeng Miaoyun (“**Ms. Zeng**”), a Director and General Manager who is in-charge of RTTL operations informed that the delay in collecting accounts receivable was mainly due to COVID-19 resulting in the stagnation of the entire market and impacted customer operations. Ms. Zeng is actively making efforts to collect the outstanding receivables. The largest customer in arrears has sent a letter to Ms. Zeng undertaking payment to RTTL before the end of 2021. The Company is expected to recover RMB5 million in next two months and the remaining sum before end of 2021.

The Company will seek appropriate legal recourse against RTTL customers for payment based on the purchase contracts and the letter of undertaking. Reputation is important in the trading industry and it is in both parties’ interest to avoid such legal actions, as both parties’ reputation and business operations may be severely impacted.

Ms. Zeng has no interest or relationship with the debtors of RTTL.

#### **SGX-ST Query 16**

##### **Page 11 of 30 – Audit Disclaimer on Going concern**

**In the audit disclaimer, it was stated that “The Group’s Chairwoman and controlling shareholder, Ms Song Yanan, has on 18 July 2021, indicated her intention to the Board to support the Group’s working capital requirements for the next 12 months after the reporting date.”**

**SGX: How much cash has Ms Song lent to the Company and Group in the last 3 months, and in the last financial year ended 31 March 2021?**

#### **Company’s response:**

Ms Song did not lend any cash to the Company in the last 3 months and in the last financial year ended 31 March 2021.

#### **SGX-ST Query 17**

##### **Page 12 of 30 – Audit Disclaimer on Going concern (Cont’d)**

**In the audit disclaimer, it was stated that “Had adjustments been made to the financial statements in respect of the matters as fully explained in the aforesaid paragraphs in paragraph 2(b) Recoverability of deposit paid, paragraph 2(c) Recoverability of advances paid and paragraph 2(e) Impairment of trade receivables of our report, the going concern assumption as used by the management may not be appropriate. No such adjustments have been made to these financial statements.”**

**SGX: In view of the above, and noting the issues of veracity in the Independent Auditor's Report's Basis for Disclaimer of Opinion, please request to suspend trading of the listed securities of the Company pursuant to Listing Rule 1303(3), as the Company is unable to demonstrate to its Independent Auditors, the Exchange and the Company’s shareholders that it is able to continue as a going concern, and audit disclaimers indicate that the Company is unable to reasonably assess its financial position and inform the market accordingly.**

#### **Company’s response:**

The company has requested for a trading suspension in accordance with Rule 1303(3)(c) of the Listing Manual of the SGX-ST on 8 September 2021.

#### **By Order of the Board**

**Song Yanan**  
**Non-Executive Chairman**  
13 September 2021