

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

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 first 10 queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") with respect to the Unaudited Financial Statements for the financial year ended 31 March 2021 (the "Financial Results").

SGX-ST Query 1

Page 1: Other expenses, net: RMB327,000

Provide a breakdown and explain the reasons for the change in "Other expenses, net" from (RMB 80,828,000) to RMB327,000.

Company's response:

The change in "other expenses, net" from (RMB80,828,000) to RMB327,000 mainly due to year-end impairment loss arising from buildings, land use rights, patents, plant and equipment.

The breakdown of the impairment loss is as follows :

	Impairment loss (RMB)
Buildings	-7,173,000
Land use rights	-6,999,000
Patents	-63,267,000
Plant and equipment	-3,224,000
Sundry	-165,000
Total	-80,828,000

Out of RMB327,000, RMB320,000 was government subsidy received for CDPR.

SGX-ST Query 2

Page 3: Trade and other receivables: RMB135,626,000

Explain why Revenue for FY2021 was only RMB9,892,000 but trade and other receivables amounted to a significant RMB135,626,000. Provide a breakdown between trade and other receivables, and ageing schedule in bands of 3 months with all upper limits specified. With respect to the other receivables, disclose the nature of the material items and the details of the underlying transactions. Explain when these debts are expected to be collected by the Company

Company's response:

Due to the unexpected COVID-19 pandemic, the Group's business has been stagnant most of the time for FY2021. As a result, revenue of RMB9,892,000 was recorded. Trade and other receivables mainly comprised of brought forward balance from previous years amounting to RMB45,356,000. The amount incurred in the current year was RMB90,270,000.

The breakdown of the trade and other receivables is as follows :-

Trade receivables	RMB	Nature	Ageing schedule	Expected date of collection
Really Time's trade receivables	10,356,000	Normal trading	More than 12 months	by 4 th quarter of 2021
Sundry	246,000	Normal trading	Within 4-6 months	by 4 th quarter of 2021
Other receivables				
Nong fu	35,000,000	Acquisition	More than 12 months	by 30 June 2021
SST	35,000,000	Deposit for cooperation	Within 3 months	To be decided
惠州中凡机电设备	49,152,000	Operating deposit	4-6 months	by 4 th quarter of 2021
Sundry	5,872,000	Daily operating	6-12 months	by 4 th quarter of 2021
Trade and other receivables	135,626,000			

SGX-ST Query 3

Page 5: Net cash used in operating activities: RMB54,992,000

Explain the reasons for the significant amount of net cash used in operating activities of RMB54,992,000.

Company's response:

Net cash used in operating activities was mainly due to the advance payment for the engineering project to 惠州中凡机电设备 for RMB49,152,000 with the remaining amount due to day-to-day operating losses.

SGX-ST Query 4

Page 5: CASH AND CASH EQUIVALENTS AT THE END OF PERIOD: RMB20,621,000

On 12 May 2021, the Company disclosed that "...in relation to the development of equipment production (Agricultural Artificial Intelligence), automation technology and marketing on internet of Things (IoT), (the "Proposed Cooperation")... the Company has placed a sum of RMB35 million as security deposit to SST pursuant to the terms of the Agreement for the purpose of facilitating the rollout of the potential business cooperation." As this is not in the ordinary course of business and the amount of RMB35 million exceeds the cash on hand of RMB20,621,000, explain where the Company obtained the funds for the balance of approximately RMB15 million for the payment of the deposit. Also elaborate on the credit standing of SST, the size of its business, and its ability to refund the RMB35 million should shareholders not approve the Proposed Cooperation.

Company's response:

The security deposit of RMB35 million was paid in March 2021. As at 31 March 2021, the Group had cash on hand of RMB20,621,000.

The management believes that the collaboration with Shenzhen Shareihome Technology Co., Ltd. ("SST") would be a good diversified business opportunity and promising project where the Group could leverage on as technology industry that has been identified as one of the growth industries moving forward. SST has strategic cooperation with large and reputable developers in People's Republic of China, and there would be room for development through their networks and referrals from customers. Based on the SST's valuation report, the total value of SST is RMB481 million.

Should the shareholders not approve the Proposed Cooperation, 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.

SGX-ST Query 5

Page 9: Updates on the efforts taken to resolve each outstanding audit issue: Impairment of non-financial assets

1) Quantify the value of the HBXR acquisition and advances made to date.

Company's response:

The aggregate purchase consideration for HBXR acquisition was RMB120,000,000, of which RMB25,000,000 had been paid and RMB10,000,000 had yet to be paid to the vendors.

The balance purchase price of RMB85,000,000 would be paid by way of the issuance of zero percent convertible bonds for 38,576,307 ordinary shares, convertible at a price of S\$0.45. No convertible bonds have been issued to the vendor since the acquisition of HBXR to-date as the conditions for issuance have not been met.

2) Provide details on how the Company's audit committee ("AC") has satisfied itself of the veracity of the HBXR transactions. Has the AC taken action to obtain the complete records, pursuant to the Company's independent auditor stating that "...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."? What is the outcome of the AC's review of this matter?

Company's response:

For the HBXR transactions, the Company's management and AC had visited the site and obtained corresponding reports issued by Chinese and international valuers and relevant audit firms.

The project was the first patent production certification awarded by China, there was only a trial production report at that time. Since there was no complete equipment and commencement of commercial production, no corresponding production data was available.

The AC had discussed with its external auditors to review the veracity of the HBXR transactions in the FY2021 audit which is currently in progress. However, the management has informed the AC that there was no supply of gas by the local authorities to HBXR and CDPR in FY2021, hence, there was no production by HBXR and CDPR in FY2021. On this basis, the AC is satisfied that there is no veracity issue being noted in FY2021. Notwithstanding this, the AC will review the relevant findings with the auditors to ascertain if an independent investigator should be engaged by the AC to review the veracity of the FY2020 transactions by HBXR and the acquisition.

3) Has the AC considered whether an independent investigator should be engaged by the AC to review the veracity of these transactions by HBXR and the acquisition? If so, what is the outcome of the independent investigation and who was it undertaken by? If no independent investigation has been conducted, please justify robustly how the AC had exercised its fiduciary duties in the best interests of the Company and independent shareholders.

Company's response:

The acquisition of HBXR, CDPR and Benchmark (the "Acquisition") was approved at the Special General Meeting ("SGM") held on 20 July 2018, and completed in end September 2018.

When the investment agreement was reached, the Company's management and AC had already obtained financial information and valuation information related to the Acquisition. The respective

reports were issued by Chinese auditors and valuers as well as reports issued by international auditors and valuers.

The management of the Company had after several rounds of discussions and negotiation, managed to reduce the purchase price before tabling the Acquisition for shareholders' approval at the SGM.

With the COVID-19 outbreak that occurred at the beginning of 2020, there was significant adverse impact on its businesses which was led by a slowdown of other industries globally.

The AC had discussed with its external auditors to review the veracity of the HBXR transactions in the FY2021 audit which is currently in progress. However, the management has informed the AC that there was no supply of gas by the local authorities to HBXR and CDPR in FY2021, hence, there was no production by HBXR and CDPR in FY2021. On this basis, the AC is satisfied that there is no veracity issue being noted in FY2021. Notwithstanding this, the AC will review the relevant findings with the auditors to ascertain if an independent investigator should be engaged by the AC to review the veracity of the FY2020 transactions by HBXR and the acquisition.

4) How much of the Group's Revenue, PBT and NAV are attributable to HBXR?

Company's response:

The Revenue, PBT and NAV of the Group and HBXR were as follows :-

	Group	HBXR
Revenue – FY2021	9,892,000	9,892,000
PBT – FY2021	(6,554,000)	(4,255,000)
NAV – as at 31 March 2021	178,532,000	91,482,000

5) Who provided the forecasts for HBXR, and how has the AC satisfied itself of the reasonableness of these forecasts provided to the valuer?

Company's response:

The initial forecasts were provided by the Hebei factory, Head of Production and has been reviewed by the Management. The local accountant prepared the forecasts based on the factory capacity and consumption estimates.

The AC had reviewed and reduced these initial forecasts by at least half due to the uncertain gas supply.

The Company has engaged Ascent Partners, a licensed valuer, to perform a valuation of HBXR as part of the FY2021 audit. The AC will review the reasonableness of these forecasts provided to the valuer together with the auditors.

6) The auditor noted "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." Disclose the identity and track record of this valuer, the qualification of the professional who undertook this valuation and their track record and experience, and what valuation standards were applied.

Company's response:

Ascent Partners (the "Valuer") has been in the valuation business for over 13 years, serving over hundreds of clients globally and producing thousands of valuation reports for various purposes including but not limited to exchange listing, regulatory compliance, litigation, acquisition, financial reporting, etc. In particular, the Valuer has performed more than 60 business and/or property valuations for listed

companies in Hong Kong or Singapore for public disclosure / circular purpose. The director and principal of the Valuer have 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. Mr. Paul Wu, the signer of the valuation report, is a Certified Management Accountant (CMA) and Chartered Valuer and Appraiser (CVA). He also holds a Master degree of Science. Prior to working in the financial service industry, Mr. Wu had worked as a senior management in world class technology companies. The Valuer has adopted the International Valuation Standard for the valuation.

7) The auditor disclosed in its Disclaimer of Opinion that "Given that HBXR and CDPR relies significantly on the supply of gas for its production process, the facts that no approval was granted by the local authorities during the financial year ended 31 March 2020 indicate that full-scale production of the Antioxidant Product and Animal Feed and Traditional Medicine cannot take place. For this matter, there is clear indication of little or no production at all during the year ended 31 March 2020." Please explain:-

a) Why no approval was granted by the local authorities, and for how long have these entities been operating without a license? What is the quantum of revenue generated by HBXR and CDPR since incorporation to-date?

Company's response:

Natural gas is the necessary power source for production. The local government had made changes to the gas pipelines and had yet to connect them to the industries park where Hebei factory located. Therefore, the Hebei factory was unable to commence production. The use of natural gas by industries does not require a license.

The total revenue generated by HBXR since acquisition so far was RMB27,415,000 mainly due to know-how consultancy services and new equipment sales and installation.

b) Was the Company aware of the lack of a license to operate when the value of the consideration was determined for the acquisitions of these entities by the Company? Quantify how the quantum of the consideration was determined, and whether damages and illegality were taken into account by the Company's Board of Directors in the acquisition. Please justify and provide basis for the views.

Company's response:

The use of gas by HBXR does not require a license.

The quantum of the consideration was determined as follows :-

1. The value of 80% sale shares was RMB160,000,000.
2. The purchase consideration after arm's length negotiation at 25% discount, as RMB120,000,000.
3. Payment schedule :
 - Cash RMB35,000,000 (RMB25,000,000 paid as deposit, RMB10,000,000 unpaid)
 - Balance consideration RMB85,000,000 would be paid by way of the issuance of zero percent convertible bonds for 38,576,307 ordinary shares, convertible at a price of S\$0.45.

There is no issue of damages in the SGM circular. If the Company does not meet the performance milestones in the next 12 months, the balance consideration will not be issued.

8) The auditor also noted that the valuation was based on assumption that the installation and supply of gas by the local authorities would be completed in October 2020. Please provide an update on this development.

Company's response:

In view of the current COVID-19 precautionary measures and controls, the local government has yet to provide further update/development in relation to the installation and supply of gas. The Company has

written in to the local government in June 2021 to request for an update on the situation and will advise shareholders of any developments.

SGX-ST Query 6

Page 10: Valuation of contingent consideration for acquisition of subsidiaries
Provide details of and quantify the contingent consideration for the acquisition of subsidiaries, how it was determined, and when it is payable. Which are these subsidiaries, and how is the fair value gain on contingent consideration for acquisition of subsidiaries of RMB16,831,000 that was recognised as “Other income” appropriate? Please provide the basis to justify the amount of RMB16,831,000, and quantify to support the response. Provide details of the concerns raised by the auditor, and elaborate on the background for this disclaimer, including how the confirmation with the valuer that it has taken a conservative approach will resolve the audit disclaimer.

Company’s response:

The contingent consideration is based on the terms in the agreements signed. The terms adjust the principal amount of the convertible bond based on net profits. Below is the summary of the terms.

" 3.4 The total principal amount of Bonds to be issued to Vendor C shall be follows:

(a) On the date falling not more than 120 days from the FYE of FY2019, in the following manner (the “First Bond Subscription Date”):

$$A = \frac{X}{\text{RMB}25,000,000} \times \text{RMB}28,333,333$$

Where:

A = Principal amount of Bonds to be issued to Vendor C based on a fixed foreign currency exchange rate of S\$1:RMB4.8965 as at 4 October 2017, provided it does not exceed S\$5,786,446.

X=Adjusted Net Profit of the Target Companies for FY2019. This formula will not apply if the Adjusted Net Profits is negative.

(b) On the date falling not more than 120 days from the FYE of FY2020, in the following manner (the “Second Bond Subscription Date”):

$$B = \frac{Y}{\text{RMB}25,000,000} \times \text{RMB}28,333,333$$

B = Principal amount of Bonds to be issued to Vendor C based on a fixed foreign currency exchange rate of S\$1:RMB4.8965 as at 4 October 2017, provided it does not exceed S\$5,786,446.

Y= Adjust Net Profit of the Target Companies for FY2020. This formula will not apply if the Adjusted Net Profits is negative.

(c) On the date falling not more than 120 days from the FYE of FY2021, in the following manner (the “Third Bond Subscription Date”):

$$C = \left(\frac{Z}{\text{RMB}75,000,000} \times \text{RMB}85,000,000 \right) - (A+B)$$

C = Principal amount of Bonds to be issued to Vendor C based on a fixed foreign currency exchange rate of S\$1:RMB4.965 as at 4 October 2017, provided it does not exceed S\$17,359,338.

Z= Cumulative amount of Adjusted Net Profit of Target Companies for FY2019, FY2020 and FY2021. This formula will not apply if the Adjusted Net Profits is negative.

Based on these terms and the forecasts provided by the Management, the contingent consideration was calculated.

SGX-ST Query 7

Page 10: Recoverability of deposits and termination of short-term investment
For each of Tangshan, Nongfu and Kangweijian, provide details of:-

Company's response:

1) Registered paid up capital

	Name	Registered No.	Paid in Capital
1	Huizhou kangweijian Biotechnology Co., Ltd (惠州市康维健生物科技有限公司)	91441303MA5344KD5L	RMB50 million
2	Shenzhen Agricultural Products Co., Ltd (深圳农畎农产品有限公司)	91440300MA5DQFCU2E	RMB10 million
3	Tangshan Shengrun Biotechnology Co., Ltd (唐山市胜润生物科技有限公司)	91130230MA09EBX285	RMB10 million

2) Directors, legal representatives and shareholders

Company's response:

Name	Name of Directors	Legal Representative	Shareholders
Huizhou kangweijian Biotechnology Co., Ltd(惠州市康维健生物科技有限公司)	1. Zeng Qiming 2. Liu Zhiheng 3. Lian Bing	Zeng Qiming	1. Tangshan Yuda Trading Co., Ltd (唐山市禹达商贸有限公司) 2.Tangshan Daida Trading Co., Ltd (唐山市玳达商贸有限公司)
Shenzhen Agricultural Products Co., Ltd(深圳农畎农产品有限公司)	Zeng Qiwen	Zeng Qiwen	Lon Food Group Holding Limited (农畎集团有限公司)
Tangshan Shengrun Biotechnology Co., Ltd(唐山市胜润生物科技有限公司)	1. Liang Bing 2. He Meifeng 3. Liu Zhiheng 4. Garko 5. Wu Shanshan	Liang Bing	1.Tangshan Yuda Trading Co., Ltd (唐山市禹达商贸有限公司) 2.Tangshan Daida Trading Co., Ltd (唐山市玳达商贸有限公司) 3.Tangshan Fengda Trading Co., Ltd (唐山市风达商贸有限公司) 4.Beijing Tianying Enterprise Consulting Co., Ltd (北京天鹰企业顾问有限责任公司)

3) Details of their size, type of operations, financial condition and whether they are involved in lawsuits or financial difficulties

Company's response:

Name	Valuation from valuation report	Business Activities	Lawsuits/Financial difficulties
Huizhou kangweijian Biotechnology Co., Ltd(惠州市康维健生物科技有限公司)	RMB405.1 million	Production and sales of food additives	Not found Source: Tianyancha.com
Shenzhen Agricultural Products Co., Ltd(深圳农畎农产品有限公司)	RMB142.6 million	Primary agricultural products and catering	Not found Source: Tianyancha.com
Tangshan Shengrun Biotechnology Co., Ltd(唐山市胜润生物科技有限公司)	RMB151.0 million	Biotechnology extension services	Not found Source: Tianyancha.com

4) Reason why the Company made these payments of RMB25 million, RMB35 million and RMB40 million respectively, including how it has satisfied itself as to the veracity of these entities and operations. What due diligence had been undertaken by the Company before the payments were made?

Company's response:

These companies have business dealings with our company and belonged to upstream and downstream enterprises. As part of the CAPEX requirements, these companies planned to sell some of their shares to investors to raise funds for their corresponding production and development. As the Company has a better understanding of their situation due to business relations, and to explore potential business opportunity for further business cooperation, payments were made to these companies as deposit as part of the share consideration.

Due to the time sensitive nature of the transactions, the Company Chairwoman has negotiated these investments on behalf of the Company. These deposits are refundable and the Company should perform due diligence before entry into any transactions.

The deposit would be refunded to the Company if the cooperation between the two parties was not achieved. Save for Nongfu, the Company had received the refund of deposit from these companies.

5) Were these investments tabled before the Board and approved?

Company's response:

Due to the time sensitive nature of the transactions, the Company Chairwoman has negotiated these investments on behalf of the Company. Each of these investments was not tabled for Board's approval. The AC had instructed for these internal control weaknesses to be rectified. Although these deposits are refundable, the Company should have performed due diligence before further entry into any transactions.

Subsequent to the financial year ended 31 March 2020 and given the COVID-19 pandemic, the Company has decided to accelerate the recovery of the deposits.

6) Had the AC reviewed the veracity of these payments as escalated by the auditors, and satisfied themselves on the veracity? Explain what the AC had done to satisfy itself.

Company's response:

The AC had met with the Management for discussion no less than 8 times in 2020 to urge the Management to resolve the matters and get the deposits refunded. All the deposits had been refunded in March 2021, save for Nongfu which will be refunded by June 2021. The AC will discuss and review the relevant findings by the external auditors on the veracity of these payments in the FY2021 audit which is currently in progress.

SGX-ST Query 8**Page 10: Veracity, existence and completeness of bank balances**

We note that "...the Audit Committee will be recommending a special investigation into the inconsistencies noted above in due course." Please state if the AC has a particular special auditor in mind, and confirm that the special auditor is acceptable to Singapore Exchange Regulation ("RegCo"). The Company must provide the terms of reference of the special investigation to RegCo for review before appointment of the special auditor. The Company must provide the special investigation report to RegCo.

Company's response:

The "AC recommendation" was made in June 2020, when the Audited Statement for the year ended 31 March 2020 was under review. As explained previously, the concerns were because of certain clerical errors detected from the bank statements obtained by the Company for the auditors from the Bank, which subsequent to the year end date of 31 March 2020 was closed because of the quality of services of the provision Bank which the Board considered of below average.

As disclosed in the Independent Auditor's Report for FY2020, the Management has advised that their employees had obtained the bank statements directly from the bank concerned, and any anomalies noted by the auditors 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 had provided to the Board and the AC, a notarized declaration in the PRC dated 14 October 2020 by its employees that they had obtained directly from the bank the 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 RMB24 million based on the bank statement with that bank as at 27 July 2020. This sum tallied with the total balances of the closed bank accounts.

Based on the recommendation of the AC, the Company proceeded to appoint the Licensed Law Firm at the Bank municipality, Guangdongzhuming law Firm to conduct a review and issued a report to the AC and Board, regarding the arising of the errors, and to report any defective over the internal control regarding the cash control of the Company's operation. The law firm was of the opinion that no major deficiency arisen from the errors detected, but indeed contain grounds for improvement, or to conduct a more thorough review, subject to the finding of the audits, for the year ended 31 March 2021.

The AC will be discussing the legal opinion issued by the law firm with the external auditors in their FY2021 audit which is currently in progress and the AC will be taking steps prior to finalising the special investigation.

SGX-ST Query 9**Page 12: Revenue**

Explain the reasons for the significant fall of 81.9% and 67.4% in Additives Related Segment for 4Q2021 and FY2021 respectively, and elaborate on the factors that resulted in this decline in revenue.

Company's response:

In view of the fluid COVID-19 situation and strict controls put in place in China, the Company's upstream and downstream logistics, flow of people, and capital flow were greatly restricted. The respective business of the Group cannot be carried out as usual, thus, revenue has drastically declined.

SGX-ST Query 10

Page 13: Administrative expenses

Elaborate upon and further explain how the COVID-19 impact led to the decrease of 95.5% in administrative expenses in 4Q2021 compared to 4Q2020. What were these administrative expenses that declined?

Company's response:

There is no COVID-19 impact in relation to the decrease in administrative expenses.

In 4Q2020, the total adjusted amount of PPE, land use right, patent and provision for ECL, was RMB25,460,000. 4Q2021 amount has yet to be adjusted as the financial statements for FY2021 are still under review by auditors.

By Order of the Board

Song Yanan
Non-Executive Chairman
7 June 2021