

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 FINANCIAL RESULTS FOR THE FINANCIAL PERIOD ENDED 31
DECEMBER 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 10 February 2021 with respect to the Unaudited Financial Statements for the financial period ended 31 December 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 31 December 2020 (the "**Financial Results**").

SGX-ST Query 1

Page 1 of the Financial Results – Revenue of RMB7,344,000

Explain the sudden increase in sales for 3 months ended 31 December 2020 accounting for RMB7,344,000 out of RMB8,122,000 for 9 months ended 31 December 2020.

Company's response:

Given the easing of China's COVID -19 control measures, the Group's business operations have gradually resumed and underpinned the Group's sales improvement in 3QFY2021.

SGX-ST Query 2

Page 3 of the Financial Results – Trade and other payables of RMB61,816,000

Explain why trade and other payables amounted to RMB61,816,000 as at 31 December 2020, when cost of sales amounted to only RMB7,114,000 for 9 months ended 31 December 2020. Please reconcile, and provide breakdown and aging schedule.

Company's response:

The trade and other payables of RMB61,816,000 as at 31 December 2020 were accumulated amounts brought forward from previous years. RMB7,114,000 was the production costs incurred for 3QFY2021, which corresponds to the revenue recorded of the current quarter.

Please find appended below the breakdown and aging schedule:-

Notes	Amount RMB	Aging schedule
Really time's trade payable	6,509,000	Over one year
Miscellaneous trade payable	602,000	Over one year
Trade payable sub-total	7,111,000	
Shareholder's advance	1,716,000	Over one year
Wage payable and professional fee	1,373,000	Over one year
Acquisition payable	10,000,000	Over one year
Miscellaneous other payable	1,011,000	Over one year
PurunShengwuZhiyao Co., Ltd.	8,933,000	Over one year
Hebei XingrunShengwuKejiGufen Co., Ltd	18,068,000	Over one year
BeijingYiRunKeMao Co.,Ltd	13,604,000	Over one year
Other payable sub-total	54,705,000	
Trade and other payable total	61,816,000	

Given the COVID-19 pandemic, the payables had been overdue for more than one year due to disruption of settlements between downstream and upstream enterprises and tight cash flows.

SGX-ST Query 3

Page 3 of the Financial Results – Trade and other payables of RMB61,816,000

Explain why the cash purchase consideration from Acquisition of RMB10 Million has not been paid as at 31 December 2020. When is it expected to be paid? Indicate the original payment deadline, any impact on the Company, and any penalties due.

Company's response:

Due to the natural gas supply issue coupled with the COVID-19 situation, the plant situated in Hebei has been focusing on trial production following the completion of acquisition in September 2018.

The cash purchase consideration of RMB10 million should be payable on completion date i.e. end of September 2018. The Company has communicated with the vendors that the payment of the cash purchase consideration will be made, after gradual recovery of the targeted production and no penalties will be imposed.

SGX-ST Query 4

Page 13 of the Financial Results – Trade and other receivables – “Trade receivables were mainly the receivables of Really Time Trading Limited.”

Provide and quantify aging schedule and explain why Really Time Trading Limited has been unable to collect its debts as and when they fall due. What percentage of Really Time Trading Limited's NAV do these long outstanding debts comprise? Please quantify.

Company's response:

Given the trade war between China and United States and COVID -19 situation, the entire foreign supply chain has been greatly affected. This has resulted in receivables that had not been able to be collected by the Group on time.

Please refer to the table below for the details of Net Asset Value and trade receivables of Really Time Trading Limited:-

	Before expected credit loss provided in 2020/21	After expected credit loss provided in 2020/21
Trade receivables	24,422,000	10,251,000
NAV	9,154,000	-5,017,000
Percentage between trade receivables and NAV	267%	N/A

SGX-ST Query 5

Page 13 of the Financial Results – Trade and other receivables – “Other receivables include deposits paid to the vendors of potential acquisition projects amounting to RMB60 million, which will become part of the consideration after the completion of the acquisitions and/or refundable after the cancellation of the acquisitions. Due to Covid-19 pandemic, the Company has decided to accelerate the recovery of all deposits. The vendors have indicated their intention to reply 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 a breakdown of deposits paid of RMB60 million, dates paid and identity of the vendors. When will the agreements for the potential acquisition projects be signed? Why is there a need to pay deposits when agreements have not yet been signed? What are the safeguards in place to ensure recoverability of deposits? Provide a status update of each of the potential acquisition projects, the vendor and their ability to repay the deposits.

Company's response:

A breakdown of RMB60 million paid is as follows :

Name of Vendors	Amount	Date of remittance
深圳农畎食品开发集团有限公司 ("Nongfu").	RMB35 million	November 2016
唐山市胜润生物科技有限公司 ("Tangshan")	RMB25 million	December 2018

Nongfu

The Company had entered an agreement with Nongfu in November 2016 for a potential business acquisition. The agreement for potential business acquisition was expired in November 2019 with no extensions or renewal terms.

Due to the uncertainties caused by COVID-19, the Company has decided to be conservative and to accelerate the recovery of all its earlier deposits.

Nongfu was valued at RMB142.6 million based on a valuation report as of 31 August 2020, suggesting its ability to repay the deposit in cash or share or a combination of both.

Tangshan

The Company had entered an agreement with Tangshan in December 2018 for a potential business acquisition. Due to the uncertainties caused by COVID-19, the Company has decided to be conservative and to accelerate the recovery of all its earlier deposits.

Tangshan was valued at RMB151.0 million based on a valuation report as of 30 June 2020, suggesting its ability to repay the deposit in cash or share or a combination of both.

The refundable deposits placed with Nongfu and Tangshan were for securing potential acquisition projects which were in line with the Group's business strategies.

SGX-ST Query 6

Page 13 of the Financial Results – Trade and other receivables – “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 subsequently received payment of RMB0.5 million and RMB6.0 million from the disposal of SQ Grease in October 2020 and December 2020 respectively, and the Group is expected to receive the remaining RMB5 million by 31 March 2021.”

What were the terms of payment under the agreement for this transaction? Set out the terms and dates in the agreement, and the actual dates paid on. Disclose the financial standing of the purchaser, and their ability to pay the balance RMB5 million by 31 March 2021.

Company's response:

The asset disposal contract was signed in November 2017 of which the terms of the contract stipulated that the purchaser shall settle the payment on an immediate term.

However, the purchaser did not settle the payment in time due to the disruption of funding chain and COVID-19 situation. Following due discussions, the purchaser paid RMB10 million in 2020 while the remaining sum of RMB5 million will be settled by 15 March 2021. The purchaser is a Company incorporated in Hong Kong. Most of the outstanding payments were settled in 2020 and the remaining unpaid portion represents 6.7% of the total proceeds. The purchaser has confirmed its ability to repay the remaining sum by 15 March 2021.

SGX-ST Query 7

Page 13 of the Financial Results – Trade and other receivables – Trade and other receivables – “The Group had received RMB20 million as at 31 December 2020 out of the total working capital borrowed of RMB40 million from 惠州市康维健生物科技有限公司 (“Kangweijian”). For the balance amount of RMB20 million, and the Group is expected to receive the remaining RMB20 million by 31 March 2021.”

Provide details of Kangweijian, its ultimate beneficial shareholders and directors, its relationship with the Company, and the reasons for and terms of the working capital loan of RMB40million.

Company’s response:

Please refer to the tables below for details of ultimate beneficial shareholders, legal representative and directors of Kangweijian:-

Name of shareholders	Share capital	Percentage of share capital
Tangshan Yuda 唐山禹达	RMB35 million	70%
Tangshan Daida 唐山玳达	RMB15 million	30%

Name	Position
a) Zen Qimin 曾启明	Legal Representative/Managing Director
b) Liu Zhi Heng 刘志恒	Director/Ultimate Beneficial Owner
c) Liang Bing 梁冰	Director

Kangweijian is one of our main trading partners for L-Ascorbyl Palmitate production. The provision of loan was a short-term revolving loan between upstream and downstream enterprises. Kangweijian is an independent third party and is not related to the Company or any of its Directors.

SGX-ST Query 8

Page 13 of the Financial Results – Contingent considerations – “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. The contingent consideration is classified as financial liability measured at fair value, changes in fair value is recognized in profit and loss. In view of the COVID 19 outbreak, profit guarantee of the vendors for FY2020 might not be met.”

How much profit has the Acquisition target made to-date, and does it meet the profit guarantee under the SPA? Please quantify how the amount of RMB17.5million of contingent considerations was derived.

Company’s response:

The terms in the Sales and Purchase Agreement stipulated a profit guarantee requirement of RMB25 million per year. As at the end of December 2020, the total 9 months’ loss incurred for the

three companies was RMB3.92 million. The reasons for not able to meet the profit guarantee were provided in the responses for SGX-ST Queries 9 and 10.

The contingent consideration of RMB17.5 million was derived based on the valuation report issued by a professional third-party valuer in 2020.

SGX-ST Query 9

Page 14 of the Financial Results – “No Bonds have been issued as at to date 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 Sales and Purchase Agreement.”

Quantify the amount of profits that must be generated by CDBR, HBXR and Benchmark under the profit warranty, and the amount of actual profits achieved. What is the amount of profit warranty that is due to the Company currently, if applicable? Provide details of the Benchmark referred to.

Company’s response:

CDBR, HBXR and Benchmark are required to achieve a profit guarantee of RMB25 million per year for a total of 3 years after Acquisition. The aforesaid three companies were unable to carry out normal production due to heightened environmental protection requirements, the government’s Covid-19 control measures and lack of natural gas supply.

As at the end of December 2020, the total 9 months’ loss incurred for the three companies was RMB3.92 million.

Benchmark is referred to Benchmark Trade Limited, one of the targeted companies in the Acquisition and an investment holding company.

SGX-ST Query 10

Page 14 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 – “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.”

Elaborate on the government’s regulation, what has changed, and how it affected the profit warranty. How was normal and large-scale production affected due to the regulation changes? Quantify the fall in output.

Company’s response:

The Company had disclosed relevant information of the Acquisition in the circular dated 5 July 2018 and the relevant past announcements amongst others, profit guarantee of RMB25 million per year for a total of 3 years after Acquisition. The total 9 months’ loss incurred by CDBR, HBXR and Benchmark was RMB3.92 million as at 31 December 2020. The loss was mainly due to their plants inability to carry out normal production as a result of:-

- a) Heightened environmental protection requirements due to location of the plant and the Environmental Protection Bureau has implemented strict supervision over the plant.

- b) Disruption of pipeline natural gas supply from government which is an essential power source for operation of the plant.
- c) Control measures arising from COVID-19 situation imposed by government in China had restricted movement of people and products.

By Order of the Board

Song Yanan
Non-Executive Chairman
24 February 2021