

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

**PROPOSED ACQUISITION OF 8,000 ORDINARY SHARES REPRESENTING 80% OF THE
ENTIRE ISSUED AND PAID UP SHARE CAPITAL OF REALLY TIME TRADING LIMITED
("TARGET COMPANY") BY PEARLFIELD CHINA LIMITED**

*Where capitalised terms are used in this announcement and not otherwise defined, such capitalised terms shall bear the same meanings as ascribed to them in the announcements made by United Food Holdings Limited (the "**Company**") on 21 April 2017 relating to the Proposed Acquisition.*

1. INTRODUCTION

The Board of Directors of the Company wishes to announce that a wholly owned subsidiary of the Company, Pearlfield China Limited ("**Pearlfield China**") had on 12 May 2017 entered into a sale and purchase agreement ("**Sale and Purchase Agreement**") with Tsang Miu Wan ("**Vendor**"), the sole shareholder of the Target Company, for the acquisition of 8,000 ordinary shares in the issued and paid up share capital of the Target Company, representing 80% of the entire issued and paid-up capital of the Target Company (the "**Sale Shares**").

In connection with the Proposed Acquisition, Pearlfield China had also on 12 May 2017, entered into a shareholders' agreement in relation to the Target Company with the Vendor, to regulate the relationship between the shareholders of the Target Company and to set out the basis on which the business affairs of the Target Company will be managed and controlled, as well as to provide for their rights and duties as shareholders of the Target Company ("**Shareholders' Agreement**").

As the relative figure under Rule 1006 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual exceeds 5% but does not exceed 20%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**").

2. DETAILS OF THE TARGET COMPANY

The Target Company is a private company limited by shares incorporated in Hong Kong. The Target Company has a wholly owned subsidiary, Shenzhen Hualitai Food Trading Co., Ltd., that is incorporated in the People's Republic of China and is in the business of 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 (collectively, the Target Company and Shenzhen Hualitai Food Trading Co., Ltd., the "**Target Group**"). As at the date of this announcement, the issued and paid-up share capital of the Target Company is HK\$10,000 comprising 10,000 ordinary shares.

Based on the unaudited financial statements of the Target Group for the financial year ended 31 December 2016, the unaudited book value and net tangible asset value of the Target Group is approximately RMB3,124,539 as at 31 December 2016. No independent valuation was conducted on the Target Group.

The Vendor was introduced to the Company by our Non-Executive Chairman, Ms Song Yanan. As at the date of this announcement, the Vendor does not have any shareholding interests, direct or indirect, in the Company, and is not related to any of the Company's directors, chief executive officer or controlling shareholder, or their respective associates. The Company's directors, chief executive officer or controlling shareholder, or their respective associates do not have any shareholding interests, direct or indirect, in the Target Company, and they are not

related to any of the Target Company's directors or controlling shareholder, or their respective associates.

3. RATIONALE FOR THE PROPOSED ACQUISITION

This proposed strategic investment is aligned with the Group's plans to diversify and expand into complementary business areas within the agricultural and food production industry. The Board believes the Group will strengthen its competitive advantage and value proposition in the pork related food industry and eventually gain access to new markets, customers and business opportunities.

4. CONSIDERATION

- 4.1. The aggregate purchase consideration of RMB16,000,000 ("**Purchase Consideration**") equivalent to HK\$18,063,400 based on the exchange rate of RMB1.000:HK\$0.8868 as at 12 May 2017 for the Sale Shares shall comprise:
- (a) a refundable cash deposit of RMB15,000,000 ("**Deposit**"); and
 - (b) the balance purchase price of RMB1,000,000 payable to the Vendor by way of issuance of 615,065 new ordinary shares in the capital of the Company ("**Consideration Shares**") at an issue price of S\$0.330 ("**Issue Price**") to the Vendor and/or her designated nominees, credited as fully paid up and free and clear from any and all encumbrances and together with all rights attaching or accruing thereto and such Consideration Shares shall rank *pari passu* with the existing issued shares of the Company as at the date of completion of the Proposed Acquisition ("**Completion Date**").
- 4.2. The Consideration Shares will be issued pursuant to the general share issue mandate ("**General Issue Mandate**") approved by the shareholders of the Company at the annual general meeting of the Company held on 28 April 2017 for the Company to issue shares and make or grant offers, agreements or options that might or would require shares to be issued. The Consideration Shares will comprise of 0.5% of the enlarged issued and paid up share capital of the Company following the Proposed Acquisition.
- 4.3. The Issue Price represents a discount of 5.7% to the volume weighted average price of the ordinary shares in the capital of the Company traded on the SGX-ST on the full market day on the date of the Sale and Purchase Agreement.
- 4.4. The Purchase Consideration was arrived at arm's length on a 'willing buyer willing seller' basis negotiation between the parties.

5. SOURCE OF FUNDS

The Purchase Consideration will be funded by the Company's internal resources.

6. SALIENT TERMS OF THE AGREEMENT

6.1. Conditions precedent

The agreement to sell and purchase the Sale Shares is conditional upon certain Conditions Precedent having been satisfied (or waived by the relevant Party), such as the following:

- (a) Pearlfield China having completed its legal, accounting and financial due diligence in relation to the Target Company, the title of the Target Company to its assets, and the

Purchaser having notified the Vendor that the results of such due diligence are, in its absolute discretion, satisfactory;

- (b) Pearlfield China procuring, *inter alia*, the in-principal approval ("**AIP**") for the allotment and issuance of the Consideration Shares having been obtained (on terms and conditions acceptable to the Company and the Vendor, each acting reasonably) and not being revoked or amended as at the Completion Date, and the Company having obtained SGX-ST's approval for the issuance and allotment, listing and quotation of the Consideration Shares; and
- (c) The Vendor having obtained all the necessary waivers, consents and approval regarding the sale of the Sale Shares from the government, administrative or regulatory bodies in Hong Kong.

6.2. Pre-completion covenants

The Vendor undertakes that pending Completion:

- (a) the Target Company will continue to carry on business in the ordinary course and consistent with past practices;
- (b) no change will be made to the memorandum and articles of association of the Target Company;
- (c) the Target Company will not reduce its share capital, or allot or issue any shares or any securities or loan capital convertible into shares, or purchase, redeem, retire or acquire any such shares or securities, or agree to do so, or sell or give any option, right to purchase, mortgage, charge, pledge, lien or other form of security or encumbrance over any such shares or securities;
- (d) the Target Company will not acquire or form any subsidiary, or acquire any shares in any company or acquire the whole or any substantial part of the undertaking, assets or business of any other company or any firm or person or enter into any joint venture or partnership with any other person; and
- (e) the Target Company will not issue, allow to come into being, grant or redeem any encumbrance over any of its assets or undertaking, otherwise than in the ordinary course of business.

6.3. Longstop Date

The Parties agree to use commercially reasonable endeavours to ensure the satisfaction of the Conditions Precedent as soon as practicable and in any event by the date falling 60 business days from the date of the Sale and Purchase Agreement or such other date as the Parties may mutually agree in writing ("**Longstop Date**"). In the event completion of the Proposed Acquisition does not occur by the Longstop Date, the Deposit shall be released and returned to the Purchaser, without interest in such manner as the Purchaser shall notify the Vendor in writing not less than three business days prior to the proposed date of payment.

6.4. Profit Warranty

The Vendor undertakes to the Purchaser that the consolidated profit of the Target Group after tax and extraordinary items ("**Adjusted Net Profit**") shall not be less than RMB2,000,000 for each of the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 ("**Profit Warranty**").

The Purchase Consideration shall be adjusted as follows:

- (a) In the event the Adjusted Net Profit is equal to or exceeds RMB2,000,000, there will be no payment to Pearlfield China;

- (b) In the event the Adjusted Net Profit is less than RMB2,000,000 ("**Shortfall**"), the Vendor shall pay the Shortfall without interest to Pearlfield China within 10 business days from the date of issue of the relevant completion accounts of the Target Group, in such manner as Pearlfield China may notify the Vendor in writing.

Within 10 business days from the date of issue of the relevant completion accounts of the Target Group for the financial year ended 31 December 2019, in the event the aggregate amount of Adjusted Net Profit for the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 is RMB6,000,000 or more, the Purchaser may make the appropriate adjustments against the amount of Shortfall collected (if any) from the Vendor, and return the difference to the Vendor, at the Purchaser's sole discretion.

The Profit Warranty was arrived after arm's length negotiations between the Purchaser and the Vendor on a willing-buyer, willing-seller basis after taking into consideration, *inter alia*, the historical financial performance of the Target Group and the Target Group's management forecast estimates.

The Board is of the view that the Profit Warranty will be beneficial to the Company and the Profit Warranty is reasonable and achievable after taking into consideration the historical financial performance of the Target Group. This was done after the Board requested for internal staff familiar with the Target Group's industry to conduct due diligence on the Target Group's management accounts and business process.

7. SALIENT TERMS IN THE SHAREHOLDERS' AGREEMENT

7.1. Board of Directors

The Vendor shall remain as a director of the Target Company, and Pearlfield China shall have the right to appoint one director to the board of directors of the Target Company.

7.2. Shareholders' matters

No action, decision or transaction constituting any of the reserved matters shall be taken by the Target Company unless a resolution shall be passed with the vote of Pearlfield China. The reserved matters are, *inter alia*,

- (a) any change in the nature and/or scope of the business of the Target Company;
- (b) any change in the capital structure of the Target Company;
- (c) any change in the number of directors or structure of the board of the Target Company;
- (d) the exercise of the borrowing powers of the Target Company, or borrowings by the Target Company of any amount which require the provision of guarantees, undertakings or indemnities from the Shareholders as security for such borrowings;
- (e) any disposal or the acquisition of, or investment in, any undertaking, assets or shares by the Target Company;
- (f) the appointment of or any subsequent change in the key or senior personnel of the Target Company; and
- (g) the issue of any power of attorney by the Target Company.

7.3. Vendor's Restrictive Covenants

The Vendor undertakes with the Target Company that she will not, *inter alia*, during her employment under the Target Group as an employee, consultant, officer, or director of the

Target Group ("**Employee**") or as a Shareholder and within a period of twelve (12) calendar months thereafter upon either (i) the date on which the Vendor's employment as an Employee or (ii) the date on which the Vendor ceases to be a Shareholder of the Company, whichever is earlier (the "**Effective Termination Date**"), in any of the territories of the business of the Target Group directly or indirectly, except with the Target Company's prior written consent, *inter alia*, directly or indirectly carry on or be engaged in any business which is in direct competition with the business of the Target Group as at the Effective Termination Date (the "**Relevant Business**"), and either on her own account or in conjunction with or on behalf of any other firm, or corporation, solicit or entice away from any person who was employed in an executive, technical or managerial capacity in the Target Group.

The Vendor also undertakes that she shall not, during her employment under the Target Company as an Employee or as a Shareholder, except with the Target Company's prior written consent, disclose to any person, and shall use her best endeavours to prevent the disclosure of any information concerning the business, accounts or finances of the Target Group which may have come to her knowledge, save for, *inter alia*, information which is or becomes generally available to the public.

8. RELATIVE FIGURES BASED ON RULE 1006 OF THE LISTING MANUAL

The relative figures in relation to the Proposed Acquisition pursuant to Rule 1006 of the SGX-ST Listing Manual, using the latest audited accounts of the Company and its subsidiaries (the "**Group**") as at 31 December 2016, are:

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable ⁽¹⁾
(b)	Net profits ⁽²⁾ attributable to the assets acquired or disposed of, compared with the Group's net loss ⁽²⁾	-1.4% ⁽³⁾
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	7.7% ⁽⁴⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	0.5% ⁽⁵⁾
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

As the relative figures under Rule 1006 exceed 5% but do not exceed 20%, the Proposed Acquisition only constitutes a "Discloseable Transaction" as defined in Chapter 10 of the Listing Manual. Accordingly, Shareholders' approval for the Proposed Acquisition is not required.

Notes:

- (1) This basis is not applicable as the Group will not be disposing of any assets pursuant to the Proposed Acquisition.
- (2) Under Rule 1002(3)(b) of the Listing Manual, 'net profit' means the profit before income tax, minority interests and extraordinary items and 'net loss' means the loss before income tax, minority interests and extraordinary items.

- (3) Determined by dividing the Target Group's unaudited net profit of RMB3,115,594 by the Group's latest audited consolidated net loss of RMB229,263,000 for the financial year ended 31 December 2016.
- (4) Based on the aggregate value of the Purchase Consideration of RMB16,000,000 (being the aggregate of the Deposit (as defined above) and the value of the Consideration Shares (as defined above) and the market capitalisation of the Company of RMB208,845,475 as at 11 May 2017 (being the market day preceding the date of the Sale and Purchase Agreement). Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue being 132,097,041 shares by the weighted average price of S\$0.323 of such shares transacted on 11 May 2017 (being the market day preceding the date of the Sale and Purchase Agreement).
- (5) Computed based on the issued and paid-up share capital of 132,097,041 shares as at 11 May 2017 (being the market day preceding the date of the Sale and Purchase Agreement).

9. FINANCIAL EFFECTS

9.1. As at the date of this announcement, the issued and paid up capital of the Company is HK\$13,209,704 divided into 132,097,041 shares. When allotted and issued in full, the issued and paid-up share capital of the Company will increase from approximately HK\$13,271,211 divided into 132,712,106 Shares.

9.2. The financial effects of the Proposed Acquisition on the Group are prepared based on the audited accounts of the Group for the financial year ended 31 December 2016 and the following assumptions:

- (a) the financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after completion of the Proposed Acquisition;
- (b) the financial effects of the Proposed Acquisition are based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016, and the unaudited consolidated financial statements of the Target Group for the financial year ended 31 December 2016;
- (c) for the purpose of computing the financial effects of the Proposed Acquisition on the net tangible asset ("NTA") of the Group, the Proposed Acquisition is assumed to have been completed on 31 December 2016;
- (d) for the purpose of computing the financial effects of the Proposed Acquisition on the earnings of the Group, the Proposed Acquisition is assumed to have been completed on 31 December 2016; and
- (e) professional fees for the Proposed Acquisition are assumed to be negligible.

It should be noted that the financial effects set out below are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Company and the Group, after completion of the Proposed Acquisition.

Assuming that the Proposed Acquisition had been completed on 31 December 2016, the NTA per share of the Group as at 31 December 2016 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA ⁽¹⁾ (RMB)	202,253,000	192,612,703
Number of issued shares	110,080,868 ⁽²⁾	132,712,106 ⁽³⁾
NTA per share (RMB)	1.84	1.45

Notes:

- (1) NTA is computed based on total assets less total liabilities and less intangible assets.
- (2) The total number of issued shares as at 31 December 2016 shall exclude the issuance of 22,016,173 Shares on 20 February 2017 pursuant to a placement announcement released by the Company on 16 January 2017 (the "**Placement Shares**").
- (3) The total number of issued shares shall include both the Placement Shares and the Consideration Shares.

The financial effect of the Proposed Acquisition on the losses per share ("**LPS**") of the Company for the financial year ended 31 December 2016 assuming that the Proposed Acquisition had been effected on 1 January 2016 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net losses attributable to owners of the Company (RMB)	229,263,000	226,770,525
Weighted average number of shares used in the computation of basic LPS	110,080,868 ⁽¹⁾	132,712,106 ⁽²⁾
Basic LPS ⁽³⁾ (RMB)	2.08	1.71

Notes:

- (1) The total number of issued shares as at 31 December 2016 shall exclude the issuance of 22,016,173 Shares on 20 February 2017 pursuant to a placement announcement released by the Company on 16 January 2017 (the "**Placement Shares**").
- (2) The total number of issued shares shall include both the Placement Shares and the Consideration Shares.
- (3) Basic LPS is computed based on the weighted average number of shares for the full financial year.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date hereof, none of the directors or controlling shareholders of the Company or their respective associates have any interest, direct or indirect, in the Proposed Acquisition, other than through their shareholdings in the Company.

11. SERVICE CONTRACTS

No person will be appointed to the Board of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company with any such person.

12. TRADING CAUTION

Shareholders are advised to exercise caution in trading their shares. The Proposed Acquisition is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

14. DOCUMENTS FOR INSPECTION

A copy of the following documents is available for inspection during normal business hours at the Company's corporate secretarial office, TMF Singapore H Pte. Ltd., at 38 Beach Road, #29-11, South Beach Tower, Singapore 189767 for three (3) months from the date of this announcement:

- (a) Sale and Purchase Agreement; and
- (b) Shareholders' Agreement.

By Order of the Board

Song Yanan

Non-Executive Chairman

Date: 15 May 2017