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 STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

- **Responses to questions raised pursuant to the Company's announcements dated 5 July 2021, 16 August 2021 and 27 August 2021**

Unless otherwise expressly defined herein, all capitalized terms in this announcement shall bear the same meanings ascribed to them under the Company's announcements dated 5 July 2021, 16 August 2021 and 27 August 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 27 August 2021 (the "**Announcement**") in relation to the Unaudited Financial Statements for the financial year ended 31 March 2021 (the "**FY2021 Financial Results**") and announcement dated 16 August 2021 in relation to the Unaudited Financial Statements for the financial period ended 30 June 2021 (the "**1QFY2022 Financial Results**").

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

1. SGX-ST Query 3 - Company's response

"The administrative expenses increased by RMB41,000 represented 2% increment from RMB1,871,000 to RMB1,912,000, it was within the threshold of the management expenses. Such expenses consisted of fixed operating costs, employees' salaries, depreciation costs and others. Due to COVID-19, the Group recorded a revenue of RMB512,000 for the period ended 30 June 2021. Nevertheless, the Group has continued its operations and thus the operating costs were more than the revenue."

SGX: Provide an itemised breakdown of the administrative expenses of RMB1,912,000, and explain the material items of expense.

Company's response:

The breakdown of administrative expenses is as follows :

No.	Description	RMB'000	Remarks
1.	Employees' salaries	637,000	No significant variance
2.	Professional fees	900,000	To pay the audit, valuation and SGX fees
3.	Office expenses	205,000	No significant variance
4.	Others	170,000	No significant variance

SGX-ST Query 2

2. SGX-ST Query 5 - Company's response

"The Group and its subsidiaries adopt different currencies for their financial reporting. Certain overseas subsidiaries adopts HKD while RMB is used for the presentation currency of the Group. The exchange difference was arising from the translation currency exchange when all financial numbers are to be consolidated and recognised as other comprehensive income in the Group's financial reporting in accordance with the IAS21 requirements in China."

SGX: Provide a breakdown of the RMB637,000 loss on translation to the respective effects of various currencies, and disclose the underlying items and the course of each currency that resulted in the translation loss in RMB.

Company's response:

The foreign currency translation reserve ("**FCTR**") movement of RMB 637,000 for the first quarter ended 30 June 2021 represents the effect of the translation of the results and financial positions of entities that have a functional currency that is different from the presentation of the Group. Refer to the Company's policy on the translation of foreign operations below.

Group entities
The results and financial positions of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period;
(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at average exchange rates.
(iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

The breakdown of the FCTR RMB 637,000 loss on translation is represented by the following entities and net assets on translation as follows. The loss on translation is due

	Functional currency	**RMB**	**Ref**
United Food Holdings Limited	HKD	(451,145)	**Note 1**
Pearlfield China Limited - subsidiary	HKD	(196,497)	**Note 2**
Others	HKD/SGD	(10,861)	
Total		**(636,781)**	

Note 1
The translation loss in Q1FY2022 was mainly due to the weakening of the HKD against RMB. The RMB had strengthened against the HKD from an exchange rate of 0.8452 (HKD/RMB) in March 2021 to 0.8321 (HKD/RMB) in June 2021, thereby resulting in a translation loss of RMB 451,145. The translation loss is calculated based on the net assets of United Food Holdings Limited as shown in the Table 1 below.

The underlying currency causing the translation loss is HKD, which is the functional currency of United Food Holdings Limited. The financial statements of United Food Holdings Limited is translated from HKD to the Group's presentation currency of RMB at each reporting date.

Table 1

(Translated from HKD to RMB)		
.		**30 June 2021**
United Food Holdings Limited		**RMB**
Assets		
Non-current assets		8,610
Current assets		121,737,322
Liabilities		
Current liabilities		(20,429,310)
	A	**101,316,622**
Equity		
Issued capital		18,685,718
Share premium		58,275,701
Contributed surplus		397,141,000

Accumulated loss		(371,303,158)
Loss for the period		(1,058,661)
Capital redemption reserve		2,981,288
Others		(2,954,120)
	B	**101,767,767**
Exchange translation for the period	**C = A-B**	**(451,145)**

Note 2

The translation loss in Q1FY2022 was mainly due to the weakening of the HKD against RMB. The RMB had strengthened against the HKD from an exchange rate of 0.8452 (HKD/RMB) in March 2021 to 0.8321 (HKD/RMB) in June 2021, thereby resulting in a translation loss of RMB 196,497. The translation loss is calculated based on the net assets of Pearlfield China Limited as shown in the Table 2 below

The underlying currency causing the translation loss is HKD, which is the functional currency of Pearlfield China Limited. The financial statements of Pearlfield China Limited is translated from HKD to the Group's presentation currency of RMB at each reporting date.

Table 2

(Translated from HKD to RMB)		
		30 June 2021
Pearlfield China Limited		**RMB**
Asset		
Non-current asset		1,000,000
Current asset		88,520,729
Liability		
Current liability		(1,039,771)
	A	**88,480,958**
Equity		
Issued capital		8,610
Accumulated loss		(1,581)
Loss for the period		(298)
Gain or loss on deconsolidation		88,909,804
Others		(239,079)
	B	**88,677,455**
Exchange translation for the period	**C = A-B**	**(196,497)**

SGX-ST Query 3

3. SGX-ST Query 6 - Company's response - Sundry

SGX: What were these sundry trade items that are classified as trade receivables amounting to RMB393,000 as at 30 June 2021? Provide the itemised breakdown and reasons why these sundry trade receivable have not been paid for 4-6 months.

Company's response:

The receivables were from:

(i) CDPR at RMB33,000 mainly generated from the sales of sanitisers; and
(ii) 北京益润科贸有限公司 at RMB360,000 derived from the services rendered to the customers

The receivables were incurred from March 2021 to June 2021. The Company had received full payment on 9 September 2021.

SGX-ST Query 4

4. SGX-ST Query 6 - Company's response - SST

SGX: If these RMB35,000,000 of receivables from SST was already outstanding as at 31 March 2021 and remains outstanding as at 30 June 2021, please explain how ageing was determined to be within 3 months. Disclose the date when such refundable deposit was extended, and the required date of repayment under the agreement.

Company's response:

The remittance of RMB35,000,000 to SST was made on 31 March 2021 and therefore it was recorded in the account receivables as at 31 March 2021 and had been aged for 3 months as at 30 June 2021.

The agreement is valid for two (2) years from 12 March 2021 to 11 March 2023 (the "validity period"). Subject to the satisfaction of the due diligence exercise carried out by the professional valuer, the Company's right of conversion of the security deposit of RMB35 million into equity interest in the capital of SST shall be contingent upon the Company obtaining all approvals (including from its shareholders) during the validity period.

The refundable deposit is repayable within one month' notice should the conversion not take place.

SGX-ST Query 5

5. SGX-ST Query 6 - Company's response - 惠州中凡机电设备

SGX: Why did this amount of receivables due from 惠州中凡机电设备 increase by RMB26,000,000 when it is not even in operation? Provide the dates of remittances totaling RMB49,152,000, and the additional totaling RMB26,000,000. Disclose the reasons for remitting the additional RMB26,000,000.

Company's response:

The Company had subsequently signed a new agreement with 惠州中凡机电设备 in April 2021 to purchase additional equipment and the remittance made in May 2021 was the advances paid to 惠州中凡机电设备 based on the new agreement in conjunction with the new sales contract secured from Kanweijian. The additional RMB26,000,000 formed part of the new agreement. RMB49,152,000 was remitted in March 2021, while RMB26 million was remitted in May 2021.

SGX-ST Query 6

6. SGX-ST Query 7 - Company's response

Per the Company's 28 June 2021 response to SGX-ST Query (3)(c): "Subject to the satisfaction of the due diligence exercise to be carried by the Group's engaged professional valuer, the Company's right of conversion of security deposit of RMB35 million into equity interest in the capital of SST shall be contingent upon the Company obtaining all relevant approval (including from its shareholders). The Company expects to receive the latest financial and valuation reports by mid July 2021. Based on these reports, the Company will evaluate and make a decision on investment in SST."

SGX: What caused the delay of receipt of the latest financial and valuation reports which was expected to be received by mid-July 2021? When does the Company expect to receive these reports, and explain in detail whether this delay is acceptable to the Board and the Audit Committee? What steps have the Audit Committee taken to ensure that the reports are submitted and that the Company's interests are safeguarded?

Company's response:

The Company had received the preliminary valuation report as at 30 June 2021 of SST from Shenzhen ShiHua Asset Assessment Land Real Estate Valuation Co., Ltd. in July 2021. The report will be submitted to Regco tomorrow, 10 September 2021.

Management is currently working closely with the Board, the Audit Committee and professionals and evaluating the potential investment in SST. 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.

SGX-ST Query 7

7. SGX-ST Query 8 - Company's response

"Please refer to the Company's response on SGX-ST Query 3 for Really Time Trading Limited ("RTTL") released on 5 July 2021. The status remains unchanged and the Company did not obtain any security for the amounts due. The Company will provide update on the receipt of payment from time to time."

SGX: Provide details on the steps taken by the directors and the Audit Committee ("AC") to ensure that Really Time has procedures to repay the amounts promised to be repaid in 4Q2021. Also explain how this is being monitored by the AC and directors.

Company's response:

Further to the letter of undertaking provided to the Company earlier, the Management has progressively communicated and monitored the progress with Ms. Zeng Miaoyun ("**Ms. Zeng**"). 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 Really Time before the end of 2021.

The Company will seek appropriate legal recourse against RTTL's 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.

Please refer to SGX announcement released on 12 July 2021 for more details.

The Company has reached out RTTL in September 2021 and Ms Zeng confirmed that there is no update.

SGX-ST Query 8

8. SGX-ST Query 9 - Company's response

SGX: Please clearly explain how the amounts of A, B, C, D, E were derived, and how the ensuing calculations in the table reconcile and explain how trade and other receivables increased by approximately RMB25 million despite the Company disclosing under Recoverability of deposits and termination of short-term investment, full receipt by the Company of RMB25.0 million deposit paid to 唐山市胜润生物科技有限公司 ("Tangshan") as of 31 March 2021, RMB35.0 million deposit paid to 深圳农畉食品开发集团有限公司 ("Nongfu") fully received as of 30 June 2021, and RMB40.0 million short-term investment with 惠州市康维健生物科技有限公司 ("Kangweijian") fully received as of 31 March 2021, with Revenue generated of only RMB512,000.

Company's response:

Note A in the Financial Results: The total receivables of RMB126,144,000 as of 30 June 2021.
Note B in the Financial Results: The total receivables of RMB135,626,000 as of 31 March 2021.

The following transactions were accounted for during 1QFY2022:

1. RMB25million from 唐山市胜 润生物科技有限公司 ("**Tangshan**") was received on 31 March 2021 and therefore not included in Note B.

2. RMB40million from 惠州市康维健生物科技有限公司 ("**Kangweijian**") was in December 2020 and March2021 respectively were not included in Note B.

3. RMB35million from 深圳农畉食品开发集团有限公司 ("**Nongfu**") was received on 30 June 2021 and the amount was not included in Note A.

SGX-ST Query 9

9. SGX-ST Query 13 & 15 - Company's response

"The Company is finalising the scope of work for Guangdong Zhuming Law Firm, 广东铸铭律师事务所 to conduct a special investigation and verification of bank balances, and the veracity of HBXR transactions. The proposed scope of works will be sent to SGX RegCo by 6 September 2021 for review and comment before being finalized."

SGX: Instead of Guangdong Zhuming Law Firm, 广东铸铭律师事务所, please appoint a Singapore-based firm that is acceptable to Singapore Exchange Regulation ("RegCo"), to conduct the special audit/special investigation of: a) Veracity of HBXR transactions; and b) Veracity, existence and completeness of bank balances, as highlighted in the Independent Auditor's Report in the Company's Annual Report 2020. The Company must provide the identity of the Singapore-based firm, and the terms of reference of engagement to RegCo for review before appointing said firm.

Company's response:

Having considered the challenges would be encountered by the foreign special auditors due to the tightening data protection regulations in China, the management is of the view that the engagement of local law professionals to comply with the regulations in China would protect the Company's rights and interest. This is also minimise the risk exposure to violate the rules in China by engaging the foreign special auditors and use of the relevant data and information in public outside China. The Company would seek a separate legal opinion on the privacy data law in China and will submit the opinion to RegCo once available.

A copy of the terms of reference of engagement of Guangdong Zhuming Law Firm will be submitted to RegCo tomorrow or early next week.

SGX-ST Query 10

10. SGX-ST Query 16 - Company's response

"The increase in gross profit mainly due to increase in revenue from Additive Related Segment during the quarter. The staff salaries and travel expenses were recorded in the administrative expenses in accordance with the accounting treatment of China. Therefore, higher gross profit was reported for this quarter. Management is not aware of any pure play publicly listed addictive related companies in PRC."

SGX: Name the other publicly-listed additive related companies in the PRC that are the Company's competitors, and disclose what are the gross profit margins for the additive related segment, and how this compares to the gross profit margin of 62.2% reported by the Company.

Company's response:

Management is not aware of any pure play publicly listed additive related companies in PRC.

SGX-ST Query 11

11. SGX-ST Query 18 - Company's response

"Please refer to the link below on circular released on 5 July 2018 for details of the acquisition of new subsidiaries. The cash consideration of RMB10 million was stated in item 2.6.1 on page 21 of the circular. United Food -Circular on Proposed Acquisition of Target Companies.ashx (sgx.com)"

SGX: Has the Proposed Acquisition of Target Companies been completed, and announced as required under Listing Rule 706A? Please explain why hasn't the cash purchase consideration from acquisition of new subsidiaries of RMB10 million been paid as at 30 June 2021?

Company's response:

The Proposed Acquisition of Target Companies had been completed and the completion announcement had announced on 27 November 2018. As the vendors did not meet the profit guarantee terms as set out in the agreement, the Company did not issue any shares including payment of the remaining consideration RMB10 million in order to protect the Company's interest. Subject to meeting the profit guarantee or mutual agreement within the parties, the Company will update the shareholders accordingly. Please refer to acquisition circular dated 5 July 2018 for details.

SGX-ST Query 12

5. SGX-ST Query 19 - Company's response

"The valuation reports are under review by the Company's auditors. We expect the audit reports will be available by early September 2021."

SGX: Disclose the reasons for the delay, and the issues faced by the valuers resulting in the delay. Confirm that these valuation reports will also be reviewed by and accepted by the AC.

Company's response:

The delay in issuing the valuation reports was due to the time required by the valuer in discussing and responding to the queries from the auditor on the valuation methodologies and assumptions. The valuation reports by the Company's valuer, Ascent Partners Valuation Service Limited, have been reviewed by management and the external auditors and accepted by the Audit Committee.

By Order of the Board

Song Yanan
Non-Executive Chairman
9 September 2021