

UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda as an exempted company limited by shares)

(Company Registration No: 28925)

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

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UNITED FOOD HOLDINGS LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

	Group					
	3 months ended			9 months ended		
	31 December 2021	31 December 2020	Change	31 December 2021	31 December 2020	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	3,255	7,344	(55.7)	4,060	8,122	(50.0)
Cost of sales	(3,783)	(6,689)	(43.4)	(3,996)	(7,114)	(43.8)
Gross profit	(528)	655	N/M	64	1,008	(93.7)
Other income, net	105	4	2525.0	119	31	283.9
Selling and distribution costs	404	(210)	N/M	(141)	(658)	(78.6)
Administrative expenses	(635)	(1,632)	(61.1)	(4,380)	(5,338)	(17.9)
Finance expenses	(486)	(285)	70.5	(1,094)	(1,058)	3.4
Other expenses, net	-	7	N/M	(2)	(19)	(89.5)
Profit/(loss) before tax	(1,140)	(1,461)	(22.0)	(5,434)	(6,034)	(9.9)
Income tax expenses	-	-	N/M	-	-	N/M
Profit/(loss) for the period	(1,140)	(1,461)	(22.0)	(5,434)	(6,034)	(9.9)
					-	
Attributable to :						
Owners of the Company	(1,004)	(1,444)	(30.5)	(4,908)	(5,578)	(12.0)
Non-controlling interest	(136)	(17)	700.0	(526)	(456)	15.4

Note: N/A - Not applicable

N/M – Not meaningful

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

	Group					
	3 months ended			9 months ended		
	31 December 2021	31 December 2020	Change	31 December 2021	31 December 2020	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit/(loss) for the period	(1,140)	(1,461)	(22.0)	(5,434)	(6,034)	(9.9)
Other comprehensive income/(loss)						
Exchange differences on translation of financial statements of foreign operation	(443)	(1,767)	(74.9)	(821)	(3,569)	(77.0)
Total comprehensive profit/(loss) for the period	<u>(1,583)</u>	<u>(3,228)</u>	(51.0)	<u>(6,255)</u>	<u>(9,603)</u>	(34.9)
Attributable to :						
Owners of the Company	<u>(1,502)</u>	<u>(3,219)</u>	(53.3)	<u>(5,814)</u>	<u>(9,188)</u>	(36.7)
Non-controlling interest	<u>(81)</u>	<u>(9)</u>	800.0	<u>(441)</u>	<u>(415)</u>	6.3
The Group's profit before tax is arrived at after charging:						
	Group					
	3 months ended			9 months ended		
	31 December 2021	31 December 2020	Change	31 December 2021	31 December 2020	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of plant and equipment	225	472	(52.3)	676	1,584	(57.3)
Depreciation of right of use asset	286	-	N/M	860	-	N/M
Amortisation of intangible assets	-	69	N/M	-	226	N/M
Finance cost	<u>486</u>	<u>285</u>	70.5	<u>1,094</u>	<u>1,058</u>	3.4

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CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION FOR THE NINE MONTHS AS AT 31 DECEMBER 2021

	Group		Company	
	31/12/2021	31/3/2021	31/12/2021	31/3/2021
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment in subsidiary	-	-	9	9
Property, plant and equipment	1,951	2,627	-	-
Right-of-use assets	21,558	22,418	-	-
Intangible asset - patents	-	-	-	-
Goodwill	3,049	3,049	-	-
	<u>26,558</u>	<u>28,094</u>	<u>9</u>	<u>9</u>
Current assets				
Inventories	3,983	2,320	-	-
Trade and other receivables	158,548	136,718	104	107
Amount due from subsidiaries	-	-	110,965	115,015
Cash and cash equivalents	4,533	20,621	110	786
	<u>167,064</u>	<u>159,659</u>	<u>111,179</u>	<u>115,908</u>
Total assets	<u>193,622</u>	<u>187,753</u>	<u>111,188</u>	<u>115,917</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued capital	18,685	18,685	18,685	18,685
Reserves	103,067	108,881	79,799	82,932
Equity attributable to owners of the company	<u>121,752</u>	<u>127,566</u>	<u>98,484</u>	<u>101,617</u>
Non-controlling interest	(3,668)	(3,227)	-	-
	<u>118,084</u>	<u>124,339</u>	<u>98,484</u>	<u>101,617</u>
LIABILITIES				
Current liabilities				
Trade and other payables	65,322	52,982	439	1,621
Amounts due to subsidiaries	-	-	12,265	12,679
Current tax payable	226	442	-	-
Borrowings	9,990	9,990	-	-
Contingent considerations	-	-	-	-
	<u>75,538</u>	<u>63,414</u>	<u>12,704</u>	<u>14,300</u>
Non-current liabilities				
Deferred tax liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity and liabilities	<u>193,622</u>	<u>187,753</u>	<u>111,188</u>	<u>115,917</u>

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

Group									
	Issued capital	Share premium	Contributed surplus	Accumulated losses	Exchange translation reserve	Capital redemption reserve	Non-controlling interest	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2021	18,685	58,276	397,141	(346,262)	(3,256)	2,982	(3,227)	124,339	
Transactions with the owners recognised directly in equity									
Issue of new shares	-	-	-	-	-	-	-	-	
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	
Total transactions with the owners recognised directly in equity	-	-	-	-	-	-	-	-	
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	(4,908)	-	-	(526)	(5,434)	
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	(906)	-	85	(821)	
Total comprehensive profit/(loss) for the period	-	-	-	(4,908)	(906)	-	(441)	(6,255)	
Balance at 31 December 2021	18,685	58,276	397,141	(351,170)	(4,162)	2,982	(3,668)	118,084	
	-								
Group									
	Issued capital	Share premium	Contributed surplus	Accumulated losses	Exchange translation reserve	Capital redemption reserve	Non-controlling interest	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2020	18,685	58,276	397,141	(289,239)	223	2,982	7,460	195,528	
Transactions with the owners recognised directly in equity									
Issue of new shares	-	-	-	-	-	-	-	-	
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	
Total transactions with the owners recognised directly in equity	-	-	-	-	-	-	-	-	
Total comprehensive income for the period									
Profit/(Loss) for the period	-	-	-	(5,578)	-	-	(456)	(6,034)	
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	(3,610)	-	41	(3,569)	
Total comprehensive loss for the period	-	-	-	(5,578)	(3,610)	-	(415)	(9,603)	
Balance at 31 December 2020	18,685	58,276	397,141	(294,817)	(3,387)	2,982	7,045	185,925	

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

Company	Issued capital	Share premium	Contributed surplus	Accumulated losses	Exchange translation reserve	Capital redemption reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2021	18,685	58,276	397,141	(371,415)	(4,052)	2,982	101,617
Transactions with the owners recognised directly in equity							
Issue of new shares	-	-	-	-	-	-	-
Acquisitions of subsidiaries	-	-	-	-	-	-	-
Total transactions with the owners recognised directly in equity	-	-	-	-	-	-	-
Total comprehensive income for the period							
Loss for the period	-	-	-	(2,255)	-	-	(2,255)
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	(878)	-	(878)
Total comprehensive income for the period	-	-	-	(2,255)	(878)	-	(3,133)
Balance at 31 December 2021	18,685	58,276	397,141	(373,670)	(4,930)	2,982	98,484
							-
Company							
	Issued capital	Share premium	Contributed surplus	Accumulated losses	Exchange translation reserve	Capital redemption reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2020	18,685	58,276	397,141	(368,110)	(472)	2,982	108,502
Transactions with the owners recognised directly in equity							
Issue of new shares	-	-	-	-	-	-	-
Acquisitions of subsidiaries	-	-	-	-	-	-	-
Total transactions with the owners recognised directly in equity	-	-	-	-	-	-	-
Total comprehensive income for the period							
Profit for the period	-	-	-	(3,196)	-	-	(3,196)
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	(2,564)	-	(2,564)
Total comprehensive loss for the period	-	-	-	(3,196)	(2,564)	-	(5,760)
Balance at 31 December 2020	18,685	58,276	397,141	(371,306)	(3,036)	2,982	102,742

UNITED FOOD HOLDINGS LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

	Group			
	3 months ended		9 months ended	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	(1,140)	(1,461)	(5,434)	(6,034)
Adjustments for:				
Amortisation of land use rights and intangible assets - patents	-	69	-	226
Depreciation of plant and equipment	225	472	676	1,584
Depreciation of right of use assets	286	-	860	-
Translation difference	(443)	(1,767)	(821)	(3,569)
Finance cost	486	285	1,094	1,058
Bank interest income	(1)	(4)	(9)	(31)
Cash flow used in operating activities before working capital changes	(587)	(2,406)	(3,634)	(6,766)
Change in inventories	(1,836)	(1,308)	(1,663)	(1,322)
Change in trade and other receivables	19,742	(19,977)	(6,830)	(29,329)
Change in trade and other payables	(985)	24,901	10,629	15,016
Cash used in operations	16,334	1,210	(1,498)	(22,401)
Tax paid	(251)	(120)	(216)	(459)
Net cash (used in) / generated from operating activities	16,083	1,090	(1,714)	(22,860)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received for disposal of a subsidiary	-	-	-	3,500
Deposit for potential business acquisitions	(25,100)	-	(50,000)	-
Refund of deposit from potential business acquisitions	-	-	35,000	-
Cash received from or used for short-term investment	-	20,000	-	20,000
Interest received	1	4	9	31
Net cash generated from / (used in) investing activities	(25,099)	20,004	(14,991)	23,531
CASH FLOW FROM FINANCING ACTIVITIES				
Advance from (Repayment to) a shareholder	(167)	847	1,711	(3,347)
Repayment of bank loan - principal	-	-	-	(10)
Repayment of bank loan - interest	(486)	(285)	(1,094)	(1,058)
Net cash (used in) / generated from financing activities	(653)	562	617	(4,415)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,669)	21,656	(16,088)	(3,744)
Exchange differences	-	-	-	-
Cash and cash equivalents at the beginning of period	14,202	1,740	20,621	27,140
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4,533	23,396	4,533	23,396

UNITED FOOD HOLDINGS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Corporate information

United Food Holdings Limited (the “Company”) was incorporated in Bermuda on 14 August 2000 with limited liability under the Companies Act 1981 of Bermuda. The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Group is located at 16F The Hong Kong Club Building, 3A Chater Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are that of investment holding, trading of food products, additive related and animal feed/traditional medicine segment including L-Ascorbyl Palmitate or anti-oxidant manufactory machineries related selling.

These condensed interim financial statements as at and for the nine months ended 31 December 2021 relate to the Company and its subsidiaries (collectively, the “Group”).

2. Summary of significant accounting policies

These condensed interim consolidated financial statements for the nine months ended 31 December 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore.

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 March 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The financial statements are presented in RMB and all values are rounded to the nearest thousand (\$’000), except when otherwise indicated.

2.1 New and amended standards adopted by the Group

There are no new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2021, which will result in significant impact on the condensed interim financial statements of the Group.

2.2 Use of estimates and judgments

In preparing the condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as described in the last annual financial statements as at and for the year ended 31 March 2021.

2.3 Auditor’s review

The condensed financial statements presented have not been audited or reviewed by the Company’s auditor.

UNITED FOOD HOLDINGS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CON'T)

3. Seasonality of operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from a business segment perspective. Management manages and monitors the business in the three primary business segments: trading, additive related, animal feed/traditional medicine business.

	Trading	Additive related	Animal feed/ traditional medicine	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
For the nine months ended 31 December 2021				
Revenue				
Segment revenue to external parties	-	3,994	66	4,060
Segment gross profit/(loss)	-	77	-13	64
For the nine months ended 31 December 2020				
Revenue				
Segment revenue to external parties	-	8,114	8	8,122
Segment gross profit/(loss)	-	1,088	-80	1,008

(a) Reconciliation

A reconciliation of segment gross profit/(loss) to net profit/(loss) is as follows,	For the nine months ended 31 December 2021	For the nine months ended 31 December 2020
	RMB'000	RMB'000
Segment gross profit/(loss) for reportable segments	64	1,008
Other income, net	119	31
Selling and distribution costs	(141)	(658)
Administrative expenses	(4,380)	(5,338)
Finance expenses	(1,094)	(1,058)
Other expenses, net	(2)	(19)
Profit/(loss) before tax	(5,434)	(6,034)
Income tax expenses	-	-
Net profit/(loss) for the period	(5,434)	(6,034)

UNITED FOOD HOLDINGS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CON'T)

4. Segment and revenue information (con't)

(b) Geographical information

	Trading	Additive related	Animal feed/ traditional medicine	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
For the nine months ended 31 December 2021				
Geographical information:				
Mainland China	-	3,994	66	4,060
Hong Kong	-	-	-	-
	-	3,994	66	4,060
For the nine months ended 31 December 2020				
Geographical information:				
Mainland China	-	8,114	8	8,122
Hong Kong	-	-	-	-
	-	8,114	8	8,122

The Group's property, plant and equipment are located mainly in China as at 31 December 2021.

UNITED FOOD HOLDINGS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CON'T)

5. Profit/(loss) before tax

	Group					
	3 months ended			9 months ended		
	31 December 2021	31 December 2020	Change	31 December 2021	31 December 2020	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit/(loss) for the period	(1,140)	(1,461)	(22.0)	(5,434)	(6,034)	(9.9)
Other comprehensive income/(loss)						
Exchange differences on translation of financial statements of foreign operation	(443)	(1,767)	(74.9)	(821)	(3,569)	(77.0)
Total comprehensive profit/(loss) for the period	<u>(1,583)</u>	<u>(3,228)</u>	<u>(51.0)</u>	<u>(6,255)</u>	<u>(9,603)</u>	<u>(34.9)</u>
Attributable to :						
Owners of the Company	<u>(1,502)</u>	<u>(3,219)</u>	<u>(53.3)</u>	<u>(5,814)</u>	<u>(9,188)</u>	<u>(36.7)</u>
Non-controlling interest	<u>(81)</u>	<u>(9)</u>	<u>800.0</u>	<u>(441)</u>	<u>(415)</u>	<u>6.3</u>
The Group's profit before tax is arrived at after charging:						
	Group					
	3 months ended			9 months ended		
	31 December 2021	31 December 2020	Change	31 December 2021	31 December 2020	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of plant and equipment	225	472	(52.3)	676	1,584	(57.3)
Depreciation of right of use asset	286	-	N/M	860	-	N/M
Amortisation of intangible assets	-	69	N/M	-	226	N/M
Finance cost	<u>486</u>	<u>285</u>	<u>70.5</u>	<u>1,094</u>	<u>1,058</u>	<u>3.4</u>

6. Taxation

The Group's calculation on the period income tax expense using tax rate that would be applicable to the expected total annual earnings, the major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group			
	3 months ended		9 months ended	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RMB	RMB	RMB	RMB
Current income tax expenses	-	-	-	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CON'T)

7. Earnings per share

	Group			
	3 months ended		9 months ended	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RMB	RMB	RMB	RMB
PROFIT/(LOSS) PER ORDINARY SHARE				
(i) Based on weighted average number of ordinary shares in issue				
- For profit (loss) for the period	(0.01)	(0.01)	(0.03)	(0.03)
- For profit (loss) from continuing operations for the period	(0.01)	(0.01)	(0.03)	(0.03)
(ii) On a fully diluted basis				
- For profit (loss) for the period	(0.004)	(0.01)	(0.02)	(0.02)
- For profit (loss) from continuing operations for the period	(0.004)	(0.01)	(0.02)	(0.02)

8. Property, Plant and Equipment (“PPE”)

As at 31 December 2021, the Group’s PPE amounts to RMB1.95 million.

9. Borrowings

Amount repayable in one year or less

Group			
As at 31/12/2021		As at 31/3/2021	
Secured	Unsecured	Secured	Unsecured
RMB’000	RMB’000	RMB’000	RMB’000
9,990	4,802	9,990	3,090

The bank loan of RMB 9.99 million is secured by a charge on certain land use right and building.

The unsecured balance of RMB4.8 million is the balance in other payables to shareholder.

10. Share Capital

	Number of ordinary shares '000	Amount HK\$000
Group and Company		
Beginning and end of financial period 2021	187,902	18,790
Beginning and end of financial period 2020	187,902	18,790

There is no change in the Company’s share capital during the period ended 31 December 2021. The Company does not hold any treasury shares as at 31 December 2021 and 31 December 2020. The Company does not have any shares that issued on conversion of any outstanding convertibles as at 31 December 2021 and 31 December 2020.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CON'T)

11. Net Asset Value

	Group		Company	
	31/12/2021	31/3/2021	31/12/2021	31/3/2021
	RMB	RMB	RMB	RMB
NET ASSETS VALUE PER ORDINARY SHARE				
Net asset backing per ordinary share based on existing issued share capital as at the end of the period report on	0.65	0.68	0.52	0.54

12. Financial assets and financial liabilities

	Group		Company	
	3 months ended		9 months ended	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RMB	RMB	RMB	RMB
Financial assets				
Trade and other receivables	158,548	147,963	104	15,730
Amount due from subsidiaries	-	-	110,965	100,778
Cash and cash equivalents	4,533	23,396	110	225
Total undiscounted financial assets	163,081	171,359	111,179	116,733
Financial liabilities				
Trade and other payables	65,322	61,816	439	1,375
Amounts due to subsidiaries	-	-	12,265	12,625
Current tax payable	226	320	-	-
Borrowings	9,990	9,990	-	-
Total undiscounted financial liabilities	75,538	72,126	12,704	14,000

13. Related party transactions

The Group does not have any related party transaction during this period.

14. Subsequent events

There are no known subsequent events which led to adjustments to this set of interim financial statements.

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OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2 (Con't)

1. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed.

2. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

- a) Updates on the efforts taken to resolve each outstanding audit issue.

The auditors had issued a Disclaimer of Opinion due to its inability to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements for FY2021. Full details of the Disclaimer of Opinion were released on 6 September 2021 to SGX-ST via SGXNet.

1. Impairment assessment of non-financial assets
i. Reliability of the key assumption to the Forecast

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; and
- vi. 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

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premium to the discount rates in the Value in Use (“VIU”) valuation of both CDPR and HBXR to account for such uncertainties.

The Company will engage another qualified valuer for the FY2022 audit.

ii. Veracity of HBXR transactions

The Company has appointed KPMG Services Pte. Ltd. (“KPMG”) as special auditor following the approval obtained from SGX-ST for the aforesaid appointment on 14 December 2021. The special audit is currently in progress.

2. Deferred tax liabilities

Management will be evaluating the carrying amounts of the deferred tax liabilities during the audit process for the year ending 31 March 2022.

3. Valuation of contingent consideration for acquisition of subsidiaries

Management has communicated with the valuer and confirmed that the valuer has taken a conservative approach in valuation. Although the valuer had taken a conservative approach, the uncertainty relates to the resumption of the supply of natural gas, which may or may not affect the audit disclaimer.

4. Recoverability of financial assets

i. Recoverability of deposit paid of RMB35.0 million to Shenzhen Sharehome Technology Co., Ltd. (“SST”)

The deposit of RMB35 million would be refunded per the terms and conditions of an agreement entered between SST and the Company, if the Company does not proceed with the investment.

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.

ii. Recoverability of advances paid

The delivery of L-Ascorbyl Palmitate equipment to 惠州市康维健生物科技有限公司 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 L-Ascorbyl Palmitate equipment is delivered.

As of 31 December 2021, the Company has received a payment of RMB 11.3 million.

5. Veracity, existence and completeness of bank balances

Management has provided to the Board and the Audit Committee a notarized 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 Board and the Audit Committee 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 RMB 24.0million based on the bank statement with that bank as at 27 July 2020.

The Company has appointed KPMG Services Pte. Ltd. (“KPMG”) as special auditor following the approval obtained from SGX-ST for the aforesaid appointment on 14 December 2021. The special audit is currently in progress.

6. Impairment of goodwill

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Management is in the process of appointing a new professional valuer to assess the recoverable amount of goodwill together with the expected resumption of Really Time Trading Limited (“RTTL”)’s trading operations in due course.

7. Impairment of trade receivables

RTTL is actively making efforts to collect the outstanding receivables and has recovered more than HKD7.7 million as of 31 December 2021. RTTL has started to seek legal recourse against RTTL customers for payment based on the purchase contracts.

The Company expects to recover the remaining outstanding receivables of approximately HKD7.5 million in 1st quarter of 2022.

8. Impairment of amounts due from subsidiaries

Management is working closely on the Group’s business activities and will reassess the impairment assessment on the amount due by subsidiaries closer at year end.

9. Going concern

As stated in Note 2(a) to the financial statements 31 March 2021, the Group reported a net loss of RMB 67.9 million (2020: RMB 96.2 million) for the financial year ended 31 March 2021 and recorded a cash outflow from operating activities of RMB 58.3 million (2020: RMB 18.9 million). This indicates the existence of a material uncertainty which may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern.

Notwithstanding the above, the management believes that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 March 2021 is appropriate after taking into consideration the following factors:

- As at 31 March 2021, the Group has net current assets of RMB 96.2 million (2020: RMB119.2 million) and net assets of RMB 124.3 million (2020: RMB 195.5 million), including cash and cash equivalents of RMB 20.6 million (2020: RMB 27.1 million);
- Cash flow forecast was prepared for the next 12 months after year end which showed that sufficient cash flows will be generated from operations to pay liabilities when they are due based on the assumptions made by management;
- Management expects the monies to be collected from the trade receivables and the return of the deposits paid for potential business acquisitions in the event there is no acquisition of the potential investee as well as the timely supply and installation of goods and services by the new supplier, Zhongfan, as disclosed in Note 16 to the financial statements; and
- 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.

The Company would endeavor to continue addressing the outstanding audit matters.

- b) Confirmation from the Board that the impact of all outstanding audit issues in the financial statements have been adequately disclosed.

The Board confirmed that the impact of all outstanding audit issues in the financial statements have been adequately disclosed.

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3. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Condensed Interim Consolidated Statement of Comprehensive Income

Revenue

The Group recorded revenue of RMB3.3 million in the Third quarter ended 31 December 2021 ("3Q2022") compared to RMB7.3 million in 3Q2021, representing a decrease of 55.7%. The revenue of RMB3.3 million was mainly from the Group's Additives Related Segment in relation to the technical consultancy services and the supply of L-Ascorbyl Palmitate equipment.

Gross profit

The Group recorded a gross loss margin of 16.2% for the operations in 3Q2022 which was mainly attributed to the Additive Related Segment and re-classification of selling and distribution expenses to cost of sales.

Other income

Other income of RMB105,000 was recorded in 3Q2022 comprised mainly tax refund from Really Time Trading Limited, as compared to RMB4,000 in 3Q2021.

Administrative expenses

Administrative expenses of RMB0.6 million was recorded in 3Q2022 compared to RMB1.6 million in 3Q2021, representing a decrease of 61.1% as certain expenses were re-classified to cost of sales.

Condensed Interim Statements of Financial Position

PPE, land use rights, intangible assets-patents

The decrease in PPE, land use rights and intangible assets was mainly attributable to depreciation and amortization charges, were derived based on the closing balance of the audited financial statements as of 31 March 2021.

Goodwill

Goodwill is from the acquisition of Really Time Trading Limited, which was completed in August 2017.

Goodwill of RMB3.0 million was derived based on the closing balance of the audited financial statements as of 31 March 2021.

Trade and other receivables.

Trade receivables were mainly the receivables of Really Time Trading Limited and deposit paid for Additives Related Segment.

Other receivables include deposits paid to the vendors of potential acquisition projects amounting to RMB85.0 million, which will become part of the consideration after the completion of the acquisitions and/or refundable after the cancellation of the acquisitions.

The details of trade and other receivables as at 31 December 2021 were as follows:

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Trade and other receivables	Amount (RMB)
Really time's trade receivables	6,248,000
Sundry trade receivables	287,000
SST	85,000,000
惠州中凡	57,333,000
SZ Really time's other receivables	4,802,000
PR's other receivables	2,241,000
XR's other receivables	1,092,000
Sundry other receivables	9,680,000
Total	160,435,000

Non-controlling interest.

Non-controlling interest comprises minority shareholder interests from Really Time Trading Limited, HBXR, CDPR and Benchmark.

Trade and other payables

The trade payables were mainly from trading segment and other payables were mainly the other payables from subsidiaries of the acquisition of HBXR, CDPR. Also included in other payable was a cash purchase consideration from acquisition of new subsidiaries of RMB10 million which have not been paid as at 31 December 2021.

The details of trade and other payables as at 31 December 2021 were as follows:

Trade and other payables	Amount (RMB)	Nature of underlying transactions
Really time's trade payables	6,323,000	Operation
Hebei project's trade payables	9,383,000	Operation
Sundry trade payables	30,000	Operation
Shareholder's loan	4,802,000	Operation
Hebei Acquisition payable	10,000,000	Operation
PR payable	9,353,000	Operation
XR payable	20,912,000	Operation
YR payable	1,263,000	Operation
Sundry payable	3,256,000	Operation
Total	65,322,000	

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.

No Bonds have been issued as of to date as the amount of Bonds to be issued varies or depends on the amount of profits that are generated by CDPR, HBXR and Benchmark under the profits warranty given by the vendors in the Sales and Purchase Agreement.

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Cash flow statement

Net cash flow of RMB9.7 million was used in 3Q2022, in which net cash of RMB16.1 million was generated from operating activities, net cash of RMB25.1 million was used in investing activities, and net cash of RMB0.7 million was used in financing activities.

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to the shareholders.

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The prolonged COVID-19 outbreak has significant adverse impact on the Group's Trading Segment businesses and the Company has suspended this business segment since end of 2019.

The natural gas supply is required for the production of L-Ascorbyl Palmitate products. The Company did not expect the prolonged delay in the natural gas supply from the local government. 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. The Company has yet to receive any formal notification of the resumption in natural gas supply as of December 2021. The Company will continue to monitor and update shareholders when appropriate. In the meantime, the Company is also evaluating business options on HBXR, CDPR and Really Time Trading Limited.

The due diligence exercise on the proposed acquisition of SST is in progress and the company will update shareholders in due course.

6. Dividends

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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7. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared (recommended) for the period ended 31 December 2021 as the Company is in an accumulated loss position and the available cash is required for working capital.

8. Interested person transaction disclosure

The Company does not have any Interested Person Transaction.

9. Confirmation pursuant to Rule 720(1) of the listing manual

The Board of Directors of United Food Holdings Limited hereby confirms that the undertakings from all its Directors and Executive Officers as required in the format as set out under Rule 720(1) of the Listing Manual were procured.

10. Confirmation pursuant to Rule 705(5) of the listing manual

On behalf of the Board of Directors of the Company, we, Wu Xiaoran and Song Yanan, being Directors of the Company, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of United Food Holdings Limited which may render the unaudited financial statements for the nine months ended 31 December 2021 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
UNITED FOOD HOLDINGS LIMITED

Wu Xiaoran

Executive Director

14 February 2022