

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 DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

- **Responses to questions raised pursuant to the Company's announcements dated 13 September 2021 and 14 September 2021**
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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 6 September 2021, 13 September 2021 and 14 September 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 announcements dated 13 September 2021 (the "**Announcement dated 13 September 2021**") and 14 September 2021 (the "**Announcement dated 14 September 2021**") in relation to the disclaimer of opinion by Independent Auditor on Financial Statements for the financial year ended 31 March 2021.

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

SGX-ST Query 3 of the Announcement dated 13 September 2021 – Company's response:

"There was an error in the recording as management was performing additional testing on the production during this period for which the records were not properly kept."

SGX: Please elaborate and provide details on what the Company and Board have done to address these internal control issues, and whether the internal auditor had made any observations in this area.

Company's response:

The management and internal audit ("**IA**") team have recognised the risks in relation to the deficiencies or omissions identified in the financial reports and information. These deficiencies and omissions are a result of the HBXR and CDPR not having a comprehensive financial management system at the time which they were acquired in 2018. Following the acquisition of HBXR and CDPR, the Company has been making the rectifications and improvements to the financial management of both companies. Notwithstanding that there are no material internal control concerns raised by the internal auditors in FY2021, the Company recognises the need to continually strive for process improvements and is in the midst of sourcing for an external internal auditor to propose measures to strengthen and enhance the internal control systems. It is envisaged that the external internal auditor will actively collaborate with the Independent Auditor to make the necessary accounting adjustments in fiscal year 2022.

The Company undertakes to engage the external internal auditor by the end of FY2022.

SGX-ST Query 2

SGX-ST Query 6 of the Announcement dated 13 September 2021 – Company's response:

"The AC had also instructed the Company to engage an external audit firm for a review of the Company's internal control processes in FY2022."

SGX: Please explain and provide details of whether the internal auditors of the Company had reviewed this area of control over the opening and closing of bank accounts and the inability to

audit these accounts, resulting in the audit disclaimer and the findings made in this area. Also, it was disclosed in the Company's annual report that *"The AC had reviewed the internal audit findings prepared by the Group's in-house internal audit department. During the year, the Group's in-house internal audit department adopted a risk-based auditing approach that focused on material internal controls, including financial, operational, information technology and compliance controls as well as risk management procedures. Any material non-compliance and weakness in internal controls and recommendation for improvements are reported to the AC. The FY2021 Internal Audit Report was submitted to the AC with relevant audit findings and recommendations. The AC also had reviewed the effectiveness of actions taken by management on the recommendations made by the internal audit team."* Please disclose the internal weaknesses raised by the internal auditors to the AC and disclose how these internal control weaknesses were resolved and whether the AC is satisfied with the actions taken and the basis for their views that there are sufficient controls in place.

Company's response:

The Group has an in-house IA function team based at the Group's headquarters in Luanping county, China. The head of the internal audit function team is Mr Liu Yang. Mr Liu Yang holds an Executive Master Degree from the Chinese University of Hong Kong and a Diploma from the Chartered Institute of Purchasing and Supply in United Kingdom. He was also awarded Certified Professional in Supply Management by the Institute for Supply Management in United States.

Mr Ni ShaoJun, a qualified Chinese Accountant is a member of the IA team and a Finance Manager of the Group since 2018. He has more than 20 years' experience in auditing fields and has great exposure in manufacturing, trading and food industries. The IA function team adopted the Enterprise Risk Management (ERM) Framework with reference to the principles of the International Professional Practice Framework of the Institute of Internal Auditors in performing the Company's internal audit.

The IA team prepared and presented the internal audit plan which, inter alia, categorized inputs gathered from the audits, reviewed risk map, reviewed core programs of the Group and critical internal control areas. Furthermore, there is a training programme to ensure that the team is kept updated and current on relevant matters of audit, risks and internal controls. There is no material internal control concern raised by the internal auditors for FY 2021.

The Audit Committee ("AC") had reviewed the report prepared by the internal auditors. The AC noted the below during the review of the internal audit report ending 31 March 2021:

1. The Company had processes in place for collecting the refundable deposits as of 31 March 2021. The AC noted that the refundable deposits for Tangshan and Kangweijian were fully received as of 31 March 2021, and the refundable deposits for Nongfu was subsequently fully repaid as of 30 June 2021.
2. The Company had processes in place to recover proceeds from disposal of Post Ante Group as of 31 March 2021. The AC noted that the full payment was collected as of 31 March 2021.
3. The valuation of contingent consideration was performed by a licensed valuer. Furthermore, 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 C DPR, HBXR and Benchmark under the profits warranty given by the vendors in the Sales and Purchase Agreement.
4. Management has provided to the Board and the AC a notarized declaration in China dated 14 October 2020 by its employees that they had obtained directly from the bank for the stated bank statements. In addition, the Board and the AC have noted that these local or rural bank accounts had been closed and are now opened with a state-owned bank, China Construction Bank, which showed an account balance of RMB 24.0 million based on the bank statement with that bank as at 27 July 2020. Furthermore, the AC had recommended a special investigation into the inconsistencies, and the scope of the investigation to be reviewed by SGX Regco before appointment of the special auditor. The Board had also received a legal opinion from the legal counsel on this matter.
5. The Company will also be undertaking a special investigation to verify the veracity of the HBXR and C DPR transactions, and the scope of the investigation to be reviewed by SGX Regco before appointment of the special auditor.

6. The Company had received a notice from the local authorities on 19 December 2019 and had been contacting the local PRC government for an update on the lack of natural gas supply.
7. In FY2021, the AC met no less than 10 times. The topics discussed amongst other including (i) the AC has made demands on management to collect the outstanding of RTTL and has suggested legal action be taken if this matter is not resolved by 31 December 2021 (ii) the AC has all along expressed displeasure on the lack of natural gas supply (iii) the AC has also suggested to management to study business options on HBXR and RTTL.

SGX-ST Query 3

SGX-ST Query 11 of the Announcement dated 13 September 2021 – Company’s response

“For the acquisition of HBXR and CDPR, the Company had engaged professionals for relevant due diligence and to prepare the SGX circular.”

SGX: Provide details of these professionals engaged for relevant due diligence and the extent and scope of work carried out by these professionals.

Company’s response:

The Company had appointed the following professionals to handle the acquisition of HBXR and CDPR:

- (1) Ascent Partners as the independent valuer;
- (2) Teamway & Partners Certified Public Accountants as the financial audit consultant;
- (3) JurisAsia LLC as the legal advisor; and
- (4) Crowe Horwarth Capital Pte. Ltd. as the financial adviser.

SGX-ST Query 4

SGX-ST Query 14 of the Announcement dated 13 September 2021 – Company’s response:

“The total amount of the contract is RMB49 million. As the corresponding equipment is customized equipment, Zhongfan has requested for advance payment for ordering of equipment parts.”

SGX: Has ZhongFan similarly supplied such significant equipment to other customers? What is its track record of being able to fulfil its obligations of such significant contracts?

Company’s response:

ZhongFan is in the business of manufacturing, amongst others, stainless steel tank, vacuum dryer, automatic centrifuge, mixing tank, storage tank and evaporator. ZhongFan was selected by the Company after taking into consideration ZhongFan’s manufacturing ability and location of its manufacturing plant. The LAP equipment produced for us by Zhongfan is customised to our needs, and used for the production of our patented products). As such, the equipment is unique and similar equipment is not supplied to other customers. Please refer to the announcements dated 15 June 2021, 28 June 2021 and 5 July 2021 for more detailed information.

SGX-ST Query 5

SGX-ST Query 15 of the Announcement dated 13 September 2021 – Company’s response:

“The principle business activities of RTTL are import-export 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.”

SGX: In the audit disclaimer, it was stated that “Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of management’s ECL assessment on these trade receivables amounting to RMB 13.1 million as at 31 March 2021. Based on information available to us, a majority of these trade receivables were

either loss-making or have insufficient assets to repay the Group. In addition, there were no collections from these debtors during the financial year ended 31 March 2021 nor as of the date of this report. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.” Please disclose the members of the board of directors of RTTL, the legal representative/s and the key management personnel of RTTL at the point when such sales were made. Disclose if any of these debtors of RTTL were/are interested persons of RTTL, or of the Company.

Company’s response:

The Company holds 80% equity interest in the capital of RTTL. Ms. Zeng Miaoyun (“**Ms. Zeng**”), the sole Director, General Manager and legal representative who has been in -charge of RTTL's operations. Ms Zeng is not interested in or has any relationship with the debtors of RTTL.

Most of the receivables were incurred and recorded in November 2019. Please refer to our response in Query 8 below for more detailed information. Please refer to our announcement dated 14 September 2021 for the list of debtors of RTTL. None of the debtors were/are interested persons of RTTL or of the Company.

SGX-ST Query 6

SGX-ST Query 4 of the Announcement dated 14 September 2021 – Company’s response:

“There was a booking error in the recording during the period from April 2019 to December 2019. The production output of 939 kg worth approximately RMB180,000.”

SGX: Elaborate on what the Company and Board have done to address these issues.

Company’s response:

The Company has arranged its finance personnel to verify the financial information and made the necessary accounting adjustments for the financial year ending 31 March 2022. There was minimal or no impact to the Group's accounts as the adjustments are not significant.

SGX-ST Query 7

SGX-ST Query 4 of the Announcement dated 14 September 2021 – Company’s response:

“Ascent Partners confirmed that its valuation can be relied upon, and the value contained in its valuation report is reliable and accurately reflects the market value of the assets in HBXR being valued.”

SGX: In the audit disclaimer, it was stated that “in the months of September 2019 to December 2019, while the records showed a production output of the Antioxidant Product of approximately 939 kilograms (“kg”) during this period, there was little production activity to support such output.” Please provide the Independent Valuer’s explanation how it satisfied itself of its assumptions on such production activity when it provided the market valuation of HBXR set out in its valuation report.

Company’s response:

The Independent Valuer understands that the disclaimer by the Independent Auditor is a result of documentation errors and internal control issues, which the Company has undertaken to improve. Considering that these are historical incidents, with very minimal effect on the valuation, given that that the critical assumption of the valuation relates to the availability of gas supply, pursuant to which a copy of the official estimation from the government was provided, the Independent Valuer believes that the estimates put forth by them are reasonable estimations given the information available as of the valuation date. A high company specific risk premium has been added to the discount rate to reflect the uncertainty of the future outcomes which have been stated in the valuation report.

The Company will engage another qualified valuer for the FY2022 audit to further substantiate and update the valuation of the HBXR.

SGX-ST Query 8

SGX-ST Query 15 of the Announcement dated 14 September 2021 – Company’s response:

The list of customers of RTTL is as follows:

No.	Name of Customers	Date of Incorporation	Paid-up Capital	Principal Business	Address
1.	Global Diamec Limited	6 May 2015	HKD10 million	International trading	Flat/RM D, 8/F, Pylon Tower No. 12-16 Fui Yiu Kok Street, Tsuen Wan, N.T., Hong Kong
2.	Huidong XianFu Wanmao Yiyou Xian Company	6 April 2012	RMB 5 million	International and domestic trading	1 st Floor, No. 91 Xiping Road, Pingshan, Huidong County, People’s Republic of China
3.	Huizhou Shi Zhong Fanshi Ye You Xian Company	3 August 2017	RMB 1 million	International and domestic trading	1 st Floor, No. 14, Danshui Golf Road, Huiyang District, Huizhou City, People’s Republic of China
4.	Shengzhen HuiPu Sengwu Liugong Yinli Anyou Xian Company	9 October 2014	RMB 30 million	Supply chain management, technical development of e-commerce platform, Research & Development and sales of computer software and hardware, and International and domestic trading	Room 201, Building A, No.1, Qianwan 1 st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, People’s Republic of China

SGX: When were these sales were made, and why they were unable to pay for their purchases during the period when the sales were made?

Company’s response:

The receivables were incurred in November 2019. The receivables that remain outstanding to date are mainly due to the Group’s trading business segment, which had stalled due to the trade war between the US and China and the COVID-19 pandemic. The Company is actively making efforts to collect the outstanding receivables and the largest customer in arrears has provided an undertaking payment to RTTL by end of 2021.

Please refer to the announcements dated 15 June 2021 (Query 2), 28 June 2021 (Query 3), 5 July 2021 (Query 3), 12 July 2021 (Query 1) and 27 August 2021 (Query 10) for further details.

By Order of the Board

Song Yanan
Non-Executive Chairman
3 October 2021