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 YEAR ENDED 31 MARCH 2021

- **Response to question raised pursuant to the Company's announcement dated 15 June 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 28 May 2021, 7 June 2021 and 15 June 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 released on 15 June 2021 (the "**Announcement**") in relation to the Unaudited Financial Statements for the financial year ended 31 March 2021 ("**FY2021**").

The Board wishes to provide its response to the following questions raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"):-

SGX-ST Query 1

With reference to the Company's response on Query 1(b) in the Announcement:

We note from the Company's 15 June 2021 announcement, "The valuation on the patents and buildings are still in the progress. The finalisation of valuation report has been delayed due to additional procedures required by the valuer. The Company has engaged Ascent Partners, a licensed valuer (the "Valuer"), to perform the valuation."

SGX: When will the valuation report be finalised? The company is required to provide the information as soon as the valuation report is available. Paragraph 8(q) of Appendix 7.1 of the Listing Manual states: "Under Rule 703, the following events, while not comprising a complete list of all the situations which may require disclosure, are likely to require immediate disclosure:- A valuation of the real assets of the group that has a significant impact on the group's financial position and/or performance. The valuation of real property must be carried out by a property valuer in accordance with the property valuation standards. A copy of the valuation report, or for real property, a copy of the property valuation report, must be made available for inspection at the issuer's registered office during normal business hours for 3 months from the date of the announcement". Please confirm that the Company undertakes to provide the information as required.

Company's response:

The valuation reports will only be finalised after the review by our external auditors which is currently ongoing. The Company expects to finalise the valuation reports within 1 month from 30 June 2021. The Company will make available the valuation reports for inspection in accordance with Rule 703 of the Listing Manual of SGX-ST.

SGX-ST Query 2

With reference to the Company's response on Query 1(b) in the Announcement:

We note from the Company's 7 June 2021 announcement, "Ascent Partners (the "Valuer") has been in the valuation business for over 13 years, serving over hundreds of clients globally and producing thousands of valuation reports for various purposes including but not limited to exchange listing, regulatory compliance, litigation, acquisition, financial reporting, etc. In particular, the Valuer has

performed more than 60 business and/or property valuations for listed companies in Hong Kong or Singapore for public disclosure / circular purpose. The director and principal of the Valuer have extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Mr. Paul Wu, the signer of the valuation report, is a Certified Management Accountant (CMA) and Chartered Valuer and Appraiser (CVA). He also holds a Master degree of Science. Prior to working in the financial service industry, Mr. Wu had worked as a senior management in world class technology companies. The Valuer has adopted the International Valuation Standard for the valuation."

SGX: Where and by whom is Ascent Partners licensed? Is it accredited by any professional body for performing valuations? What is the size of the firm? Has it undertaken a valuation for similar industry and jurisdiction for animal feeds and additives, and for companies listed on SGX? Disclose how long it has possessed such experience, and disclose the relevant experience.

Company's response:

Whilst there are no licensing requirements in Singapore and Hong Kong for companies providing business valuation services, there are professional qualifications requirements pertaining to individuals performing property and business valuations. The Royal Institution of Chartered Surveyors ("RICS") Chartered Surveyor is the recognised qualification for valuation of properties in China. Chartered Valuer & Appraiser ("CVA") and Chartered Financial Analysts ("**CFA**") are recognised qualifications for valuations of businesses in China and Singapore. CVA is the official certification by Singapore Accountancy Commission for individuals practicing business valuations in Singapore. CFA is an accreditation issued by CFA Institute and is widely accepted as a benchmark of competency in financial analysis and valuation. Ascent Partners has in-house professionals, including two RICS Chartered Surveyors, two CVAs, five CFA and two Chartered Management Accountants (CMA), who are responsible for the respective valuation tasks.

Established in 2008, Ascent Partners has been since providing full range of valuation services covering real estate properties, plant & equipment, business entities, financial instruments, intangible assets and goodwill, and etc. for financial reporting, mergers & acquisitions, pre-IPO investments and management decision-making purposes. Its clients are mostly companies listed on Hong Kong, Singapore, Australia and United Kingdom stock exchanges. Besides, it also serves some sizeable accounting firms as their valuation experts to review their clients' valuations and attend the Court as valuation expert. With headquarters located in Hong Kong, it has now subsidiaries in Shenzhen and Singapore, employing about 15 people.

For the previous experience in the valuation of similar industry and jurisdiction, Ascent Partners has been engaged by the following companies in the industry of Biotech & Pharma, the industry classification of the valuation targets manufacturing animal feeds and additives using biotechnology, and with operations in China.

- Shenzhen Neptunus Interlong Bio-Technique Co., Limited, 8329.HK;
- Lansen Pharmaceutical Holdings Limited, 503.HK;
- Cathay International Holdings Limited, CTI.UK;

In this year' valuation, there are properties of HBXR and CDPR located in China (outside of Singapore) to be valued by our RICS certified valuer, who is accredited by the RICS organization and qualified to perform such valuation.

SGX-ST Query 3

With reference to the Company's response on Query 2 in the Announcement:

(a) SGX: How did Really Time's trade receivables arise? What is the basis for expecting payment in 4Q2021 when the amount has been outstanding for more than 12 months? What is the Chinese name of Really Time's? What is the operating status of Really Time's and are they under financial difficulties? Really Time's represented: "With the easing and recovery economic situation, the management expects to recover the outstanding debts in 4Q2021."

Substantiate and quantify the "easing and recovery economic situation" with data of Really Time, and how this had affected its ability to repay the debts owing to the Company by 4Q2021.

Company's response:

The Chinese name of Really Time Trading Limited ("**Really Time**") is 华利泰贸易有限公司. Due to the China and US trade war and the COVID-19 pandemic as well as the current volatility of currency exchange, Really Time business has been stalled to avoid further incurrence of loss.

The outstanding receivables from Really Time were carried forward since 2018 due to the upstream and downstream businesses have not been fully recovered leading to the slow recovery of cash chains. The Management expects repayment from Really Time after the recovery of the business chains corresponding to the ease of the economic situation.

The Company had received a letter of undertaking from Really Time confirming the repayment of outstanding debts by 4Q2021. The Company will seek legal recourse if the deadline of the recovery is not met.

(b) "In respect of the RMB35 million refundable deposit paid to Nongfu, the Group entered into an agreement with Nongfu on 28 November 2016 to explore a potential business acquisition. The agreement for potential business acquisition had expired in November 2019."
SGX: Provide details on this potential business acquisition. Also explain why the deposit of RMB35 million was paid on 28 November 2016 but the due date for the repayment is only in November 2019, 3 years later?

"The Company expects to recover the refundable deposit from Nongfu by 30 June 2021."
SGX: Substantiate with data the basis for the Board's view that the deposit will be recovered from Nongfu by 30 June 2021. How significant is the amount being repaid on 30 June 2021, and what is the source of funds? Have Nongfu's operations picked up strongly, to enable them to make this repayment which they had been unable to repay in the last 5 years, since November 2016?

Company's response:

The acquisition of Nongfu has been identified as one of the potential long-term investment activities of the Group which business operations are similar in scope to the Group. Nongfu (http://www.lonfood.cn/store.ht) is a relatively sizable corporation as a pork manufacturer, producer and suppliers. Since pork production involves breeding, feeding and related processes, the risks exposed by each process would be different. Given such risks would impact the valuation and in order to mitigate the risks and protect the Company's interests, the Company had taken an approach to pro-long the investment decision.

The Group entered into an agreement with Nongfu on 28 November 2016 and since then, there was a series of events occurred:

Year	Event
2017 - 2018	African Swine Flu outbreak
2018 -2019	China and US trade war
2019 till present	Chine and US trade war and Covid-19 pandemic

Upon evaluating the Group's potential investment portfolios and subsequent to the financial year ended 31 March 2020, the Company has decided to accelerate the recovery of the deposit.

As of the date of this announcement, the Company had received RMB20million from Nongfu and expects to receive the balance by 30 June 2021. The Company will provide updates on the progress of the repayment.

(c) "The Board had entered into a Cooperation Framework Agreement (the "Agreement") with SST, except for two directors who abstained from the voting due to the concern on recoverability of the refundable deposit."
SGX: Provide details of who these 2 directors were and why did they abstain instead of voting against the transaction, when they had concerns about the recoverability of the significant deposit that was paid to SST. What independent due diligence had the remaining Board members undertaken to satisfy themselves of the recoverability of the refundable deposit from SST before the Board agreed to the payment? Provide details of the steps taken and the professional appointed to perform the review for the Board before the Company proceeded to pay the deposit. Is shareholders' approval required for the placing of the RMB35 million deposit with SST?

"If the transaction was not approved by the shareholders or the salient terms and conditions of the Agreement were not satisfied, the refundable deposit will be refunded to the Company within 5 months."
SGX: Is shareholders' approval required for the transaction? What is the status of the transaction? Have the salient terms and conditions of the Agreement been satisfied? Will the refundable deposit be refunded within 5 months? If yes, has SST refunded the deposit?

Company's response:

The management had provided the following documents/information to the Directors for consideration when entering into an agreement with SST:

a. Overview of SST business operations and contracts entered between SST and its customers
b. Preliminary valuation report of SST
c. Views shared by the Group adviser

The two Directors who have abstained from voting are Ling Chung Yee and Chng Hee Kok ("**SG Directors**"). The SG Directors found out about the RMB35 million payment to SST made in March 2021, in late April 2021. They then made it necessary for the Board to discuss and approve this potential project. After a number of meetings, the SG Directors main concern was on the recoverability of the RMB35 million, and that the amount was not secured for return in the event the investment does not proceed. The SST project however does provide potential business opportunities for the Company according to management, and the SG Directors did not object to the potential project per se. The three Directors approved the entry to the Agreement after they had spoken to the Chairwoman on the investment merits and also due to their better understanding of China businesses culture.

The Directors have directed the Management to strengthen and improve the internal control processes and corporate governance. The Management is reviewing the current process to put in place a robust system/control process particularly on cash management to mitigate the recoverability risk for the Group.

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 approvals (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.

(d) "The LAP equipment sold to the Group's downstream companies is mainly provided by 惠州中凡机电设备."
SGX: What kind of equipment does 惠州中凡机电设备 provide to the Group? What is LAP equipment? Since when has the Group been buying equipment from this supplier? Quantify the equipment purchased from this supplier for the last 2 financial years and current YTD.

"The Group has entered into a sales contract with Huizhou Kangweijian Biotechnology Co., Ltd ("Kangweijian") for a total amount of RMB77.5 million. In this respect, the Group has placed a deposit to 惠州中凡机电设备 in procuring the relevant equipment and other relevant materials for order fulfilment."

SGX: Explain what has the sales contract with Kangweijian got to do with 惠州中凡机电设备? What is the basis of the Company having to pay the significant advance of RMB49 million, which is very substantial when compared to the PUC of 惠州中凡机电设备 of RMB20 million and also when compared to the purported sale contract of RMB77.5 million, when the machines have not yet been delivered? Provide an update on the status of delivery of the relevant machines amounting to RMB77.5 million. What type of equipment are these, their model, brand, their function and their capacity?

Company's response:

Based on the sales contracts value with Kangweijian for RMB77.5million of which RMB8millon has been paid, the Company will incur a cost of sales of RMB65million, leading to a potential margin of RMB12million. The delivery of LAP equipment to Kangweijian expects to complete by first quarter of 2022 barring unforeseen circumstances due to Covid-19. The Company expects partial payment from Kangweijian as and when the various LAP equipment is delivered.

HBXR had signed a total 5 purchase contracts with 惠州中凡机电设备, and prepaid RMB49 million for the purchase. The equipment includes a special tank for production, an evaporator, fully automatic vertical scraper centrifuge for filtering products, two in one washing and filtering, rake vacuum dryer for drying products, and the expansion of the food additive production line of Kangweijian installation items, etc. HBXR began to order the corresponding equipment from 惠州中凡机电设备 in 3Q 2020.

A copy of the equipment to be supplied by 惠州中凡机电设备 is attached hereto for information.

HBXR had entered into 3 sales contracts with Kangweijian for RMB77 million. The products sold include special tanks for production, evaporators, fully automatic vertical scraper centrifuges for filtration, two in one washing and filtration, rake vacuum dryer used and the expansion and installation project of the food additive production line of Kangweijian, etc. HBXR will provide project management expertise, production installation expertise and use of its patent for the sales contracts. The Company has received advance payment of approximately RMB8 million from Kangweijian from these contracts to date.

The Company expects to record a gross profit of approximately RMB8 million from this transaction.

SGX-ST Query 4

With reference to the Company's response on Query 4(b) in the Announcement:

"To further substantiate Ms Song Yanan's undertakings, in addition to the procurement of a notarized declaration from Ms Song Yanan, the Company will receive confirmation from the banks within this week that Ms Song Yanan has sufficient financial resources to fulfil these financial obligations and undertakings to the Company to meet its short-term obligations as and when they fall due for it to operate a going concern."

SGX: Have these confirmations from the banks been received? If yes, what do they state? If not, the Board is required to make an immediate announcement of the steps taken by the Board to satisfy themselves that Ms Song Yanan has sufficient financial resources to fulfil her financial obligations and undertakings to the Company to meet its short-term obligations as and when they fall due for it to operate as a going concern. Please confirm whether the Company is able to continue as a going concern. The Exchange reserves the right to require the Company to comply with the trading suspension requirement under Listing Rule 1303(3) if the Company is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so.

Company's response:

The Company had received a bank balance statement from China Construction Bank on 22 June 2021 provided by Ms Song Yanan. The Board is satisfied that Ms. Song Yanan has sufficient resources to fulfil her financial obligation and undertakings to the Company to meet its short-term obligations as and when they fall due for it to operate as a going concern.

The Board is of the view that the Company is able to continue as a going concern taking into consideration the following factors :-

- As at 31 March 2021, the Group has a cash or cash equivalent of approximately RMB21 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 Nongfu and the trade receivables due from Really Time and Kanweijian; and
- The Group's Chairwoman and controlling shareholder, Ms Song Yanan, has provided confirmation to the Board to support the Group's working capital requirements for the next 12 months after the reporting date.

SGX-ST Query 5

With reference to the Company's response on Query 5(a) in the Announcement:

"According to the Valuer, Ascent Partners, the historical data (financial performance of the valuation targets) provided by the Company had been audited, and hence, the Valuer believed that those data have gone through professional processes so that they were from reliable sources to carry out the valuation task."
SGX: Quantify the key assumptions and forecast used by the Valuer in arriving at its valuation of each of HBXR and CDPR, including *inter alia*, the capacity, the capacity utilisation rate, the gross profit margin, the growth rate of the net profit and net profit margins, the growth rates of production, sales and profits, the growth rate of the economy, the discount rate used in arriving at the valuation, and any other material data that has a significant impact on the amount of the valuation.

"For the key assumptions and forecast provided by the management, the Valuer had made the appropriateness assessment as follows: (i) 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 the enquiry, the Management provided the correspondence documents regarding the subject matter of the gas pipeline to the local authority, and the reply from the local authority with the expected date of the gas supply resumption. Such evidence was believed to be sufficient for the valuation task".
SGX: What is the expected date of resumption of gas supply which the Valuer had accepted, and what is the current status of the resumption of such gas supply?

Company's response:

The key assumption is illustrated in the Appendix E – Valuation Report on pages 114 - 135 of the Circular at weblink:

https://links.sgx.com/FileOpen/United%20Food%20-Circular%20on%20Proposed%20Acquisition%20of%20Target%20Companies.ashx?App=Prospectus&FileID=35408.

The local government has yet to provide or release announcement or update regarding date of the resumption of gas supply. The expected date of resumption of gas supply that provided to valuer was around end of October 2020, when the valuation was carried out.

The current valuation as of 31 March 2021 is still in the progress and the Company will provide the updates once available.

SGX-ST Query 6

With reference to the Company's response on Query 6(b) in the Announcement:

"During the acquisition, HBXR and CDPR used its own fossil fuel base burning boiler. After the acquisition, the local government encouraged the replacement of fossil fuel based boilers with natural gas boilers to reduce pollution. However, the natural gas pipeline has yet to be connected to the plant area of the Hebei factory to date."
SGX: Can the fossil fuel based boilers be used in the absence of gas supply? If yes, are they being used? If not, why not?

Company's response:

After the acquisition, the local government encouraged the replacement of fossil fuel based boilers with natural gas to reduce pollution. The Company voluntarily heeded the local government guidelines to change to natural gas boilers in 2019. The local government has also compensated the Company with approximately RMB320,000 to remove the fossil fuel boilers. However, the Company did not expect the prolonged delay in the natural gas supply from the local government. Meanwhile, 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.

Attached a copy the notice issued by the local government, 承德市生态环境局滦平县分局 on 19 December 2019.

SGX-ST Query 7

With reference to the Company's response on Query 8 in the Announcement:

(a) "However, as the auditors were unable to rely on the key assumptions to the profit forecast that has a direct impact on the expected performance target to be met, which in turn, affects the calculation of the fair value of the contingent consideration as the performance target is one of the components in that calculation."
SGX: How will the confirmation with the valuer that it has taken a conservative approach resolve the audit disclaimer?

Company's response:

Management is of the view that together with the independent review by its valuer, they have recognised the contingent consideration at a lower amount considering the uncertainties arising from the supply of gas and impact from Covid-19 pandemic among other factors. Whether or not this will resolve the audit disclaimer is still subjected to the audit by our external auditors.

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.

(b) SGX: We refer to the paragraph 3.4 summary of the terms that adjust the principal amount of the convertible bond based on net profits provided by the Company. Explain the rationale behind the formula for the adjustment and elaborate how this adjustment to the bonds is reasonable. Under what circumstances will the consideration be adjusted and the contingent consideration kick in?

Company's response:

The principal amount of the convertible bond based on the net profits was arrived considering HBXR being the first company which obtained patents rights on manufacturing and production divisions. The formula for the convertible bond was designed to distribute the shareholdings gradually based on the current profits of these subsidiaries so as to minimize the risk. Appropriate adjustment would be made annually corresponding with the annual performance and profits of these subsidiaries. The Company will not issue any convertible bonds if the terms set out are not met. This performance based criterion would not only protect but also benefit the shareholders.

Please refer to Section 2.6 on pages 21 to 26 of the circular released on 5 July 2018, weblink as follows:-

https://links.sgx.com/FileOpen/United%20Food%20-Circular%20on%20Proposed%20Acquisition%20of%20Target%20Companies.ashx?App=Prospectus&FileID=35408.

SGX-ST Query 8

With reference to the Company's response on Query 9 in the Announcement:

(a) SGX: Disclose Guangdong Zhuming Law Firm's Luo Shaowen's experience in special audits to verify veracity of bank balances.

Company's response:

The predecessor of Guangdong Zhuming Law Firm was the state-owned Guangdong Huiyang Financial and Real Estate Law Firm. It was established in 1992 as a state-owned law firm established by the Judicial Bureau by the Huiyang Municipal Government to adapt to the real estate development situation at that time.

Zhuming has set up nine teams: government affairs, banking and finance, bankruptcy and reorganization, real estate and construction engineering, company and commercial affairs, foreign-related business, criminal business, enterprise labor system construction and dispute settlement.

After nearly 30 years of development, Zhuming has made outstanding achievements in many legal service fields, and many lawyers have become leaders in the Huizhou lawyer industry. Zhuming has concurrently held various important positions in government departments, industry associations and arbitration institutions, and has performed well in participating in local government decision-making and organizing academic seminars.

Zhuming confirmed that they have experience in verification works for banks procedures, account bank balance and any related incidental thereto.

(b) "The Company had proceeded to appoint the Licensed Law Firm at the Bank municipality, Guangdong Zhuming Law Firm to conduct a review and it has issued a report to the AC and Board, regarding the arising of the errors, and to report any defective over the internal control regarding the cash control of the Company's operation. The law firm was of the opinion that no major deficiency arisen from the errors detected, but indeed contain grounds for improvement, or to conduct a more thorough review, subject to the finding of the audits, for the year ended 31 March 2021. Based on the AC's preliminary discussion with the external auditors, they have expressed that the legal opinion may not explicitly address the veracity issue. Nonetheless, the investigation process was carried out in accordance with the legal procedures in PRC and with the documents reflected an account balance of RMB24 million, tallied with the total balances of the closed bank accounts against bank statement as at 27 July 2020, the external auditors would review and assess the investigation conducted by the law firm during the course of audit for FY2021. The AC will be taking steps subject to the review of the external auditors, if necessary."

SGX: When was the Guangdong Zhuming Law Firm investigation and report completed? What steps will the AC be taking to address the veracity issue? Will an experienced special auditor

be appointed? Please state if the AC has a particular special auditor in mind, and confirm that the special auditor is acceptable to Singapore Exchange Regulation ("RegCo"). The Company must provide the terms of reference of the special investigation to RegCo for review before appointment of the special auditor. The Company must provide the special investigation report to RegCo.

Company's response:

The lawyer had completed a preliminary report within the legal framework and regulations in China in October 2020, with follow up emails in March 2021. The AC has received a special audit proposal from a big four accounting firm in June 2021 and has given this to management for consideration. Management is currently reviewing the proposal.

Management is also considering commissioning the same law firm to perform additional procedures such as obtaining the bank confirmation and printing all the bank statements of the closed bank accounts in China. Management endeavors to finalize the terms of reference by 5 July 2021. The Company will provide the terms of reference of the special investigation to SGX RegCo for review before appointment of the special auditor.

SGX-ST Query 9

With reference to the Company's response on Query 10 in the Announcement:

"Some components of LAP equipment sales would need to be purchased overseas. Due to the COVID-19 situation, the Group was unable to purchase these components and without complete components, the production process was impacted and led to a significant fall in revenue."

SGX: The Company had initially disclosed that its fall in sales was due to the fluid COVID-19 situation and strict controls put in place in China, the Company's upstream and downstream logistics, flow of people, and capital flow being greatly restricted. The respective business of the Group could not be carried out as usual, thus, revenue drastically declined. However, it subsequently disclosed that the Group was unable to purchase some components of LAP equipment that would need to be purchased overseas. Please reconcile these explanations for the fall in sales. Where are the components of LAP equipment to be acquired? Explain what these components that the Company was unable to purchase are, causing it to be unable to complete its production process, which led to the significant fall in revenue of 81.9% and 67.4% in Additives Related Segment.

Company's response:

The Company's revenue in 2020 declined from 81.9% to 67.4% due to lower demand in the market arising from the Covid-19.

Based on the sales secured so far, the equipment of the downstream manufacturers could not be arranged in time as a result of some parts of the equipment assembly could not be imported from overseas, hence the order and delivery could not be fulfilled. To address this issue, the Group widened its geographic scope to work with multiple downstream industrial countries including Europe and India. The Group has identified 惠州中凡机电设备 as its downstream strategic partner for the sale of LAP equipment in 2021. The 惠州中凡机电设备 will consolidate the components.

Please refer to the list of components stated in the response to Query 3 above.

By Order of the Board

Song Yanan
Non-Executive Chairman
28 June 2021