



Securities Investors Association (Singapore)

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Issuer: United Food Holdings Limited

Security: United Food Holdings Limited

Meeting details:

Date: 30 May 2018

Time: 9.30 a.m.

Venue: Room 502, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352



1. As shown on page 5 of the annual report, the company has reported 4 years of net (losses) attributable to shareholders as follows:

FIVE YEARS FINANCIAL SUMMARY

The results, assets and capital and reserves of the Group for the last five financial years are as follows:

YEAR ENDED 31 DECEMBER

Condensed Consolidated Statements of Profit or Loss (RMB'000)

	2017	2016	2015	2014	2013
REVENUE*	168,872	265,744	2,211,658	5,129,869	5,121,972
NET (LOSS) / PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(68,804)	(229,263)	(974,221)	25,563	(108,958)

* For comparative purpose, the revenue from continuing operations has been combined with the revenue from discontinued operations.

(Source: Company annual report)

As disclosed in the Management Discussion and Analysis, the group is in the process of selling the soybean processing, feed production and pig rearing businesses while the Soybean Processing Segment did not have any revenue in FY2017 and FY2016 since its suspension on 5 July 2015.

The Group's Feed Production Segment recorded RMB133.9 million in FY2017, down by about 50% from FY2016, as one of the production centres was closed.

Loss attributable to shareholders was RMB(68.8) million in FY2017. Losses amounted to RMB(1.3) billion from FY2013 to FY2017. Shareholders' equity has decreased from RMB1.5 billion in FY2012 to RMB186.4 million in FY2017.

- (i) **Before the company/group proceeds with any further acquisitions/diversification, would the board consider carrying out a strategic review to assess the core competencies of the group, its management and its financial strength and to fine-tune its strategy so as to create long-term sustainable value for all the shareholders?**
- (ii) **With the recent changes in the management team, would the company help shareholders understand, in greater detail, the experience and track record of the management team? What are the core competencies of the group?**

- (iii) Can the company (re)state the competitive advantage(s) of the new subsidiary, Really Time Trading Limited (and its subsidiaries)? What targets have the board set for management to achieve in FY2018 and in the next 3-5 years?**

2. In the Corporate Governance Report (page 13), under Board's Conduct of its Affairs (Principle 1), the company has stated that:

The Board is responsible for the overall performance of the Group. It sets the Group's strategic direction and vision and directs the Group's overall strategy, policies, business plans, as well as, stewardship and allocation of the Group's resources.

Ling Chung Yee Roy was appointed the Lead Independent Director of the Company on 20 November 2015.

Mr Chng Hee Kok was appointed Independent Director of the Company on 23 October 2015.

- (i) Would the Lead independent director, Ling Chung Yee Roy, explain his efforts in monitoring the performance of management and help shareholders understand how he has contributed to the effectiveness of the board, specifically in being responsible for and in improving the overall performance of the group?**
- (ii) Would Mr Chng Hee Kok, being an independent director of the company since October 2015, also explain his efforts in monitoring the performance of management and help shareholders understand how he has contributed to the effectiveness of the board, specifically in being responsible for and in improving the overall performance of the group?**
- (iii) Would the board, collectively, give shareholders its self-assessment of the performance of the board?**

3. On 8 May 2018, the company announced that the independent auditors of the company, Foo Kon Tan LLP (the "Auditors"), have included a qualified opinion (the "Qualified Opinion") in their Independent Auditor's Report for the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017 (the "Financial Statements").

The Basis for Qualified Opinion can be found on page 32 of the annual report, and includes the following salient points:

- Former executive director cum chief executive officer handed out payments to the redundant employees on behalf of the local entity but did not obtain acknowledgment of receipt of payments from the redundant employees.
- These payroll expenses were incurred by Linyi Shengquan Grease Co., Ltd ("SQ Grease") which ceased payments to the retrenched employees from June 2017.

- In the absence of evidence of receipt of wages by these redundant employees, we were unable to satisfy ourselves by alternative means concerning the occurrence and accuracy of the aforesaid payroll expenses of RMB3.4 million for the year ended 31 December 2017.
- (i) Has the audit committee reviewed the above-mentioned “lapse” in internal controls and how did it rectify the lapse?**
- (ii) Can the audit committee members individually explain his/her effort(s) in satisfying himself/herself the occurrence and accuracy of the aforesaid payroll expenses of RMB3.4 million?**

In the Directors’ Statement (page 29), the directors have stated the following:

Opinion of the directors

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 37 to 41 are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

(Source: Company annual report)

- (iii) Given that the company’s independent auditor’s have included a qualified opinion, can the directors of the company justify how they have given their opinion that “the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 37 to 41 are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year covered by the consolidated financial statements”?**