



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: United Food Holdings Limited

Stock code: AZR

Meeting details:

Date: 29 Dec 2023

Time: 10.00 a.m.

Venue: Level 3, Thinking Space 3, HomeTeamNS Bedok Reservoir, 900 Bedok North Rd
Singapore 479994

Q1. As noted in the chairman's message, trading of the company's shares was suspended on 8 September 2021 and the company is working towards the resumption of trading after the completion of the special audit which was directed by Singapore Exchange Regulation Pte. Ltd. ("SGX RegCo") on 14 October 2021.

SGX RegCo instructed the company to conduct a special audit, focussing on the following matters:

- i) veracity of transactions involving Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) ("HBXR") and Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) ("CDPR"); and
- ii) inconsistencies of bank balances with respect to Shenzhen Yi Kei Logistics Supply-chain Ltd ("SZYK") and Shenzhen Bao Yao Agricultural Products Ltd ("SZBY").

KPMG Services Pte. Ltd. ("KPMG") was appointed as the special auditor on 17 December 2021.

- (i) **Could the board, particularly the independent directors, provide an update on the progress of the special audit?** This update should include information on whether document collection, interviews, and analysis by KPMG, along with maximisation and the draft report, have been completed, given that more than two years have passed since the special auditor's appointment.
- (ii) **When does the board expect the special auditor to present to them and SGX RegCo the final report?**
- (iii) **Can the independent directors clarify their roles they play and the level of involvement in the special audit?**
- (iv) **In addition, what safeguards have the independent directors put in place to ensure the protection of the interests of minority shareholders during the period before the completion of the special audit?**
- (v) **Separately, what other milestones must the company achieve to enable the submission of a resumption of trading proposal to SGX RegCo? Have the independent directors set a targeted date for this submission?**

Q2. The auditors have issued a disclaimer of opinion in respect of the audited financial statements of the company and the consolidated financial statements of the group for the financial year ended 31 March 2022 (FY2022).

The bases for disclaimer of opinion by the independent auditors are:

- Veracity, existence and completeness of bank balances
- Acquisition of 80% shareholding interests in the Target companies
- Sales and Purchases
- Recoverability of deposits paid to SST
- Impairment assessment of non-current assets of the Group
- Impairment of trade receivables
- Going concern - Limitation of scope and fundamental uncertainty relating to the going concern basis

In particular, it was noted that the group paid a deposit of RMB 35 million to Shenzhen Sharehome Technology Co., Ltd. (SST) for facilitating a potential business cooperation. During the financial year ended 31 March 2022, the group further paid deposits totalling RMB 50 million to SST.

As at 31 March 2022, the deposits owing by SST to the group was RMB 85 million.

The independent auditors have noted the following¹:

We were not provided with the management, discussion and analysis of the new business, nor the management assessment on the recoverability of these deposits. Consequently, we were unable to determine whether the deposits paid to SST are recoverable.

- (i) **With regard to the basis of disclaimer of opinion regarding the recoverability of deposits paid to SST, can the audit committee help shareholders better understand how it had facilitated the independent auditors in the audit?**
- (ii) **Did the board, and the independent directors, approve the payment of deposits to SST? If so, what was the basis of the board's approval? Was it an unanimous decision?**
- (iii) **Did the board provide the independent auditors with the board approval papers for the new business?**

¹ <https://links.sgx.com/FileOpen/United%20Food%20-%20Disclaimer%20of%20Opinion.ashx?App=Announcement&FileID=780186>

On 14 November 2023, the company announced the condensed interim financial statements for the six months ended 30 September 2023 in which the group reported revenue of just RMB587,000 and a loss for the period of RMB(9.3) million.

Accumulated losses for the group increased to RMB(367.6) million as at 30 September 2023.

- (iv) **For the benefit of all shareholders, please provide an update on the group's core operations of L-AP, animal feed/traditional medicine and trading of food products and the sentiments on the ground in China.**
- (v) **Could management provide clarification on whether the local authorities in China have completed the infrastructure for the supply of natural gas to the industrial zone where the group operates? If so, what challenges are being encountered in securing the necessary gas supply for HBXR and CDPR?**
- (vi) **When will the company be holding the annual general meeting for the financial year ended 31 March 2023 ("FY2023")?**

Q3. Would the board provide shareholders greater clarity on the following governance matters? Specifically:

- (i) **Appointment of Mr Zhao Ling as independent director:** The company announced the appointment of Mr Zhao Ling as an independent director on 27 November 2023².

CHANGE - ANNOUNCEMENT OF APPOINTMENT-APPOINTMENT OF INDEPENDENT DIRECTOR
Additional Details
Date Of Appointment 27/11/2023
Name Of Person Zhao Ling
Age 36
Country Of Principal Residence Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process) The appointment of Mr Zhao Ling, Frederick ("Mr Frederick Zhao") as Independent Director of the Company was recommended by the Nominating Committee and approved by the Board. The Board is satisfied that Mr Frederick Zhao's qualification, experience and expertise will strengthen the Board's capacity and will be able to contribute positively to the Company.
Whether appointment is executive, and if so, the area of responsibility Independent Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) Independent Non-Executive Director Chairman of Remuneration Committee Member of Audit Committee Member of Nominating Committee
Professional qualifications Certified Accounting Technician, United Kingdom Bachelor of Science in Applied Accounting from Oxford Business University - honour degree Diploma from Dalian Maple Tree International High School, British Columbia
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries Nil
Conflict of interests (including any competing business) Nil
Working experience and occupation(s) during the past 10 years February 2014 - current PPL Accounting Consultancy Pte Ltd Co-Founder and Director July 2012 - January 2014 Esco Audio Visual Pte Ltd Procurement Team Lead January 2010 - June 2012 Esco Audio Visual Pte Ltd Finance Officer

(Source: <https://links.sgx.com/1.0.0/corporate-announcements/LRBA2OQ0TPFOVMOW/d9e7b2d0bc9a119d440feccaa628590164b5daf71918df64727f69e06063>)

Would the board, particularly the nominating committee (NC), elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the appointment of Mr Zhao Ling, as required in the SGX template?

How was Mr Zhao Ling introduced to the NC?

² <https://links.sgx.com/1.0.0/corporate-announcements/LRBA2OQ0TPFOVMOW/d9e7b2d0bc9a119d440feccaa628590164b5daf71918df64727f69e06063>

How did the NC objectively assess that Mr Zhao Ling will strengthen the board's capacity and allow him to contribute positively to the company?

Can the company clarify whether Mr Zhao Ling attended "Oxford Business University" as stated in the appointment announcement?

- (ii) **Additional fees for directors:** At the annual general meeting scheduled to be held on 29 December 2023, the company is seeking shareholders' approval for the payment of \$190,000 in directors' fees for FY2023 and \$30,000 in additional directors' fees for FY2022 to the three independent directors, namely Mr Chng Hee Kok, Prof Ling Chung Yee and Mr Zeng Wei, for "their contribution and participation for the additional works rendered in 2022". **Can the board quantify the director's contributions and participation? Were the "additional works" a result of the acquisitions or the special audit?** It is noted that the auditors have highlighted a going concern, and that the trading of the company's shares has been suspended for over two years without any significant progress. **If approved, would the directors consider deferring all cash payments until the company's shares resume trading to show solidarity with minority shareholders?**
- (iii) **Directors' re-election:** Mr Chng Hee Kok and Prof Ling Chung Yee would be retiring under the company's bye-law 86(1) and would be seeking re-election. The directors were appointed in October 2015 and November 2015 respectively, with the latter serving as the lead independent director. **Can both directors help shareholders better understand their effectiveness as directors? How have the directors contributed to long-term value creation for minority shareholders?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US

