UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration Number: 28925)

DISCLAIMER OF OPINION BY AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 ("FY2023")

Pursuant to Rule 704(5) of the SGX-ST Listing Manual, the Board of Directors (the **"Board"**) of United Food Holdings Limited (the **"Company",** and together with its subsidiaries, the **"Group"**) wishes to announce that the independent external auditors of the Company, Foo Kon Tan LLP (the "**Auditors**"), have, in their Independent Auditors' report dated 7 June 2024 ("**Independent Auditors' Report**"), issued a disclaimer of opinion in respect of the audited financial statements of the Company and consolidated financial statements of the Group for the FY2023.

The nature and contents of the disclaimer of opinion are contained in the Independent Auditors' Report, as attached in the Appendix together with the relevant extracts of Notes 31, 2(a) and 10, for Shareholders' information.

This announcement is to be read in conjunction with the attached Independent Auditors' Report and the financial statements. Shareholders of the Company are advised to refer to the entire Financial Statements included in the Company's annual report for FY2023, which will be dispatched in due course.

The trading of the Company's shares has remained suspended since 8 September 2021.

BY ORDER OF THE BOARD

Song Yanan
Non-Executive Chairman
30 July 2024

31 Other financial information

Purchases and trade payables, Sales and trade debtors

As reported in 2022 Annual Report, the facts and circumstances described therein remain unchanged.

(a) KWJ, ZhongFan and Defu

The two major customers of HBXR are Huizhou KWJ Biotechnology Co., Ltd (惠州市康维健生物科技有限公司) ("KWJ") and 惠州市德福实业有限公司 ("Defu") since the financial year ended 31 March 2020 for sales of equipment. KWJ was a supplier to HBXR in FY2021. Defu and KWJ have common legal representative.

On 12 November 2020, the Company announced that the Group has a short-term investment of RMB 40 million in a low-risk fund managed by a licensed fund company in China under Shenzhen Hui Pu Seng Cai Fu Investment Co., Ltd., with reasonable return. Due to COVID-19 pandemic, the Company decided to terminate and withdrew from the short-term investment. The management agreed with Shenzhen Hui Pu Seng Cai Fu Investment Co., Ltd that the RMB 40 million short-term investment will be repaid in two tranches by the end of March 2021. In aggregate, the sum of RMB 40 million was received in two tranches of RMB 20 million each in FY2020 and FY2021 where the subsidiaries, SZBY and SZYK received from KWJ. The entire sum of RMB 40 million was then remitted to HBXR.

- *Sales and purchase arrangements*

On 29 June 2021, the Company made an announcement that HBXR entered into arrangement where there were three sales contracts entered with KWJ for a sum of RMB 77.5 million to supply equipment to KWJ. For the sales order, HBXR entered into five purchase contracts with ZhongFan for a sum of RMB 69.74 million to purchase the equipment including the services for installation required by KWJ. Under the purchase contracts entered with the supplier, the supplier is to deliver and/or install the above-mentioned equipment between December 2020 and September 2021.

In FY2022, the fund for the supply of equipment from ZhongFan was from the RMB 40 million recovered from the short-term investment. For these contracts, sales made to KWJ totalled RMB 52.7 million (exclude VAT) and the purchases from 惠州中凡机电设备有限公司 ("ZhongFan") was RMB 47.8 million (exclude VAT). For sales made to Defu under separate contracts, the amount was RMB 5.1 million.

- *Sales to KWJ*

In FY2022, HBXR entered into sales transactions of RMB 52.7 million (exclude VAT) for the supply of equipment to KWJ. We understand from Mr Liang Bing (HBXR General Manager), the sales made to KWJ is mainly to expand the L-AP plant belonging to KWJ with the patent technology. The receivable for these transactions is at RMB 45 million as at 31 March 2023.

31 Other financial information (Cont'd)

Purchases and trade payables, Sales and trade debtors (Cont'd)

(a) KWJ, ZhongFan and Defu (Cont'd)

- *Sales to KWJ (Cont'd)*

On 27 November 2023, the Company made an announcement that on 20 August 2023, a debt restructuring framework whereby HBXR entered into Quartet Agreement with Tangshan Yuda Trading Co., Ltd (Holding Company of KWJ), Jia Yuan Xing Technology (Shenzhen) Partnership Enterprise (Limited Partnership) and the Chairman and Non-Executive Director of the Group in relation to the trade receivables owing by KWJ. There are subsequent receipts of RMB 2.1 million subsequent to the reporting date.

- *Purchases from ZhongFan*

As disclosed in the 2022 Annual Report, HBXR recorded net outflow of RMB 3.7 million to ZhongFan for the supply of equipment. In respect of the contractual obligation, the total advances made by HBXR to ZhongFan amounted to RMB 52.9 million (the contractual sum) upon supply of equipment made. The Group recorded no amount owing to/by ZhongFan. We understand from Mr Liang Bing that there was offsetting arrangement amongst the parties.

The Group has entered into an arrangement with KWJ where KWJ has been given the rights to use the patent belonging to the Group.

2(a) Basis of preparation (Cont'd)

Critical accounting estimates and key sources of estimation uncertainty (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Valuation of inventories (Note 8)
The Group reviews the ageing analysis of inventories at each reporting date and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories is estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

The carrying amount of the Group's inventories is disclosed in Note 8. If the net realisable values of inventories increase/decrease by 5% from management's estimates, the Group's loss for the year ended 31 March 2023 would decrease/increase by approximately RMB 88,000 (2022 - RMB 98,000).

Allowance for expected credit losses ("ECL") on trade and other receivables (including advances and deposits) and amount due from subsidiaries (Notes 9 and 10)
Allowance for ECL of trade and other receivables and amount due from subsidiaries are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history and existing market conditions. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group has provided expected credit loss on past due trade receivables where:

a) there is no credit impair to be expected, a percentage has been applied to the debt on a general basis;

b) there is a credit impair expected, a percentage has been applied to the specific debt if doubtful on the basis to the extent of the probability of default; and

c) there is a credit-impaired and regarded as in default, a full sum of the specific debt will be written off to profit or loss.

The carrying amount of the Group's and the Company's trade and other receivables and amount due from subsidiaries are disclosed in Notes 9 and 10.

For the financial year ended 31 March 2023 and 31 March 2022, management did not perform an assessment of the possible impairment of trade and other receivables and amount due from subsidiaries.

Fair value measurement of contingent consideration for acquisition of subsidiaries in a business combination (Notes 3 and 16)
Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on the market approach using the Chaffe Put Option Model and taking into account the probability of meeting each performance target from the profit warranty given by the vendors. As part of the purchase price allocation for the acquisition of Chengde Purun Shengwu Zhiyao Co., Ltd., Hebei Xingrun Shengwu Keji Gufen Co., Ltd. and Benchmark Trade Limited in the previous financial period ended 31 March 2019, the Group identified an element of contingent consideration.

2(a) Basis of preparation (Cont'd)

Critical accounting estimates and key sources of estimation uncertainty (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Fair value measurement of contingent consideration for acquisition of subsidiaries in a business combination (Notes 3 and 16) (Cont'd)
The carrying amount of the contingent consideration is disclosed in Note 16. Sensitivity analysis regarding the key input estimates used in the valuation is disclosed in Note 30 to the financial statements.

For the financial year ended 31 March 2023 and 31 March 2022, there is no valuer appointed to determine the fair value of the contingent consideration as at the reporting date as the management determines the probability of meeting the profit warranty is remote. The contingent consideration was based on the fair value determined in FY2021.

8 Inventories

The Group	**31 March 2023 RMB'000**	31 March 2022 RMB'000
At cost:		
Raw materials	**321**	361
Finished goods	**1,447**	1,589
	1,768	1,950

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB 66,000 (2022 - RMB 53,034,000).

During the year ended 31 March 2023, inventories written off upon expiration amounted to RMB 112,000 (2022 - RMB 65,000) (Note 20).

9 Trade and other receivables

	Note	The Group 31 March 2023 RMB'000	31 March 2022 RMB'000	The Company 31 March 2023 RMB'000	31 March 2022 RMB'000
Trade receivables		**66,045**	73,824	**-**	-
Less: Expected credit loss allowance					
- At 1 April		**(15,475)**	(16,089)	**-**	-
- Exchange differences		**(1,156)**	614	**-**	-
- At 31 March		**(16,631)**	(15,475)	**-**	-
Trade receivables – net		**49,414**	58,349	**-**	-
Other receivables		**3,836**	3,826	**111**	103
Loan to SST	9.1	**50,000**	50,000	**-**	-
Deposits	9.1	**37,268**	31,708	**-**	-
Prepayment		**21**	4,811	**-**	-
Total other receivables		**91,125**	90,345	**111**	103
Total trade and other receivables		**140,539**	148,694	**111**	103

Trade receivables are non-interest bearing and are generally within 90 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

9.1 Included in the deposits are RMB 35 million to facilitate a potential business cooperation with Shenzhen Shareihome Technology Co., Ltd. ("SST") in the PRC. The deposit has been paid pursuant to a Cooperation Framework Agreement (the "SST Agreement") with SST on 22 April 2021 in relation to the development of equipment production (Agricultural Artificial Intelligence), automation technology and marketing on Internet of Things. In FY2022, the Group through its subsidiary, SZBY, further loan of RMB 50 million to SST.

As at 31 March 2023, the deposit and loan amounting to RMB 85 million owing by SST has remained outstanding.

Trade and other receivables are denominated in the following currencies:

	The Group 31 March 2023 RMB'000	31 March 2022 RMB'000	The Company 31 March 2023 RMB'000	31 March 2022 RMB'000
Hong Kong dollar	**111**	103	**111**	103
Renminbi	**140,428**	148,591	**-**	-
	140,539	148,694	**111**	103

The ageing analysis of trade receivables is as follows:

The Group	**31 March 2023 RMB'000**	31 March 2022 RMB'000
Not past due	**-**	*53,270
Past due 1 to 30 days	**-**	-
Past due 31 to 60 days	**-**	-
Past due 61 to 90 days	**-**	-
Past due more than 90 days	***66,045**	20,554
Trade receivables (gross)	**66,045**	73,824
Less: Expected credit loss allowance	**(16,631)**	(15,475)
Trade receivables (net)	**49,414**	58,349

* mainly owing by KWJ to the sum of RMB 45 million (2022 - RMB 47.5 million)

Further details of the Group's financial risk management of credit risk are disclosed in Note 27.

10 Amounts due from/(to) subsidiaries

The Company

Amounts due from/(to) subsidiaries, comprise mainly advances, are denominated in Hong Kong dollar, unsecured, non-interest bearing and repayable on demand.

Further details of the Group's financial risk management of credit risk are disclosed in Note 27.

3 Subsidiaries

The Company	**31 March 2023 RMB'000**	31 March 2022 RMB'000
Unquoted equity shares, at cost	**9**	9
Less: Impairment loss on investment in subsidiaries	**-**	-
Net carrying value	**9**	9

Details of the subsidiaries are:

Name	Country of incorporation	Proportion of ownership interest and voting rights held by the Group		Principal activities
		2023	2022	
		%	%	
Directly held by the Company				
Brighten Ocean International Limited ("Brighten Ocean")	Hong Kong	**100**	100	Investment holding

3 Subsidiaries (Cont'd)

Name	Country of incorporation	Proportion of ownership interest and voting rights held by the Group 2023 %	2022 %	Principal activities
Held by Brighten Ocean				
Yi Kei International Limited ("Yi Kei")	Hong Kong	**100**	100	Investment holding
Pearlfield China Limited ("Pearlfield")	Hong Kong	**100**	100	Investment holding
Benchmark Trade Limited ("Benchmark" or "BM")	Hong Kong	**80**	80	Dormant
Held by Pearlfield				
Shenzhen Bao Yao Agricultural Products Limited ("SZBY")	PRC	**100**	100	Trading of agricultural products
Really Time Trading Limited ("RTTL")	Hong Kong	**80**	80	Dormant
Held by RTTL				
Shenzhen Hualitai Food Trading Co., Ltd. ("SZHLT")	PRC	**80**	80	Dormant
Held by Yi Kei				
Shenzhen Yi Kei Logistics Supply-chain Limited ("SZYK")	PRC	**100**	100	Dormant
United Express Trading Pte. Ltd.	Singapore	**100**	100	Dormant
Held by SZBY				
Hebei Xingrun Shengwu Keji Gufen Co., Ltd. ("HBXR")	PRC	**80**	80	Production and sale of animal feed and traditional medicine and trading of equipment
Chengde Purun Shengwu Zhiyao Co., Ltd. ("CDPR")	PRC	**80**	80	Production and sale of additives
Held by HBXR				
Beijing Yirun Kemao Co., Ltd.	PRC	**76**	76	Trading of additives

All subsidiaries of the Group as listed above, were audited by Foo Kon Tan LLP for consolidation purposes.

Acquisition of business during the financial period ended 31 March 2019
Below is a summary of events leading to the acquisition of the Target Companies.

On 5 October 2017, the Board announced that the Company and two of the Company's wholly owned subsidiaries, Shenzhen Baoyao Agricultural Products Ltd. and Brighten Ocean International Ltd. (collectively, the "Purchasers"), on 5 October 2017 entered into a sale and purchase agreement ("SPA") with Vendor A, Vendor B and Vendor C (collectively, the "Vendors"), for the sale and purchase of 80% equity interest in the following Target Companies:

- Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) ("CDPR")
- Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) ("HBXR"); and
- Benchmark Trade Limited ("Benchmark/BM")

3 Subsidiaries (Cont'd)

<u>Acquisition of business during the financial period ended 31 March 2019 (Cont'd)</u>
The legal completion of the acquisition of business for CDPR, HBXR and BM are collectively, known as the "Target Companies" was in September 2018 where the said entities became the subsidiaries of the Group.

The acquisition was in line with the Group's strategy to move further up the supply chain on animal food products that uses Chinese medicine for the preparation of drugs for the prevention and treatment of livestock and poultry and other viral infection and diseases and the potential investment gain from the patented production of the additive L-Ascorbyl Palmitate ("L-AP") or antioxidant. The main product from HBXR was the production of an antioxidant, L-AP (C-22H38O7), which was widely used in various products such as edible oils, infant food products, cosmetics and feed additives for animal feed.

The consideration was RMB 120 million and was paid/payable in the following manner:
- A deposit of RMB 25 million;
- A cash consideration of RMB 10 million; and
- The balance purchase price of RMB 85 million payable by way of the issuance of Bonds by the Company which are convertible subject to the terms of the SPA.

Included in the consideration sum of RMB 120 million was an amount of RMB 25 million paid in cash during the year ended 31 December 2017. Another amount of RMB 10 million is due payable in cash to the Vendors. The remaining consideration sum is satisfied by the issuance of bonds. Under the terms of SPA dated 5 October 2017, the bonds was required to be convertible into shares of the Company with no redemption permitted.

<u>The Bonds</u>
The issuance of bond for the consideration sum of S$17,359,338 (equivalent to approximately RMB 85 million based on a fixed foreign exchange rate of S$1: RMB 4.8965 as at 4 October 2017) was carried at zero per cent based on the conversion price of $0.45 per Conversion shares. Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, before the date of issuance of the Conversion Shares. Each of the First Bond Subscription Date, Second Bond Subscription Date, and Third Bond Subscription Date to be the date falling not more than 120 days from the financial year end of FY2020, FY2021, and FY2022 respectively.

The "Conversion Shares" means ordinary shares of the Issuer and will be admitted to listing on the Mainboard of the SGX-ST. The conversion price is subject to price adjustments such as share consolidation or rights issues etc as stipulated in the SPA.

Without prejudice to the above adjustment mechanisms applicable for each Bond Subscription Date, within 10 Business Days from the date of issue of the relevant completion accounts of the Target Companies for FY2020, in the event the aggregate amount of Adjusted Net Profit of the Target Companies for FY2018, FY2019 and FY2020 ("Total Adjusted Net Profit") (Amended to FY2020, FY2021 and FY2022 as stipulated in the supplemental agreement dated on 7 June 2019) is an amount that was:

(a) equal to or exceeds RMB 75 million; the total number of Bonds issued to Vendor C shall be equivalent to the principal amount of RMB 85 million;

(b) less than RMB 75 million but more than RMB Nil; the total number of Bonds issuable to Vendor C shall correspond to the principal amount of Bonds due to Vendor C; and

(c) equal to or less than RMB Nil; any Bonds previously issued to Vendor C for the years of FY2018 and/or FY2019 and the Bond Conditions shall be cancelled in full, and no further Bonds should be issued to Vendor C.

3 Subsidiaries (Cont'd)

Acquisition of business during the financial period ended 31 March 2019 (Cont'd)

The Bonds (Cont'd)
In the event the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 were not met, the shortfall between the actual profit for each financial year and RMB 25 million would be compensated in the following manner:

(a) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 was negative, i.e. the Target Companies are loss making:
- the Vendors shall pay the amount of losses in cash in the manner stipulated by the Purchasers. Such payment shall be the amount of the losses made by the Target Companies for the relevant financial year; and the Purchase Consideration should be subject to any adjustments to the principal amount of Bonds to be issued to Vendor C based on the cumulative Adjusted Net Profit for FY2018, FY2019 and FY2020;

(b) If the Adjusted Net Profit for each of FY2018, FY2019 and FY2020 was less than RMB 25 million but more than RMB Nil; the Purchase Consideration shall be subject to any adjustments to the principal amount of Bonds to be issued to Vendor C, provided that the total principal amount of Bonds to be issued for all of FY2018, FY2019 and FY2020 shall not exceed RMB 85 million. In addition, in the event the Total Adjusted Net Profit was an amount that was:

- less than RMB 75 million but more than RMB Nil; the total number of Bonds issuable to Vendor C shall correspond to the principal amount of Bonds due to Vendor C; and

- equal to or less than RMB Nil; any Bonds previously issued to Vendor C for FY2018 and/or FY2019 shall be cancelled in full, and no further Bonds shall be issued to Vendor C.

The Bonds would not be issued by the Company until the relevant completion accounts of the Target Companies for each of FY2018, FY2019 and FY2020 have been presented to the Company and subject to the adjustment mechanisms set out in connection to the Profit Warranty.

In the event there are outstanding Bonds that have not been converted into conversion shares within the conversion period, such Bonds shall automatically be converted into conversion shares at the expiration date of the conversion period. The Issuer shall not be permitted to redeem the Bonds. All Bonds which are converted by the Issuer in accordance with the conditions stipulated in the SPA will be cancelled.

As at 31 March 2022 and 2023 and as of the date of the report, no Bonds had been issued.

Management had accounted for the Bonds to be issued representing the balance purchase consideration of RMB 85 million as a contingent consideration classified as a financial liability measured at fair value with changes in fair value recognised in profit or loss under IFRS 3 Business Combinations. This was because the amount of Bonds to be issued varies or depends on the amount of profits that are generated by the Target Companies under the profit warranty given by the Vendors in the SPA.

The Vendors of the Target Companies had provided a profit warranty of RMB 25 million each year over the next three financial years from FY2020 to FY2022, with a cumulative aggregate profit warranty of RMB 75 million. The amount of Bonds to be issued is calculated based on an agreed formula as: Amount of Bonds to be issued is equal to [(Actual profits/RMB 25 million) x RMB 28.3 million Bonds] subject to a maximum aggregate number of RMB 85 million of Bonds.

The acquisition of business was accounted for as a business combination using the acquisition method of accounting. Management has carried out a purchase price allocation exercise ("PPA") at the date of acquisition based on the valuation carried out by an independent professional valuer.

3 Subsidiaries (Cont'd)

Acquisition of business during the financial period ended 31 March 2019 (Cont'd)

The Bonds (Cont'd)
On 30 May 2023, the Company announced that SZBY and Brighten Ocean have entered into a Deed of Termination with the Vendors in relation to the SPA dated 5 October 2017, as amended and supplemented by the supplemental agreements entered into by the parties on 26 June 2018, 1 October 2018 and 7 June 2019 on the basis that the Group 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 Group has yet to receive any formal notification of the resumption in natural gas supply as of to-date and the attempts to reach out for the government agencies for an update but to no avail.

The Deed of Termination entered with the Vendors will remove this segment of business.

Summarised financial information in respect of the Group's subsidiaries that have non-controlling interest ("NCI")
Set out below are the summarised financial information without adjusting for equity interest of NCIs in the subsidiaries represents amounts before inter-company eliminations.

	RTTL Group RMB'000	HBXR/BM RMB'000	CDPR RMB'000
Financial year ended 31 March 2023			
Revenue	-	1,243	70
Loss for the year	(639)	(263)	(2,692)
Other comprehensive loss	(1,051)	-	-
Total comprehensive loss	(1,690)	(263)	(2,692)
Attributable to NCI:			
Loss for the year	(128)	(43)	(852)
Other comprehensive loss	(210)	-	-
Total comprehensive loss attributable to NCI	(338)	(43)	(852)
Non-current assets	-	4,304	17,502
Current assets	58,051	62,805	1,607
Current liabilities	(62,655)	(74,298)	(33,246)
Net liabilities	(4,604)	(7,189)	(14,137)
Net cash (outflow)/inflow from operating activities	(1,845)	1,038	(957)
Net cash inflow/(outflow) from financing activities	1,969	(999)	942
Net changes in cash and cash equivalents	124	39	(15)

3 Subsidiaries (Cont'd)

Summarised financial information in respect of the Group's subsidiaries that have non-controlling interest ("NCI") (Cont'd)

Financial year ended 31 March 2022	**RTTL Group RMB'000**	**HBXR/BM RMB'000**	**CDPR RMB'000**
Revenue	-	59,197	70
(Loss)/profit for the year	(532)	3,317	(3,799)
Other comprehensive income	1,619	-	-
Total comprehensive income/(loss)	1,087	3,317	(3,799)
Attributable to NCI:			
(Loss)/profit for the year	(106)	662	(760)
Other comprehensive income	324	-	-
Total comprehensive income/(loss) attributable to NCI	218	662	(760)
Non-current assets	-	4,469	17,954
Current assets	62,996	64,251	1,814
Current liabilities	(65,476)	(75,643)	(31,213)
Net liabilities	(2,480)	(6,923)	(11,445)
Net cash inflow/(outflow) from operating activities	237	488	(1,853)
Net cash (outflow)/inflow from financing activities	(240)	(497)	1,823
Net changes in cash and cash equivalents	(3)	(9)	(30)

4 Goodwill

The Group	**31 March 2023 RMB'000**	31 March 2022 RMB'000
Goodwill	**12,742**	12,742
Less: Impairment loss		
- At 1 April	**(9,693)**	(9,693)
- Impairment loss made	**-**	-
- At 31 March	**(9,693)**	(9,693)
	3,049	3,049

For the financial years ended 31 March 2023 and 31 March 2022, management did not perform an assessment of the possible impairment of goodwill as at the reporting date.

16 Contingent consideration for acquisition of subsidiaries

The manner in which the obligation to settle the acquisition of business for the Target Companies comprised a contingent consideration. Contingent consideration, resulting from business combinations, was valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it was subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

As stipulated in the SPA, there was a profit warranty of RMB 25 million each year over 3 years with a cumulative aggregate profit warranty of RMB 75 million in respect of the issuance of Bonds for the consideration sum of RMB 85 million.

The amount of Bonds to be issued depends on the amount of profits to be achieved by the Vendors under the profit warranty given by the vendors to the Group and is calculated based on an agreed formula. The profit warranty was based on the forecast prepared on the use of the patents to produce and sell the L-AP antioxidant product held by HXBR/BM as well as for the patents on the preparation of drugs for the prevention and treatment of livestock and poultry and other viral infection and diseases held by CDPR as mentioned in the aforesaid paragraph on impairment of assets (Note 5). In financial year 2022, the Group reported sales made to KWJ on the sales of equipment including installation to the sum of RMB 52.7 million.

In FY2021, the independent professional valuer appointed by management has applied the Chaffe Put Option Model in estimating the fair value of the Bonds to be issued representing the balance purchase consideration comprised the contingent consideration at RMB Nil as at 31 March 2021.

The contingent consideration was arrived at after taking into account the probability of meeting each performance target from the profit warranty given by the vendors, and certain valuation variables such as the discount for lack of marketability ("DLOM") and the estimated share price at the relevant dates of valuation.

The contingent consideration was measured at fair value at each reporting date with changes recognised in profit or loss as the amount of Bonds to be issued varies or depends on the amount of profits that are generated by the Target Companies under the profit warranty given by the vendors in the SPA.

As at 31 March 2023 and 31 March 2022, the contingent consideration at reporting date was RMB Nil.

30 Fair value measurement

Definition of fair value
IFRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and
Level 3 : unobservable inputs for the asset or liability.

Fair value measurement of other financial assets and financial liabilities
The carrying amounts of financial assets and liabilities with a maturity of less than one year (trade and other receivables, cash and cash equivalents, balances with related parties, trade and other payables and provision) approximate their fair values because of the short period to maturity.

The Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

Fair value measurement of contingent consideration
The fair values of contingent consideration related to the acquisition of the Target Companies is estimated using a market approach taking into account the probability of meeting each performance target from the profit warranty given by the vendors, certain valuation variables such as the discount for lack of marketability ("DLOM") and the estimated share price which involves significant judgements.

The following table shows the Levels within the hierarchy of the contingent consideration measured at fair value as at 31 March 2023 and 2022:

The Group	**31 March 2023 RMB'000**	31 March 2022 RMB'000
Contingent consideration (Bonds to be issued)		
Level 3	**-**	-
Contingent consideration (Bonds to be issued)		
Level 3	**-**	-

For movements in the contingent consideration, refer to Note 16.

Valuation technique and significant unobservable inputs
The following table shows the Group's valuation technique used in measuring Level 3 fair values as well as the significant unobservable inputs used.

Type	Carrying amount at 31 March 2023 and 31 March 2022	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration	**RMB Nil**	-	-	-

Sensitivity analysis
An increase in three percentage points to DLOM, holding other inputs constant, would not have any effects to the fair value of contingent consideration as at the reporting date.

19 Administrative expenses

The Group	Note	**Year ended 31 March 2023 RMB'000**	Year ended 31 March 2022 RMB'000
Directors' remuneration	22	**1,492**	861
Depreciation of property, plant and equipment	5, 22	**486**	492
Depreciation of ROU assets	6, 22	**577**	584
Employee benefit expenses	22	**1,773**	2,129
Office supplies		**12**	426
Professional fees		**3,786**	1,537
Exchange loss		**450**	-
Others		**287**	81
		8,863	6,110

20 Other expenses

The Group	Note	**Year ended 31 March 2023 RMB'000**	Year ended 31 March 2022 RMB'000
Inventories written off	8	**112**	65
Others		**12**	2
		124	67

27 Financial risk management

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change in the Group's exposure to these risks or the manner in which it manages and measures risks.

Credit risk
Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group. The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. Cash is held with reputable financial institutions of high credit ratings.

The Group performs ongoing credit evaluation of its customers' financial conditions and requires no collateral from its customers.

To minimise credit risk, the Group has developed and maintained the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The balances are monitored on an ongoing basis.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:
- There is significant difficulty of the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

Trade receivables
The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset is in default if the counterparty fails to make contractual payments within 90 days when they fall due and writes off the financial asset when a debtor fails to make contractual payments greater than 120 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit risk exposure in relation to trade receivables by segment under IFRS 9 are set out as follows:

		<------------------------------Past due---------------------------->				
	Current RMB'000	**1-30 days RMB'000**	**31-60 days RMB'000**	**61-90 days RMB'000**	**> 90 days RMB'000**	**Total RMB'000**
2023						
Gross trade receivables						
Animal feed and traditional medicine	-	-	-	-	961	**961**
Food additives and sale of equipment including installation	-	-	-	-	65,084	**65,084**
	-	-	-	-	66,045	**66,045**
Less: Impairment loss						
Animal feed and traditional medicine	-	-	-	-	(928)	**(928)**
Food additives and sale of equipment including installation	-	-	-	-	(15,703)	**(15,703)**
	-	-	-	-	(16,631)	**(16,631)**
	-	-	-	-	49,414	**49,414**
Net trade receivables						
Animal feed and traditional medicine	-	-	-	-	33	**33**
Food additives and sale of equipment including installation	-	-	-	-	49,381	***49,381**
	-	-	-	-	49,414	**49,414**

*past one year in credit default

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

Trade receivables (Cont'd)

		<-------Past due			------->	
	Current RMB'000	1-30 days RMB'000	31-60 days RMB'000	61-90 days RMB'000	> 90 days RMB'000	Total RMB'000
2022						
Gross trade receivables						
Animal feed and traditional medicine	-	-	-	-	961	961
Food additives and sale of equipment including installation	53,431	-	-	-	19,432	72,863
	53,431	-	-	-	20,393	73,824
Less: Impairment loss						
Animal feed and traditional medicine	-	-	-	-	(928)	(928)
Food additives and sale of equipment including installation	-	-	-	-	(14,547)	(14,547)
	-	-	-	-	(15,475)	(15,475)
	53,431	-	-	-	4,918	58,349
Net trade receivables						
Animal feed and traditional medicine	-	-	-	-	33	33
Food additives and sale of equipment including installation	53,431	-	-	-	4,885	58,316
	53,431	-	-	-	4,918	58,349

There is no information provided regarding the changes on the risk of a default as to the lifetime expected credit losses that represent the expected credit risk and the extent of the average credit losses with respect of a risk occur.

Other receivables and amount due from subsidiaries
Where the Group and the Company assessed the latest performance and financial position of the counterparties, adjusted for future outlook of industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-months ECL and determined that the ECL is insignificant.

As disclosed in Notes 9 and 10 to the financial statements, management believes that no additional credit risk lies in the Group's and the Company's trade and other receivables.

Significant concentration of credit risks
Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total exposure. The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis.

	The Group		The Company	
	31 March 2023 RMB'000	31 March 2022 RMB'000	**31 March 2023 RMB'000**	31 March 2022 RMB'000
By geographical areas				
PRC	**45,463**	53,464	**-**	-
Hong Kong	**3,951**	4,885	**-**	-
	49,414	58,349	**-**	-

27 Financial risk management (Cont'd)

Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flow.

The Group	Carrying amount RMB'000	Total contractual cash flows RMB'000	Less than one year RMB'000	Within two to five years RMB'000
		--------------Contractual cash flows-------------		
At 31 March 2023				
Financial liabilities				
Trade and other payables (excluding VAT payable)	**35,895**	**35,895**	**35,895**	**-**
Provision for onerous contract	**3,380**	**3,380**	**3,380**	**-**
Borrowings	**9,990**	**10,639**	**10,639**	**-**
	49,265	**49,914**	**49,914**	**-**
At 31 March 2022				
Financial liabilities				
Trade and other payables (excluding VAT payable)	46,744	46,744	46,744	-
Provision for onerous contract	3,380	3,380	3,380	-
Borrowings	9,990	10,639	10,639	-
	60,114	60,763	60,763	-

The Company	Carrying amount RMB'000	Total contractual cash flows RMB'000	Less than one year RMB'000	Within two to five years RMB'000
		----------------Contractual cash flows-----------		
At 31 March 2023				
Financial liabilities				
Trade and other payables	**3,005**	**3,005**	**3,005**	**-**
Amounts due to subsidiaries	**13,582**	**13,582**	**13,582**	**-**
	16,587	**16,587**	**16,587**	**-**
At 31 March 2022				
Financial liabilities				
Trade and other payables	1,476	1,476	1,476	-
Amounts due to subsidiaries	12,166	12,166	12,166	-
	13,642	13,642	13,642	-

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are dominated in foreign currencies.

The Group is not exposed to significant foreign currency as its transactions are denominated in the respective functional currencies of the Group's entities.

10 Amounts due from/(to) subsidiaries

The Company

Amounts due from/(to) subsidiaries, comprise mainly advances, are denominated in Hong Kong dollar, unsecured, non-interest bearing and repayable on demand.

Further details of the Group's financial risk management of credit risk are disclosed in Note 27.

27 Financial risk management

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

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Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

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The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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2023						
Gross trade receivables						
Animal feed and traditional medicine	-	-	-	-	961	**961**
Food additives and sale of equipment including installation	-	-	-	-	65,084	**65,084**
	-	-	-	-	66,045	**66,045**
Less: Impairment loss						
Animal feed and traditional medicine	-	-	-	-	(928)	**(928)**
Food additives and sale of equipment including installation	-	-	-	-	(15,703)	**(15,703)**
	-	-	-	-	(16,631)	**(16,631)**
	-	-	-	-	49,414	**49,414**
Net trade receivables						
Animal feed and traditional medicine	-	-	-	-	33	**33**
Food additives and sale of equipment including installation	-	-	-	-	49,381	***49,381**
	-	-	-	-	49,414	**49,414**

*past one year in credit default

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

Trade receivables (Cont'd)

	Current	<------Past due			------>	Total
		1-30 days	31-60 days	61-90 days	> 90 days	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2022						
Gross trade receivables						
Animal feed and traditional medicine	-	-	-	-	961	961
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	53,431	-	-	-	20,393	73,824
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	RMB'000	RMB'000	**RMB'000**	RMB'000
By geographical areas				
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27 Financial risk management (Cont'd)

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	60,114	60,763	60,763	-

		----------------Contractual cash flows-----------		
The Company	**Carrying amount RMB'000**	**Total contractual cash flows RMB'000**	**Less than one year RMB'000**	**Within two to five years RMB'000**
At 31 March 2023				
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Financial liabilities				
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Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are dominated in foreign currencies.

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