UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda as an exempted company limited by shares)
(Company Registration No. 28925)

QUALIFIED OPINION BY INDEPENDENT AUDITOR ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of United Food Holdings Limited (the **"Company"**) wishes to announce that the independent auditor of the Company, Foo Kon Tan LLP, have included a 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 March 2020 (the **"Financial Statements"**).

Please refer to the attached copy of the Independent Auditor's Report together with an extract of Notes 2(a), 3, 10, 12, 13, 14 and 16 of the Notes to the Financial Statements.

The Company will issue its Annual Report 2020 which will contain the Financial Statements and the Independent Auditor's Report to its shareholders in due course. Shareholders are advised to read the Financial Statements set out in the Company's Annual Report 2020.

By Order of the Board

Song Yanan
Non-Executive Chairman

2 November 2020

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of United Food Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Company and the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Opening balance

Our audit opinion on the financial statements for the financial period ended 31 March 2019 ("FY2019") was qualified because of the following matters:

(a) we were unable to obtain audit evidence on the discontinued operations with a reported loss of RMB 17.1 million and the recorded gain of RMB 27.2 million on the disposal of the disposal group classified as held for sale in respect of the disposal of the Post-Ante Group for the financial period ended 31 March 2019; and

(b) we were unable to obtain audit evidence on the occurrence and accuracy of payroll expenses for redundant employees of RMB 3.4 million incurred by a subsidiary of the Group for the year ended 31 December 2017.

Item (b) above is considered to be resolved and dealt with during the current financial year ended 31 March 2020 as there is no consequential financial impact on the current financial year's results and/or on the comparability of the corresponding period for the current financial year then ended.

As for item (a) above, due to the modification of our opinion in FY2019 which referred to our limitation of audit scope regarding the lack of access to the books and records of the Post-Ante Group, our opinion on the current year's financial statements is qualified because of the possible effect of the comparability of the current year's figures and the corresponding figures.

Basis for Disclaimer of Opinion (Cont'd)

2. Impairment of non-financial assets

As fully disclosed in Note 10 to the financial statements, the Group acquired the Target Companies comprising 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 ("BM") in the previous financial period ended 31 March 2019 ("fiscal year 2019"). HBXR/BM holds a patent for the production of the L-Ascorbyl Palmitate (C-22H38O7) ("L-AP") or ("Antioxidant Product") while CDPR holds patents for the preparation of drugs for the prevention and treatment of livestock and poultry and other viral infection and diseases (or "Animal Feed and Traditional Medicine").

As fully disclosed in Notes 3 and 12 to the financial statements, the actual sales of the Antioxidant Product by HXBR for the year ended 31 March 2020 amounted to only RMB 129,000 which represented only 0.25% of the forecast revenue of RMB 52.7 million that was prepared in the financial period ended 31 March 2019 for the same period. Similarly, the actual sales of the Animal Feed and Traditional Medicine by CDPR for the year ended 31 March 2020 amounted to only RMB 192,000 which represented only 0.76% of the forecast revenue of RMB 25.2 million that was prepared in the financial period ended 31 March 2019 for the same period. Management had attributed the significantly lower actual sales and financial results of the Antioxidant product and the Animal Feed and Traditional Medicine to be mainly due to the lack of supply of gas or fuel by the local authorities directly to their factory plants at HBXR and CDPR for production as well as the adverse effects from the COVID-19 pandemic.

As discussed in Notes 12, 13 and 14 to the financial statements, management, assisted by an independent professional valuer ("Independent Valuer") has, carried out an impairment assessment of the Group's property, plant and equipment, right-of-use assets ("ROU assets") and intangible assets including patents as at 31 March 2020. The impairment assessment was performed on the respective cash generating units ("CGU") of the Group and management has determined the recoverable amount of the CGU based on value in use ("VIU") calculation. An impairment loss of RMB 3.2 million, RMB 14.2 million and RMB 63.3 million has been recognised on the carrying amounts of the Group's property, plant and equipment, ROU assets and patents respectively for the financial year ended 31 March 2020. The carrying amounts of the property, plant and equipment, ROU assets and intangible assets including patents after the impairment loss were RMB 2.7 million, RMB 8.7 million and RMB 64.5 million respectively as at 31 March 2020.

Basis for Disclaimer of Opinion (Cont'd)

2. Impairment of non-financial assets (Cont'd)

As discussed below, there exists significant uncertainties with respect to the accuracy and reliability of the assumptions and estimates that are used in the FY2021-FY2025 forecast (the "Forecast") prepared by management for the financial year ended 31 March 2020.

Given that HBXR and CDPR relies significantly on the supply of gas for its production process, the facts that no approval was granted by the local authorities during the financial year ended 31 March 2020 indicate that full-scale production of the Antioxidant Product and Animal Feed and Traditional Medicine cannot take place. For this matter, there is clear indication of little or no production at all during the year ended 31 March 2020. This matter has been discussed with the management and the Independent Valuer. The Forecast continues to be prepared based on the assumption that the installation and supply of gas by the local authorities would be completed in October 2020 based on management discussions. We were, however, not able to obtain sufficient appropriate audit evidence as to the outcome of the approval by the local authorities on the installation of the gas or the timing as to when the installation and commissioning of the gas would be completed as of the date of this report.

In addition, as explained below, due to incomplete records which management provided to us, we were unable to ascertain the veracity of the HBXR transactions regarding the recording of production.

On this premise, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the extent of the work performed by the Independent Valuer regarding the VIU calculation that was based on the Forecast in that:

(a) Reliability of the key assumptions to the Forecast

As further discussed in Note 12 to the financial statements, we are unable to obtain satisfactory explanations and clarifications from management as to the reasons for the significant variance in actual production output and sales performance of the Antioxidant Product and Animal Feed and Traditional Medicine for the year ended 31 March 2020 as compared to the management's forecast prepared in fiscal year 2019 for the same period. In particular, the production output of the Antioxidant Product in the 12-month forecast for the period ended 31 March 2020 was forecasted to be 216,000 kilograms ("kg"). However, the actual output for the year ended 31 March 2020 was only 939 kg.

In addition, the correctness of the historical data of the production of the Antioxidant Product for the financial year ended 31 March 2020 was not reviewed by the Independent Valuer. Instead, the Independent Valuer has limited its scope of work by taking the presumption that the historical data can be accepted and that the use of the key assumptions and estimates for the Forecast can be relied upon. Refer to the paragraph below in section 2(b) Impairment of assets – veracity of HBXR transactions.

Basis for Disclaimer of Opinion (Cont'd)

2. Impairment of non-financial assets (Cont'd)

(b) Veracity of HBXR transactions

Due to incomplete records which management provided to us, we were unable to ascertain the veracity of the HBXR transactions regarding the recording of production in that:

(i) despite production activities being carried out in the months of April 2019 to August 2019, there was no record of any Antioxidant Product being produced during this period.

(ii) in the months of September 2019 to December 2019, while the records showed a production output of the Antioxidant Product of approximately 939 kilograms ("kg") during this period, there was little production activity to support such output. No fuel or gas expenses were recorded as being incurred for the production and certain essential raw materials ingredients that are required for the Antioxidant Product were absent from the accounting records.

The explanation by the management is that there was an error in the recording of the transactions in regard to these matters. Notwithstanding the explanations, we were not provided with sufficient evidence as to any adjustments made to or the accuracy and completeness of the HBXR transactions.

3. Deferred tax liabilities

In FY2019, the deferred tax liabilities of the Group carried a sum of RMB 6.2 million in respect of the deferred tax liabilities on the differences between the fair values and book values of the leasehold buildings and land use rights when the Group acquired the Target Companies in that period (refer to Note 10 to the financial statements).

As fully discussed in the aforesaid paragraph in section 2 Impairment of non-financial assets of our report, we are unable to determine the extent of the impairment that may be required or the appropriateness of the carrying amounts of the Group's property, plant and equipment, ROU assets and intangible assets including patents as at 31 March 2020. Any adjustments to the carrying amounts of the leasehold buildings and land use rights would have a consequential financial impact on the carrying amount of the deferred tax liabilities of RMB 2.3 million on those assets as at 31 March 2020. Accordingly, we were unable to ascertain the appropriateness of the carrying amount of the deferred tax liabilities being reported on as at 31 March 2020.

4. Valuation of contingent consideration for acquisition of subsidiaries

As fully discussed in the aforesaid paragraph in section 2 Impairment of non-financial assets of our report, the impact of any impairment and the extent of the impairment would have caused the contingent consideration for acquisition of subsidiaries to be re-determined and recalculated in so far as the books and records are concerned; no adjustment to the contingent consideration was made in this respect. Due to the matters as discussed therein, we are unable to obtain sufficient appropriate audit evidence to ascertain the extent of the changes in the fair value gain on contingent consideration for acquisition of subsidiaries of RMB 16.8 million that was recognised in profit or loss for the year ended 31 March 2020 or to determine the appropriateness of the carrying amount of the contingent consideration for acquisition of subsidiaries of RMB 0.7 million (2019: RMB 17.5 million) as at that date. Consequently, we were unable to determine whether adjustments to the accompanying financial statements may be necessary.

Basis for Disclaimer of Opinion (Cont'd)

5. Recoverability of financial assets

(a) Recoverability of proceeds from disposal of Post-Ante Group

In FY2019, following the disposal of the Post-Ante Group in that financial period, the balance sales proceeds of RMB 15.0 million were due from the purchaser (the "Purchaser").

As fully disclosed in Note 16 to the financial statements, notwithstanding the partial repayments of RMB 3.5 million and RMB 0.5 million in April 2020, and October 2020 respectively made by the Purchaser that were received by the Group, and the intention of the Purchaser to repay the remaining sum of RMB 11.0 million to the Group in instalments from November 2020 to March 2021, we were unable to obtain the relevant financial and other information on the Purchaser to satisfy ourselves on the recoverability of the remaining proceeds of RMB 11.0 million that is due by the Purchaser. Consequently, we are unable to determine the possible adjustment to the financial statements that may be required for the financial year ended 31 March 2020.

(b) Recoverability of deposits and termination of short-term investment

In FY2019, there were two deposits paid to third parties for potential business acquisitions of RMB 35.0 million (paid to 深圳农畉食品开发集团有限公司 ("Nongfu")) and RMB 25.0 million (paid to 唐山市胜润生物科技有限公司 ("Tangshan")) totalling RMB 60.0 million that were carried forward to the books as at 31 March 2020. During the financial year ended 31 March 2020, the Group placed RMB 40.0 million as a short-term investment with a third party (惠州市康维健生物科技有限公司 ("Kangweijian")) to earn a reasonable return (refer to Note 16 to the financial statements).

Details of the deposits and the short-term investment are fully disclosed in Note 16 to the financial statements and are summarised in paragraphs 5(b)(i), (ii) and (iii) of this section below.

Subsequent to the financial year ended 31 March 2020, given the Covid-19 pandemic, the Company has decided to accelerate the recovery of all deposits. For the same reason, the Company has decided to terminate the short-term investment and to recover the full sum paid. Based on the information available to the Company including the valuation reports prepared by the potential investees and the commitment by the potential investees to repay the deposits and/or to convert the deposits into shares of the potential investees, management is of the view that the deposits and the short-term investments are recoverable and no impairment loss is necessary.

We are unable to accept the use of the valuation reports in determining the recoverability of the deposits paid for potential acquisitions. This is because we are unable to assess the appropriateness of the valuation reports prepared by the potential investees as there is no financial information available to us other than the valuation reports. Subsequent to the financial year ended 31 March 2020 and as of the date of this report, no funds have been received from these deposits or short-term investment. We were also not provided with the relevant and other financial information in respect of the recoverability of the deposits and short-term investment. Consequently, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the deposits and the short-term investment are recoverable.

Basis for Disclaimer of Opinion (Cont'd)

5. Recoverability of financial assets (Cont'd)

(b) Recoverability of deposits and termination of short-term investment (Cont'd)

(i) RMB 35.0 million deposit paid to 深圳农畉食品开发集团有限公司 ("Nongfu")

In respect of the RMB 35.0 million paid to Nongfu, the Group entered into an agreement with Nongfu on 28 November 2016 for a potential business acquisition. The agreement for potential business acquisition has expired in November 2019 with no extensions or renewal terms. Subsequent to the financial year ended 31 March 2020, given the Covid-19 pandemic, the Company has decided to accelerate the recovery of all deposits.

As fully discussed in Note 16 to the financial statements, Nongfu has indicated its intention to repay the full sum to the Group and/or convert the deposit into shares of Nongfu based on certain terms to be agreed with the Group.

The potential investee was valued at RMB 142.6 million based on a valuation report prepared as of 31 August 2020 by the investee.

(ii) RMB 25.0 million deposit paid to 唐山市胜润生物科技有限公司 ("Tangshan")

In respect of the RMB 25.0 million paid to Tangshan, the Group entered into an agreement with Tangshan on 18 December 2018 for a potential business acquisition. Subsequent to the financial year ended 31 March 2020, given the Covid-19 pandemic, the Company has decided to accelerate the recovery of all deposits.

As fully discussed in Note 16 to the financial statements, Tangshan has indicated its intention to repay the full sum to the Group and/or convert the deposit into shares of Tangshan based on certain terms to be agreed with the Group.

The potential investee was valued at RMB 151.0 million based on a valuation report prepared as of 30 June 2020 by the investee.

(iii) RMB 40.0 million short-term investment with 惠州市康维健生物科技有限公司 ("Kangweijian")

In respect of the short-term investment of RMB 40.0 million placed with Kangweijian during the financial year ended 31 March 2020, given the Covid-19 pandemic, the Company has decided to terminate and withdraw from the short-term investment and to recover the full sum paid.

As fully discussed in Note 16 to the financial statements, Kangweijian has indicated its intention to repay the full sum to the Group. The management is of the view that this short-term investment is recoverable on the basis that Kangweijian is valued at RMB 405.1 million as of 30 June 2020 based on a valuation report prepared by Kangweijian.

Basis for Disclaimer of Opinion (Cont'd)

6. Veracity, existence and completeness of bank balances

(a) Inability to obtain bank confirmations and bank statements

We are not able to obtain bank confirmations or witness the printing of bank statements at the banks' premises for two of the subsidiaries of the Group, Shenzhen Yi Kei Logistics Supply-chain Ltd or "SZYK" and Shenzhen Bao Yao Agricultural Products Ltd or "SZBY", for cash at banks amounting to RMB 24.7 million as at 31 March 2020 which are included in Group's cash and bank balances. This is because the bank accounts have been closed by management and the banks concerned have denied us the bank confirmations or to witness the printing of the bank statements at their banking premises.

The matter arising in so far concerned two banks and three bank accounts from two subsidiaries as follows:

- Account A held by SZYK, 惠州农村商业银行股份有限公司中心支行 ("Rural Commercial Bank"), bank account number XXXXXXXXX13112521 with a bank balance of RMB 24.7 million as at 31 March 2020),
- Account B held by SZBY, 惠州农村商业银行股份有限公司江南支行("Rural Commercial Bank"), bank account number XXXXXXXXX13114084 with a bank balance of RMB Nil as at 31 March 2020), and
- Account C held by SZBY, 广发银行股份有限公司惠阳支行 ("China Guangfa Bank"), bank account number XXXXXXXXXXX00100180 with a bank balance of RMB Nil as at 31 March 2020).

According to the management, Account A was closed on 10 July 2020, and Account B and C were both closed on 30 March 2020.

(b) Veracity of the bank statements and bank balances

We received the bank statements of Account A with Rural Commercial Bank from the management and noted anomalies on the bank statements of Account A as follows:

(i) management provided us with the bank statement of Account A with Rural Commercial Bank for the month of December 2019 that showed a report date ("报表日期") or printout date bearing a future date of 31 December 2020.

(ii) inconsistencies were noted concerning different bank statements report title and bank statements format in respect of Account A with Rural Commercial Bank in the months of September 2019, November 2019, December 2019, January 2020, March 2020 to June 2020.

Basis for Disclaimer of Opinion (Cont'd)

6. Veracity, existence and completeness of bank balances (Cont'd)

(b) Veracity of the bank statements and bank balances (Cont'd)

Notwithstanding the anomalies noted above, the management has advised that their employees had obtained the bank statements directly from the bank concerned, and any anomalies noted thereon could only be attributed to errors made by the bank, which, according to the management, was also affected by the effects of the Covid-19 pandemic as far as the controls and operations of the banks are concerned. In this regard, the management has provided to the Board and the Audit Committee a notarised declaration in the PRC dated 14 October 2020 by its employees that they had obtained directly from the bank the above bank statements. In addition, the Board and the Audit Committee have noted that these local or rural bank accounts have been closed and are now opened with a state-owned bank, China Construction Bank, which showed an account balance of RMB 24.0 million based on the bank statement with that bank as at 27 July 2020. Furthermore, the Audit Committee will be recommending a special investigation into the inconsistencies noted above in due course.

Due to a limitation of audit scope beyond the control of the management, because of the closure of the above-mentioned bank accounts and the denial of access by the banks to the historical records, the timing of obtaining the bank confirmations and the printing of the bank statements from these banks became impossible. Similarly, as explained in the preceding paragraph, we are unable to obtain satisfactory explanations and clarifications as to the aforesaid anomalies on the bank statements. We are also unable to perform the alternative procedures we consider necessary in this regard.

Consequently, we are unable to ascertain the veracity of the above-mentioned bank statements and existence and completeness of the bank balances totaling RMB 24.7 million and whether there are any facilities maintained with the banks which could have an impact on the financial statements and/or related information that require disclosure.

7. Going concern

As stated in Note 2(a) to the financial statements, the Group reported a net loss of RMB 96,173,000 (2019: net profit of RMB 62,091,000) for the financial year ended 31 March 2020. In addition, the Group also recorded a cash outflow from operating activities of RMB 18,928,000 (2019: cash outflow of RMB 4,564,000).

Basis for Disclaimer of Opinion (Cont'd)

7. Going concern (Cont'd)

Notwithstanding the above, the management believes that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 March 2020 is appropriate after taking into consideration the following factors:

- As at 31 March 2020, the Group has net current assets of RMB 119,180,000 (2019 - RMB 99,809,000) and net assets of RMB 195,528,000 (2019 - RMB 279,204,000), including cash and cash equivalents of RMB 27,140,000 (2019 - RMB 73,832,000);
- 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; and
- Management expects the monies to be collected from the return of the deposits paid for potential business acquisitions and the remaining proceeds due from the Purchaser as disclosed in Note 16 to the financial statements.
- The Group's Chairwoman and controlling shareholder, Ms Song Yanan, has on 25 October 2020, indicated her intention to the Board to support the Group's working capital requirements for the next 12 months after the reporting date.

Had adjustments been made to the financial statements in respect of the matters as fully explained in the aforesaid paragraphs in section 2 - Impairment of non-financial assets, section 5 Recoverability of financial assets, and section 6 Veracity, existence and completeness of bank balances of our report, the going concern assumption as used by the management may not be appropriate. No such adjustments have been made to these financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of Section 90 of the Companies Act 1981 of Bermuda and IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Professional Conduct and Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Matter

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Companies Act 1981 of Bermuda (the "Act") to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chang Fook Kay.

Foo Kon Tan LLP
Public Accountants
and Chartered Accountants

Singapore,
30 October 2020

Notes to the financial statements
for the financial period ended 31 March 2020

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including interpretations promulgated by the International Financial Reporting Interpretations Committee ("IFRIC") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below.

The consolidated financial statements are presented in Renminbi (RMB) to the nearest thousand, RMB'000. The functional currency of the Company is Hong Kong dollars. As the Group's businesses are traded mainly in RMB, the directors are of the view that a RMB financial reporting provides more relevant presentation of the Group's financial performance and cashflows.

All financial information has been presented in RMB, unless otherwise stated.

Going concern

The Group recorded a net loss amounting to RMB 96,173,000 (2019 - net profit of RMB 62,091,000) for the financial year ended 31 March 2020. In addition, the Group also recorded a cash outflow from operating activities of RMB 18,928,000 (2019 - cash outflow of RMB 4,564,000). This indicates the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

Notwithstanding the above, the management believes that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 March 2020 is appropriate after taking into consideration the following factors:

- As at 31 March 2020, the Group has net current assets of RMB 119,180,000 (2019 - RMB 99,809,000) and net assets of RMB 195,528,000 (2019 - RMB 279,204,000), including cash and cash equivalents of RMB 27,140,000 (2019 - RMB 73,832,000);
- Cash flow forecast is prepared for the next 12 months after year end which shows that sufficient cash flows will be generated from operations to pay liabilities when they are due based on the assumptions made by management; and
- Management expects the monies to be collected from the return of the deposits paid for potential business acquisitions and the remaining proceeds due from the Purchaser as disclosed in Note 16 to the financial statements; and
- The Chairwoman and executive director, Ms Song Yanan, has indicated her intention to provide financial support to the working capital of the Group for the next 12 months after the reporting date.

In the event the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.

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

Key sources of estimates uncertainty and significant judgements

The preparation of the financial statements in conformity with IFRS requires the management to exercise judgements in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are detailed below:

Significant judgements made in applying accounting policies

(i) Determination of functional currency

The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. These financial statements are presented in RMB, which is the functional and presentational currency of most of the Group entities. Notwithstanding that the functional currency of the Company is Hong Kong dollars, the financial statements of the Group and the Company have been presented in RMB in order to best represent the core business performance and its underlying exposures from an operational perspective as the Group carries out its production and trading operations in mainly RMB.

Determination of functional currency involves significant judgement and other companies may make different judgements based on similar facts. The functional currency of each of the group entities is principally determined by the primary economic environment in which the respective entity operates.

The Group reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in profit or loss. It also impacts exchange gains and losses included in the profit or loss.

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

(i) Useful lives and depreciation of property, plant and equipment and right-of-use assets (Notes 12 and 13)

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and right-of-use assets ("ROU assets"). Changes in the expected level of usage, maintenance programmes, and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment and ROU assets are disclosed in Notes 12 and 13 to the financial statements. A 5% difference in the estimated useful lives of property, plant and equipment from management's estimates will have no significant impact on the Group's profit for the year ended 31 March 2020.

(ii) Impairment of non-current assets (Notes 11, 12, 13 and 14)

Goodwill, property, plant and equipment, ROU assets and intangible assets are reviewed to determine whether there are any indications that the carrying value of these assets may not be recoverable and have suffered an impairment loss or indications that an impairment loss recognised in prior periods may no longer exist or may have decreased as at the end of the reporting period. If any such indication exists, the assets are tested for impairment. An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less costs of disposal and value-in-use. The recoverable amounts of these assets were based on the value-in-use calculation.

These valuations were performed by an independent professional valuer. The determination of the recoverable amounts includes use of unobservable inputs. Factors such as changes in discount rates, the presence of competition, technical obsolescence and lower-than-anticipated product sales could lead to shorter useful lives or impairment. Due to the inherent valuation uncertainty, those estimated recoverable amounts may differ significantly from actual results, and those differences could be material.

Details of impairment tests of patents, goodwill, property, plant and equipment and ROU assets are disclosed in Notes 11, 12, 13 and 14.

(iii) Valuation of inventories (Note 15)

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 are 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.

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 2020 would decrease/increase by approximately RMB 76,000 (2019 – RMB 76,000).

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

Key sources of estimation uncertainty (Cont'd)

(iv) Allowance for expected credit losses ("ECL") on trade and other receivables (Note 16)

Allowance for ECL of trade and other receivables and contract assets 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, existing market conditions as well as forward looking estimates including an adjustment for the impact of COVID-19, US-China trade tensions, and social unrest in Hong Kong. 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 uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

The Group and the Company apply the 3-stage general approach to determine ECL for non-trade amounts due from external parties and related parties. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward-looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.
The carrying amount of the Group's and the Company's trade and other receivables are disclosed in Note 16.

An ECL allowance of RMB 17,326,000 and RMB Nil (2019 - RMB 3,092,000 and nil) for trade and other receivables of the Group were recognised for the year ended 31 March 2020. A decrease of 10% in the estimated future cash inflows will not lead to further allowance for impairment on the Group's trade and other receivables.

(v) Fair value measurement of contingent consideration for acquisition of subsidiaries in a business combination (Notes 10 and 23)

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.

3 Revenue and other income

The Group	Note	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
Revenue			
Sales of food products ("Trading")		**13,068**	86,144
Sales of animal feed and traditional medicine		**192**	284
Sales of additives		**129**	2
Sales of L-AP related equipment		**16,437**	-
Provision of technical consultation services		**479**	-
Total		**30,305**	86,430
Other income			
Gain on disposal of subsidiary	7	**-**	27,178
Gain from bargain purchase	10	**-**	39,762
Fair value changes in contingent consideration	23	**16,831**	26,951
Others		**189**	347
Total		**17,020**	94,238

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

	At point in time RMB'000	Over time RMB'000	Total RMB'000
Year ended 31 March 2020			
Hong Kong			
- Sales of food products	**13,068**	**-**	**13,068**
Mainland China			
- Sales of animal feed and traditional medicine	**192**	**-**	**192**
- Sales of additives	**129**	**-**	**129**
- Sales of L-AP equipment	**16,437**	**-**	**16,437**
- Provision of technical consultation services	**-**	**479**	**479**
	29,826	**479**	**30,305**
Period from 1 January 2018 to 31 March 2019			
Hong Kong			
- Sales of food products	86,144	-	86,144
Mainland China			
- Sales of animal feed and traditional medicine	284	-	284
- Sales of additives	2	-	2
	86,430	-	86,430

The Group applies the practical expedient in IFRS 15 and does not disclose information about its remaining performance obligation as the performance obligation is part of contracts that have original expected duration of one year or less.

During the financial period ended 31 March 2019, the Group acquired an 80% interest in Chengde Purun Shengwu Zhiyao Co., Ltd. (承德普润生物制药有限公司) ("CDPR") which is in the business of manufacture, development and sale of animal feed with traditional Chinese medicine extracts (Refer to Note 10).

3 Revenue and other income (Cont'd)

The Group also acquired an 80% interest in Hebei Xingrun Shengwu Keji Gufen Co., Ltd. (河北兴润生物科技股份有限公司) and ("HBXR") and Benchmark Trade Limited ("BM") which are in the business of research, manufacture and sale of food and animal feed additives and cosmetics, and sale of medical equipment. The main product from HBXR is the production of an antioxidant, L-Ascorbyl Palmitate (C-22H38O7) ("L-AP"), which is widely used in various products such as edible oils, infant food products, cosmetics and feed additives for animal feed. L-AP is regularly used in the food industry as a natural preservative for edible oils, infant products, as well as high-fat foods such as nuts, potato chips, fried instant noodles, mayonnaise, margarine and fried snack foods. It is also used in the cosmetics industry as an ingredient in anti-aging and skin-lightening products. Pursuant to the Patent Licence Agreement with HBXR and Benchmark, HBXR granted Benchmark a licence to manufacture L-AP both inside and outside of the PRC, use of the know-how in connection with the Patent and to import and export products manufactured in connection with the Patent, for a period of 10 years.

CDPR, HBXR/BM are collectively in the agribusiness and animal feed operations in the PRC, and are involved in the development, manufacture and sale of animal feed and animal feed related products. These companies also conduct extensive research and development into bio-chemical related technologies, and the development, synthesis and sale of antioxidants.

10 Subsidiaries

The Company	**31 March 2020 RMB'000**	31 March 2019 RMB'000
Unquoted equity shares, at cost	**9**	9
Less: Impairment loss on net investment in subsidiaries	**-**	-
Net carrying value	**9**	9

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group **2020 %**	2019 %	Principal activities
Directly held by the Company				
Post-Ante Trading Limited *	British Virgin Islands	**-**	-	Investment holding
Brighten Ocean International Limited ("Brighten Ocean")	Hong Kong	**100**	100	Investment holding
Held by Post-Ante				
Globe Bright Limited ("GBL") *	Hong Kong	**-**	-	Provision of administrative services
Linyi Shengquan Grease Co., Ltd *	PRC	**-**	-	Production and sale of soybean meal and soybean oil and feed production
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	Trading of additives

10 Subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group 2020 %	2019 %	Principal activities
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	Trading of food products
Held by RTTL				
Shenzhen Hualitai Food Trading Co., Ltd	PRC	**80**	80	Trading of food products
Held by Yi Kei				
Shenzhen Yi Kei Logistics Supply-chain Limited	PRC	**100**	100	Logistics services
Held by GBL				
Linyi Jiang Tian Trading Limited *	PRC	**-**	-	Trading of food products
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 L-AP related 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

* Also known as the "Post-Ante" Group of companies which were disposed of in May 2018.

All subsidiaries of the Group except for the Post-Ante Group of entities that were disposed of in May 2018, as listed above, were audited by Foo Kon Tan LLP for consolidation purposes.

Acquisitions of subsidiaries during the financial period ended 31 March 2019

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"), had 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")

(CDPR, HBXR and BM are collectively, known as the "Target Companies")

The acquisition is 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 is the production of an antioxidant, L-AP (C-22H38O7), which is widely used in various products such as edible oils, infant food products, cosmetics and feed additives for animal feed.

10 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

The consideration was RMB 120,000,000 and was paid/payable in the following manner:

- A deposit of RMB 25,000,000;
- A cash consideration of RMB 10,000,000; and
- The balance purchase price of RMB 85,000,000 payable by way of the issuance of Bonds which are convertible subject to the terms of the SPA.

Out of the total purchase consideration of RMB 120 million, RMB 25 million was paid in cash during the year ended 31 December 2017, RMB 10 million is payable in cash to the vendors (Note 21) and the Bonds to be issue representing the balance purchase consideration is payable by way of RMB 85 million of Bonds to be issued. The Bonds are convertible into shares of the Company in accordance with the terms of the SPA.

The Bonds

The issue of S$17,359,338 (equivalent to approximately RMB 85,000,000 based on a fixed foreign exchange rate of S$1: RMB 4.8965 as at 4 October 2017) in aggregate principal amount of zero per cent. convertible bonds (the "Bonds") by United Food Holdings Limited (the "Issuer"), is pursuant to the Sale and Purchase Agreement ("SPA") dated 5 October 2017 (as the same may from time to time be amended, modified or supplemented) (the "Agreement") between the Issuer, the purchasers and the vendors as referred to in the Agreement. The Bonds do not bear any interest. The Bondholder may convert any Bond into conversion shares at any time during the 12-month period commencing on the first day of FY2021.

The "Conversion Shares" means ordinary shares of the Issuer. The conversion price will be subject to adjustment such as share consolidation or rights issues etc as stipulated in the SPA. 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 2019 and 2020 and as of the date of the report, no Bonds have been issued.

Management has 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 is 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 have provided a profit warranty of RMB 25 million each year over the next three financial years 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 Bond to be issued is equal to [(Actual profits/RMB 25 million) x RMB 28.333 million Bonds] subject to a maximum aggregate number of RMB 85 million of Bonds.

The Acquisition 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 by using an independent professional valuer.

10 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

Gain from bargain purchase for financial period ended 31 March 2019

The Group measured the fair value of the separately recognisable identifiable assets acquired and the liabilities assumed as at the acquisition date. The purchase consideration was lower than the fair value of the net assets acquired. The difference or gain from bargain purchase of RMB 39.8 million was recognised in the consolidated profit or loss for the financial period ended 31 March 2019.

The acquisition-date fair value of the patents acquired in the business combinations were determined by management with the assistance of an independent professional valuer. The fair values of the patents at the date of acquisition were calculated using the Multi-Period Excess Earnings Method or income approach that involves the use of forecast and discounted cash flows and applying the following factors, among others:

- One of the newly acquired patent involving the production of L-Ascorbyl Palmitate ("L-AP") or ("Antioxidant Product") is in its early stages of commencement in production and sales with no proven track record;
- Sales and the associated cost are forecasted on the assumption that the production capacity will be operating at between 50% and 100% over the remaining life of the patents of 10 to 13 years;
- Gross profit margin is estimated at between 45.51% to 78.07%;
- The long-term growth rate beyond the 5-year forecast period was estimated at 2.61%; and
- A discount rate of between 17.29% to 18.88% was used.

There is material uncertainty arising from the use of this method. This is mainly because one of the newly acquired patents involving the production of L-Ascorbyl Palmitate (L-AP) or antioxidant is in its early stages of commencement in production and sales with no proven track record. In addition, included in the forecast in arriving at the valuation of these patents at the acquisition date is the assumption that the patents are estimated to continue to produce and sell throughout the remaining life of the patents of between 10 to 13 years.

The gain from bargain purchase, fair value of consideration, fair value of identifiable assets acquired and liabilities assumed, and effect of cash flows are presented as follows:

The Group	31 March 2019 RMB'000
Net assets acquired (at date of acquisition, 30 September 2018)	
Patents	148,643
Land use rights	11,100
Property, plant and equipment	20,920
Trade receivables	1,811
Prepayment, deposits and other receivables	1,233
Inventories	1,505
Bank balances and cash	931
Trade payables	(508)
Other payables, deposits received and accruals	(20,506)
Tax receivables	306
Borrowings	(10,000)
Deferred tax liabilities	(6,440)
	148,995
Less: Non-controlling interest (NCI)	(29,763)
Less: Gain from bargain purchase	(39,762)
Total consideration for the acquisition of subsidiaries	79,470

10 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

Measurement of fair value

The Group	31 March 2019 RMB'000
Consideration for the acquisition of subsidiaries	
Cash paid (in FY2017 as deposits for potential acquisitions)	25,000
Cash payable to the vendors (Note 21)	10,000
Contingent consideration (Bonds to be issued) (Note 23)	44,470
Total consideration	79,470

Reason for the acquisition resulting in a gain from bargain purchase in period ended 31 March 2019
The acquisition and the purchase consideration was arrived at arm's length on a willing-buyer-willing-seller basis negotiation between the Group and the vendors, and after taking into account, among other factors, a 25% discount to the valuation of the sale shares as derived from the valuation report, the profit warranty provided by the vendors, the estimated trading price-earnings multiples of comparable companies as the Target Companies, the payment terms of the purchase consideration in which the Bonds are subject to adjustment mechanisms (as set out in the SPA) and subject to the achievement of the profit warranty, and the rationale and benefits for the proposed Acquisition. In addition, the vendors had intended for Benchmark to be incorporated outside the PRC to facilitate the vendors' global expansion plans for the Target Companies, including the licence and export of L-AP or L-AP-based products both in and outside of the PRC, through an entity that the vendors deemed will be more acceptable in most foreign jurisdictions. The vendors believed that such an arrangement was the most tax efficient structure for the business and for the owners of the business.

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 comprising the contingent consideration at RMB 44.5 million at the date of acquisition. 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, the estimated discount for lack of marketability ("DLOM") and the estimated share price.

The contingent consideration is 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. Refer to Note 23 for carrying amount of the contingent consideration as at 31 March 2019 and 2020.

Financial assets and financial liabilities
The carrying amounts of the financial assets and financial liabilities approximated their fair values at the acquisition date.

Non-controlling interests
The Group has elected to measure the non-controlling interests at the non-controlling interests' proportionate share of the subsidiaries' net identifiable assets.

Acquisition-related costs
Acquisition-related costs of consisting mainly of professional fees were recorded in the books of the Post-Ante Group of companies which were not considered to be material.

10 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

Revenue and profit contribution

For the six months ended 31 March 2019, the Target companies contributed revenue of RMB 286,000 and net loss of RMB 4,609,000 to the Group's results. If the acquisition had occurred on 1 January 2018, the consolidated revenue would have been RMB 87,847,000, and consolidated profit for the 15-month period ended 31 March 2019 would have been RMB 55,462,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition had occurred on 1 January 2018.

Summarised financial information in respect of the Group's subsidiaries that have non-controlling interest

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 2020			
Revenue	**13,068**	**17,045**	**192**
Loss for the year	**(14,994)**	**(59,477)**	**(41,188)**
Other comprehensive loss	**(65)**	**-**	**-**
Total comprehensive loss	**(15,059)**	**(59,477)**	**(41,188)**
Attributable to NCI:			
Loss for the year	**(2,999)**	**(11,931)**	**(8,238)**
Other comprehensive loss	**(13)**	**-**	**-**
Total comprehensive loss attributable to NCI	**(3,012)**	**(11,931)**	**(8,238)**
Non-current assets	**-**	**58,800**	**17,100**
Current assets	**55,514**	**16,616**	**1,892**
Non-current liabilities	**-**	**-**	**(10,000)**
Current liabilities	**(60,855)**	**(23,670)**	**(17,869)**
Net (liabilities)/assets	**(5,341)**	**51,746**	**(8,877)**
Net (liabilities)/assets attributable to NCI:	**(1,068)**	**10,303**	**(1,775)**
Net cash outflow from operating activities	**(9,712)**	**(5,351)**	**(545)**
Net cash inflow from investing activities	**-**	**-**	**17**
Net cash inflow from financing activities	**9,812**	**5,343**	**558**
Net changes in cash and cash equivalents	**100**	**(8)**	**30**

	RTTL Group RMB'000	HBXR/BM RMB'000	CDPR RMB'000
Financial period ended 31 March 2019			
Revenue	86,144	2	284
Profit/(Loss) for the year	3,751	(7,441)	(3,592)
Other comprehensive income ("OCI")	(445)	-	-
Total comprehensive income/(loss)	3,306	(7,441)	(3,592)
Attributable to NCI:			
Profit/(Loss) for the year	751	(344)	(718)
Other comprehensive income ("OCI")	(89)	-	-
Total comprehensive income/(loss) attributable to NCI	662	(344)	(718)

10 Subsidiaries (Cont'd)

Acquisitions of subsidiaries during the financial period ended 31 March 2019 (Cont'd)

Non-current assets	2	113,457	59,386
Current assets	62,896	7,345	2,632
Current liabilities	(52,833)	(15,364)	(30,526)
Net assets	10,065	105,438	31,492
Net assets attributable to NCI:	2,013	21,088	6,298
Net cash (outflow)/inflow from operating activities	(40,170)	(496)	412
Net cash outflow from investing activities	-	(226)	-
Net cash inflow/(outflow) from financing activities	39,231	-	(582)
Net changes in cash and cash equivalents	(939)	(722)	(170)

12 Property, plant and equipment

The Group	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Construc-tion in progress RMB'000	Total RMB'000
Cost					
At 1 January 2018	-	-	3	-	3
Additions	-	226	-	-	226
Acquisition of subsidiaries	13,500	6,947	32	441	20,920
At 31 March 2019	13,500	7,173	35	441	21,149
Adoption of IFRS 16 (Note 2(b)):					
- Reclassification to right-of-use assets (Note 13)	**(13,500)**	**-**	**-**	**-**	**(13,500)**
At 1 April 2019	**-**	**7,173**	**35**	**441**	**7,649**
Additions	**-**	**13**	**7**	**-**	**20**
Disposal	**-**	**(242)**	**-**	**-**	**(242)**
At 31 March 2020	**-**	**6,944**	**42**	**441**	**7,427**
Accumulated depreciation and impairment					
At 1 January 2018	-	-	-	-	-
Depreciation for the period	568	426	7	-	1,001
At 31 March 2019	568	426	7	-	1,001
Adoption of IFRS 16 (Note 2(b)):					
- Reclassification to right-of-use assets (Note 13)	**(568)**	**-**	**-**	**-**	**(568)**
At 1 April 2019		**426**	**7**	**-**	**433**
Depreciation for the year	**-**	**1,080**	**14**	**-**	**1,094**
Disposal	**-**	**(54)**	**-**	**-**	**(54)**
Impairment loss for the year	**-**	**2,926**	**13**	**285**	**3,224**
At 31 March 2020	**-**	**4,378**	**34**	**285**	**4,697**
Comprising:					
- Accumulated depreciation	-	1,452	21	-	1,473
- Accumulated impairment loss	-	2,926	13	285	3,224
Net book value					
At 31 March 2020	**-**	**2,566**	**8**	**156**	**2,730**
At 31 March 2019	12,932	6,747	28	441	20,148

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, patents and land use rights (Cont'd)

As at 31 March 2019, the net book value of leasehold buildings of the Group amounted RMB 12,932,000. Due to the adoption of IFRS 16, leasehold buildings are reclassified to right of use assets amounted RMB 12,932,000 for the financial year ended 31 March 2020. Please refer to Note 13 for disclosure.

Impairment tests for property, plant and equipment, right-of-use assets (Note 13) and patents (Note 14)
As fully disclosed in Note 10 to the financial statements, the Group acquired the Target Companies comprising 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 ("BM") in the previous financial period ended 31 March 2019 ("fiscal year 2019"). HBXR/BM holds a patent for the production of the L-Ascorbyl Palmitate (C-22H38O7) ("L-AP") or ("Antioxidant Product") while CDPR holds patents for the preparation of drugs for the prevention and treatment of livestock and poultry and other viral infection and diseases (or "Animal Feed and Traditional Medicine").

During the financial year, management, assisted by an independent professional valuer ("Independent Valuer"), carried out a review of the recoverable amount of its property, plant and equipment, right-of-use assets and patents attributable to the related CGUs. The impairment assessment was performed on the respective cash generating units ("CGU") of the Group and management has determined the recoverable amount of the CGU based on value in use ("VIU") calculation. An impairment loss of RMB 3,224,000, RMB 14,172,000 and RMB 63,267,000 (2019 – Nil) was recognised on the carrying amounts of the Group's property, plant and equipment, ROU assets and patents respectively for the year ended 31 March 2020 ("FY2020"). The impairment loss on these plant and equipment is recognised within "other expenses" in profit or loss.

HBXR sales
The sales of the Antioxidant Product by HBXR for the year ended 31 March 2020 amounted to RMB 129,000 which represented 0.25% of the forecast revenue of RMB 52.7 million that was prepared in the financial period ended 31 March 2019 for the same period. The actual production for the year ended 31 March 2020 was only 0.9 tonnes or 0.4% of the forecast production capacity for the same period, representing a 99.6% decrease from the forecast production capacity of 216 tonnes per annum. The Group incurred a gross loss of RMB 1.2 million (excluding sales of L-AP production equipment of RMB 16.4 million) for the year ended 31 March 2020 as compared to a forecast gross profit margin of RMB 41.1 million. In addition, the actual average selling price of the Antioxidant Product for the year ended 31 March 2020 was 33.6% lower when compared to management's forecast for the same period. While the forecast production of the Antioxidant Product was 216,000 kg for a 12-month period or 18,000 kg per month, the actual output for the year ended 31 March 2020 was only 939 kg.

CPDR Sales
The sales of the Animal Feed and Traditional Medicine by CDPR for the year ended 31 March 2020 amounted to RMB 192,000 which represented 0.76% of the forecast revenue of RMB 25.2 million that was prepared in the financial period ended 31 March 2019 for the same period. The actual production of the Animal Feed and Traditional Medicine for the year ended 31 March 2020 was 16 tonnes or 0.7% of the forecast production capacity for the same period, representing a 99.3% decrease from the forecast production capacity of 2,225 tonnes per annum. The Group incurred a gross profit of RMB 21,000 for the year ended 31 March 2020 as compared to a forecast gross profit margin of RMB 893,000 in respect of CDPR's operations. In addition, the actual average selling price of the Animal Feed and Traditional Medicine for the year ended 31 March 2020 was 96.1% lower when compared to management's forecast for the same period.

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, patents and land use rights (Cont'd)

Subsequent to the financial year ended 31 March 2020, there were no production or sales of the Antioxidant Product and Animal Feed and Traditional Medicine products since that date and as of 30 September 2020. There were also no customers' orders or sales contract entered into with customers after 31 March 2020, and as of 30 September 2020. This is because that there is a lack of supply of gas or fuel by the local authorities directly to their factory plants for production.

According to a public notice dated 31 August 2020, the local authorities plan to implement the construction of a natural gas network in the industrial zone in which the Group operates. The construction is targeted to be completed by the end of October 2020. In this regard, management has written to the local authorities for the approval to install and supply the gas directly to the factory plants and expects the local authorities to approve and complete the installation and supply of gas in October 2020.

Accordingly, Management had attributed the significantly lower actual sales and financial results of the Antioxidant product and the Animal Feed and Traditional Medicine to be mainly due to the lack of supply of gas or fuel by the local authorities directly to their factory plants at HBXR and CDPR for production as well as the adverse effects from the COVID-19 pandemic.

There was an error in the recording of the transactions in regard to the production of HBXR for the year ended 31 March 2020 due to incomplete records. Based on the accounting records of HBXR, despite production activities being carried out in the months of April 2019 to August 2019, there was no record of any Antioxidant Product being produced during this period. In addition, from the months of September 2019 to December 2019, while the records showed a production output of the Antioxidant Product of approximately 939 kilograms ("kg") during this period, there was little production activity to support such output. No fuel or gas expenses were recorded as being incurred for the production and certain essential raw materials ingredients that are required for the Antioxidant Product were absent from the accounting records.

The VIU calculation prepared by management was based on a five-year forecast from the financial years ending 31 March 2021 to 2025 ("FY2021-FY2025") (the "Forecast") which included the following key assumptions and estimates:

- projected production output, selling unit price, projected revenue and gross margins for the production of the Antioxidant Product and Animal Feed and Traditional Medicine in determining the recoverable amount of the property, plant and equipment, ROU assets and intangible assets including patents;
- the expected installation of the gas or fuel directly to the production plants of HBXR and CDPR from October 2020 for the production of the Antioxidant product and Animal Feed by the local authorities in the People's Republic of China ("PRC"); and
- the use of the terminal value instead of the average useful life of these assets in deriving the future discounted cash flows in determining the recoverable amount of the property, plant and equipment and ROU assets.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, patents and land use rights (Cont'd)

For the purpose of impairment testing assessment, the following are the cash generating units ("CGUs") as determined by the management:

CGUs	Entities
- Additive segment	HBXR/BM
- Animal feed and traditional medicine segment	CDPR
- Food trading products segment	RTTL

Additive segment (HBXR/BM)

Key assumptions used for value-in-use calculations:

	31 March 2020	31 March 2019
Additive segment		
Revenue forecast:	**Year 1: RMB 3.2 million**	Year 1: RMB 52.7 million
- L-AP patented product sales	**Year 2: RMB 19.3 million**	Year 2: RMB 59.7 million
	Year 3: RMB 21.9 million	Year 3: RMB 63.2 million
	Year 4: RMB 24.6 million	Year 4: RMB 66.7 million
	Year 5: RMB 29.2 million	Year 5: RMB 70.2 million
Growth rate[1]	**2.56**%	2.61%
Gross margin[2]	**73.97%**	75.77%
Discount rate[3]	**20.24%**	20.61%
Production capacity utilisation rates (over a 5-year forecast period)	**5.00%-45.00%**	75.00 – 100.00%

1 Weighted average growth rate used to extrapolate cash flows beyond the budget period.
2 Budgeted average gross margin.
3 Pre-tax discount rate applied to the pre-tax cash flow projections.

Additive segment (HBXR/BM) (Cont'd)

The impairment loss represents the write-down of certain assets in the Addictive segment to their recoverable amount as a result of the adverse effects from the Covid-19 pandemic as well as the lack of supply of gas by the local authorities for production purposes.

The Group	31 March 2020 RMB'000	31 March 2019 RMB'000
Recoverable amount	**58,800**	186,773
Carrying amount:		
Intangible assets	**(101,333)**	(113,025)
Property, plant and equipment	**(3,271)**	(492)
ROU assets	**(3,424)**	-
(Impairment)/Surplus	**(49,228)**	73,256

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, patents and land use rights (Cont'd)

Sensitivity analysis:
Reasonably possible changes at the reporting date to one of the relevant valuation assumptions, holding other assumptions constant, would have affected the value-in-use by the amounts shown below.

31 March 2020	**Increase RMB'000**	**Decrease RMB'000**
Revenue forecast (5% movement)	**3,300**	**(3,200)**
Discount rate (1% movement)	**(4,600)**	**5,500**

Animal feed and traditional medicine segment (CDPR)

Key assumptions used for value-in-use calculations:

	31 March 2020	31 March 2019
Animal Feed and Traditional Medicine segment		
Revenue forecast	**Year 1: RMB 0.5 million**	Year 1: RMB 25.2 million
	Year 2: RMB 14.3 million	Year 2: RMB 40.9 million
	Year 3: RMB 18.4 million	Year 3: RMB 49.0 million
	Year 4: RMB 20.7 million	Year 4: RMB 51.8 million
	Year 5: RMB 24.0 million	Year 5: RMB 53.4 million
Growth rate[1]	**2.56%**	2.61%
Gross margin[2]	**41.42%**	46.23%
Discount rate[3]	**19.15%**	17.75%
Production capacity utilisation rates (over a 5-year forecast period)	**1.00%-45.00%**	50.00% - 100.00%

1 Weighted average growth rate used to extrapolate cash flows beyond the budget period.
2 Budgeted average gross margin.
3 Pre-tax discount rate applied to the pre-tax cash flow projections.

The impairment loss represents the write-down of certain assets in the Animal Feed and Traditional Medicine segment to their recoverable amount as a result of the adverse effects from the Covid-19 pandemic as well as the lack of supply of gas by the local authorities for production purposes.

The Group	**31 March 2020 RMB'000**	31 March 2019 RMB'000
Recoverable amount	**17,200**	77,478
Carrying amount:		
Intangible assets	**(26,441)**	(39,672)
Property, plant and equipment	**(2,682)**	(19,656)
ROU assets	**(19,512)**	-
(Impairment)/Surplus	**(31,435)**	18,150

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, patents and land use rights (Cont'd)

Animal Feed and Traditional Medicine segment (CDPR) (Cont'd)

Sensitivity analysis:
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the value-in-use by the amounts shown below.

31 March 2020	Increase RMB'000	Decrease RMB'000
Revenue forecast (5% movement)	1,200	(1,300)
Discount rate (1% movement)	(1,700)	2,000

The estimated recoverable amount of the CGU exceeded its carrying amount and management has identified that a 1% increase in the discount rate or a 5% decrease in the revenue forecast may not reduce the recoverable amount (for impairment assessment) below the carrying amount of the property, plant and equipment, patents and land use rights at the reporting date at 31 March 2019.

The leasehold buildings of the Group as at 31 March 2019 comprise:

Location	Tenure	Unexpired lease term (year)	Existing use	Gross floor area (sq. metres)
Dongyaoshangcun Luanping County, Chengde, Hebei, China 滦平县大屯乡东窑上村	Leasehold	44 years	Industrial	9,088

As at 31 March 2019, the carrying amount of leasehold buildings of the Group which have been pledged to financial institutions to secure bank facilities was as follows:

Carrying amount	Note	Gross floor area (sq. metres)	31 March 2019 RMB'000
滦平县大屯乡东窑上村: 滦平县房权证 11003 子第 113080 号	22	9,088	12,932

13 Right-of-use assets

The Group	Leasehold buildings RMB'000	Land use rights RMB'000	Total $'000
Cost			
Adoption of IFRS 16 (Note 2(b)):			
- Reclassification from property, plant and equipment (Note 12)	13,500	-	13,500
- Reclassification from intangible assets (Note 14)	-	11,100	11,100
At 1 April 2019	**13,500**	**11,100**	**24,600**
Additions	**-**	**-**	**-**
At 31 March 2020	**13,500**	**11,100**	**24,600**
Accumulated amortisation and impairment losses			
Adoption of IFRS 16 (Note 2(b)):			
- Reclassification from property, plant and equipment (Note 12)	568	-	568
- Reclassification from intangible assets (Note 14)	-	90	90
At 1 April 2019	**568**	**90**	**658**
Amortisation for the year	**824**	**282**	**1,106**
Impairment loss for the year	**7,173**	**6,999**	**14,172**
At 31 March 2020	**8,565**	**7,371**	**15,936**
Comprising:			
- Accumulated depreciation	1,392	372	1,764
- Accumulated impairment loss	7,173	6,999	14,172
Net book value			
At 31 March 2020	**4,935**	**3,729**	**8,664**
At 1 April 2019	12,932	11,010	23,942

Details of the leasehold building in the Group's right-of-use assets ("ROU assets") as at 31 March 2020 are as follows:

Location	Tenure	Unexpired lease term (year)	Existing use	Gross floor area (sq. metres)
Dongyaoshangcun Luanping County, Chengde, Hebei, China 滦平县大屯乡东窑上村	Leasehold	43 years	Industrial	9,088

Details of the land use rights in the Group's ROU assets as at 31 March 2020 are as follows:

Location	Tenure	Unexpired lease term (year)	Existing use	Land area (sq. metres)
Dongyaoshangcun Luanping County, Chengde, Hebei, China 滦平县大屯乡东窑上村	Leasehold	44 years	Industrial	26,404

Refer to Note 12 for impairment assessment of ROU assets.

13 Right-of-use assets (Cont'd)

As at the end of the reporting period, the carrying amount of leasehold buildings and land use rights of the Group which have been pledged to financial institutions to secure bank facilities was as follows:

Carrying amount	Note	31 March 2020 RMB'000
Leasehold buildings (9,088 sq.m. gross floor area)		
滦平县大屯乡东窑上村: 滦平县房权证 11003 子第 113080 号	22	**11,516**
Land use rights (26,404 sq.m. land area)		
滦平县大屯乡东窑上村: 滦国用（2013）第 0117 号	22	**9,990**

14 Intangible assets

The Group	Land use rights RMB'000	Patents RMB'000	Total $'000
Cost			
At 1 January 2018	-	**-**	
Additions	-	-	
Acquisition of subsidiaries	11,100	148,643	159,743
At 31 March 2019	11,100	148,643	159,743
Adoption of IFRS 16 (Note 2(b)):			
- Reclassification to right-of-use assets (Note 13)	**(11,100)**	**-**	**(11,100)**
At 1 April 2019	**-**	**148,643**	**148,643**
Additions	**-**	**-**	**-**
At 31 March 2020	**-**	**148,643**	**148,643**
Accumulated amortisation and impairment losses			
At 1 January 2018	-	-	-
Amortisation for the period	90	6,956	7,046
At 31 March 2019	90	6,956	7,046
Adoption of IFRS 16 (Note 2(b)):			
- Reclassification to right-of-use assets (Note 13)	**(90)**	**-**	**(90)**
At 1 April 2019	**-**	**6,956**	**6,956**
Amortisation for the year	**-**	**13,913**	**13,913**
Impairment loss for the year	**-**	**63,267**	**63,267**
At 31 March 2020	**-**	**84,136**	**84,136**
Comprising:			
- Accumulated depreciation	-	20,869	20,869
- Accumulated impairment loss	-	63,267	63,267
Net book value			
At 31 March 2020	**-**	**64,507**	**64,507**
At 31 March 2019	11,010	141,687	152,697

Patents relate to the following:

(a) Preparation of drugs for the prevention and treatment of livestock and poultry and other viral infection and diseases which are held by CDPR; and

(b) Production of the additive L-Ascorbyl Palmitate ("L-AP") or antioxidant which are held by HBXR/BM.

Refer to Note 12 for impairment assessment of intangible assets and ROU assets.

14 Intangible assets (Cont'd)

Details of the land use rights in the Group's intangible assets as at 31 March 2019 are as follows:

Location	Tenure	Unexpired lease term (year)	Existing use	Land area (sq. metres)
Dongyaoshangcun Luanping County, Chengde, Hebei, China 滦平县大屯乡东窑上村	Leasehold	45 years	Industrial	26,404

As at the end of the reporting period, land use rights of land area 26,404 square metres ("sqm") (have been pledged to financial institutions to secure banking facilities:

Carrying amount	Note	Land area (sq. metres)	31 March 2019 RMB'000
滦平县大屯乡东窑上村: 滦国用（2013）第 0117 号	22	26,404	11,010

16 Trade and other receivables

	The Group		The Company	
	31 March 2020 RMB'000	31 March 2019 RMB'000	**31 March 2020 RMB'000**	31 March 2019 RMB'000
Trade receivables	**31,694**	17,747	**-**	-
Less: Expected credit loss allowance				
- At 1 April	**(3,092)**	-	**-**	-
- Impairment loss	**(13,822)**	(3,092)	**-**	-
- Write-off	**72**	-	**-**	-
- Foreign exchange differences	**(484)**	-	**-**	-
- At 31 March	**(17,326)**	(3,092)	**-**	-
Trade receivables – net	**14,368**	14,655	**-**	-
Other receivables (Note A)	**24,209**	17,253	**15,116**	15,109
Prepayment	**1,363**	387	**-**	-
Deposits* (Note B)	**102,194**	70,100	**579**	-
VAT receivable	**-**	381	**-**	-
Total other receivables	**127,766**	88,121	**15,695**	15,109
Total trade and other receivables	**142,134**	102,776	**15,695**	15,109

Trade receivables are non-interest bearing and are generally on 0 to 90 (2019 - 0 and 90) days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. As at 1 January 2018, the Group's gross trade receivables from contracts with customers due from non-related parties amounted to RMB 11,695,000.

Note (A)
Other receivables at 31 March 2020 include an RMB 15.0 million (2019 – RMB 15.0 million) consideration receivable from the purchaser on the disposal of the Disposal group classified as held for sale net of expected credit loss.

16 Trade and other receivables (Cont'd)

Note (A) (Cont'd)
The balance sales proceeds of RMB 15.0 million (2019: RMB 15.0 million) are receivable from a purchaser (the "Purchaser") following the disposal of the Post-Ante Group since the financial period ended 31 March 2019. Subsequent to the financial year ended 31 March 2020, on 13 April 2020 and 14 April 2020, an aggregate amount of RMB 3.5 million was received from the purchaser.

Based on a letter dated 9 October 2020 by the Purchaser to the Group, the Purchaser has confirmed the remaining debt of RMB 11.5 million (after cash repayments of RMB 3.5 million in April 2020 that was made by the Purchaser) that was owed to the Group as of the date of that letter.

The Purchaser has stated that it plans to repay the debt in instalment payments as follows:

Date	Amount RMB'000
30 November 2020	**1,500**
December 2020	**3,500**
January 2021	**2,000**
February 2021	**2,500**
March 2021	**2,000**
Total	**11,500**

A further RMB 0.5 million was received from the Purchaser on 26 October 2020. The amount owing by the Purchaser as of this date is RMB 11.0 million.

For purpose of impairment assessment, the other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on them since initial recognition. Accordingly, for the purpose of impairment assessment for them, the loss allowance is measured at an amount equal to 12-month ECL.

Note (B)
In FY2019, there were two deposits paid to third parties for potential business acquisitions of RMB 35.0 million (paid to 深圳农畉食品开发集团有限公司 ("Nongfu")) and RMB 25.0 million (paid to 唐山市胜润生物科技有限公司 ("Tangshan")) totalling RMB 60.0 million that were carried forward to the books as at 31 March 2020. During the financial year ended 31 March 2020, the Group placed RMB 40.0 million as a short-term investment with a third party (惠州市康维健生物科技有限公司 ("Kangweijian")) for short-term investments to earn a reasonable return. Subsequent to the financial year ended 31 March 2020, given the Covid-19 pandemic, the Company has decided to accelerate the recovery of all deposits. For the same reason, the Company has decided to terminate the short-term investment and to recover the full sum paid.

Based on the information available to the Company including the valuation reports prepared by the potential investees and the commitment by the potential investees to repay the deposits and/or to convert the deposits into shares of the potential investees, management is of the view that the deposits and the short-term investments are recoverable and no impairment loss is necessary.

(a) RMB 35.0 million deposit paid to 深圳农畉食品开发集团有限公司 ("Nongfu")

In respect of the RMB 35.0 million paid to Nongfu, the Group entered into an agreement with Nongfu in November 2016 for a potential business acquisition. The agreement for potential business acquisition has expired in November 2019 with no extensions or renewal terms. Subsequent to the financial year ended 31 March 2020, given the Covid-19 pandemic, the Company has decided to accelerate the recovery of all deposits.

16 Trade and other receivables (Cont'd)

Note (B) (Cont'd)

(a) RMB 35.0 million deposit paid to 深圳农畉食品开发集团有限公司 ("Nongfu") (Cont'd)
Based on a letter dated 9 October 2020 by Nongfu to the Group, Nongfu has confirmed the receipt of the deposit of RMB 35.0 million from the Group as of the date of that letter. As stated in that letter, further to the investment agreement, Nongfu is still desirable to enter into a partnership with the Group but it is currently facing tight cash flows owing to the adverse effects of the Covid-19 pandemic. It is envisaged that the aforesaid deposit would be converted into shares of Nongfu for the mutual benefit and future cooperation of both parties in the fourth quarter of 2020.

The potential investee was valued at RMB 142.6 million based on a valuation report prepared as of 31 August 2020 by the investee. No monies have been received from Nongfu as of the date of these financial statements.

(b) RMB 25.0 million deposit paid to 唐山市胜润生物科技有限公司 ("Tangshan")
In respect of the RMB 25.0 million paid to Tangshan, the Group entered into an agreement with Tangshan in December 2018 for a potential business acquisition. Subsequent to the financial year ended 31 March 2020, given the Covid-19 pandemic, the Company has decided to accelerate the recovery of all deposits.

Based on a letter dated 8 October 2020 by Tangshan to the Group, Tangshan has confirmed the receipt of the deposit of RMB 25.0 million from the Group as of the date of that letter. As stated in that letter, notwithstanding the current adverse economic climate, Tangshan has expressed the desire to cooperate with the Group on the continuing partnership with the Group's potential investment in Tangshan, and Tangshan would be assisting the Group in completing the necessary industrial and commercial registration in the share capital of Tangshan by 31 December 2020. However, in the event of any unforeseen events or circumstances whereby the investment by the Group into Tangshan cannot be realised, Tangshan undertakes to repay the entire deposit of RMB 25.0 million by the middle of 2021.

The potential investee was valued at RMB 151.0 million based on a valuation report prepared as of 30 June 2020 by the investee. No monies have been received from Tangshan as of the date of these financial statements.

(c) RMB 40.0 million short-term investment in 惠州市康维健生物科技有限公司 ("Kangweijian")
During the financial year ended 31 March 2020, the Group placed RMB 40.0 million as a short-term investment with a third party (惠州市康维健生物科技有限公司 ("Kangweijian")) to earn a reasonable return. Subsequent to the financial year ended 31 March 2020, given the Covid-19 pandemic, the Company has decided to terminate the short-term investment and to recover the full sum paid.

Based on a letter dated 23 October 2020 by Kangweijian to the Group, Kangweijian has confirmed that it has received the short-term investment monies of RMB 40.0 million from the Group in March 2020. As stated in the letter, although Kangweijian has a market value of between RMB 500 million to RMB 1 billion and its business operations are not significantly affected by the Covid-19 pandemic, it nevertheless, is currently facing tight cashflows. In this regard, Kangweijian has expressed its desire to cooperate with the Group on the continuing partnership on the Group's short-term investment in Kangweijian. Kangweijian has also indicated its intention to repay the short-term investment to the Group in the first quarter of 2021.

16 Trade and other receivables (Cont'd)

Note (B) (Cont'd)

(c) RMB 40.0 million short-term investment in 惠州市康维健生物科技有限公司 ("Kangweijian") (Cont'd)

Management is of the view that it can recover the short-term investment as it has been provided a valuation report of Kangweijian showing a valuation of RMB 405.1 million prepared as of 30 June 2020 by Kangweijian. No monies have been received from Kangweijian as of the date of these financial statements.

(d) Trade and other deposits

The deposits have been assessed to be placed with counterparties that are creditworthy and accordingly, no allowance for non-recovery of these deposits is required.

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	31 March 2020 RMB'000	31 March 2019 RMB'000	**31 March 2020 RMB'000**	31 March 2019 RMB'000
Hong Kong dollar	**14,171**	14,030	**695**	109
Renminbi	**127,963**	88,746	**15,000**	15,000
	142,134	102,776	**15,695**	15,109

The ageing analysis of trade receivables is as follows:

The Group	**31 March 2020 RMB'000**	31 March 2019 RMB'000
Not past due	**96**	2,623
Past due 1 to 30 days	**1**	1,159
Past due 31 to 60 days	**-**	5,150
Past due 61 to 90 days	**63**	3,505
Past due more than 90 days	**14,208**	2,218
	14,368	14,655

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