



UNITED FOOD HOLDINGS LIMITED
聯合食品控股有限公司

Venturing onto **New Directions**

Annual Report 2020



CONTENTS

01

Our Core
Business

01

Organisation
Chart

02

Chairman's
Message

04

Financial
Highlights

06

Management
Discussion and
Analysis

09

Board of
Directors

11

Key
Management

12

Corporate
Information

13

Corporate
Governance

33

Financial Contents/
Financial Calendar

126

Statistics Of
Shareholdings

128

Notice Of Annual
General Meeting

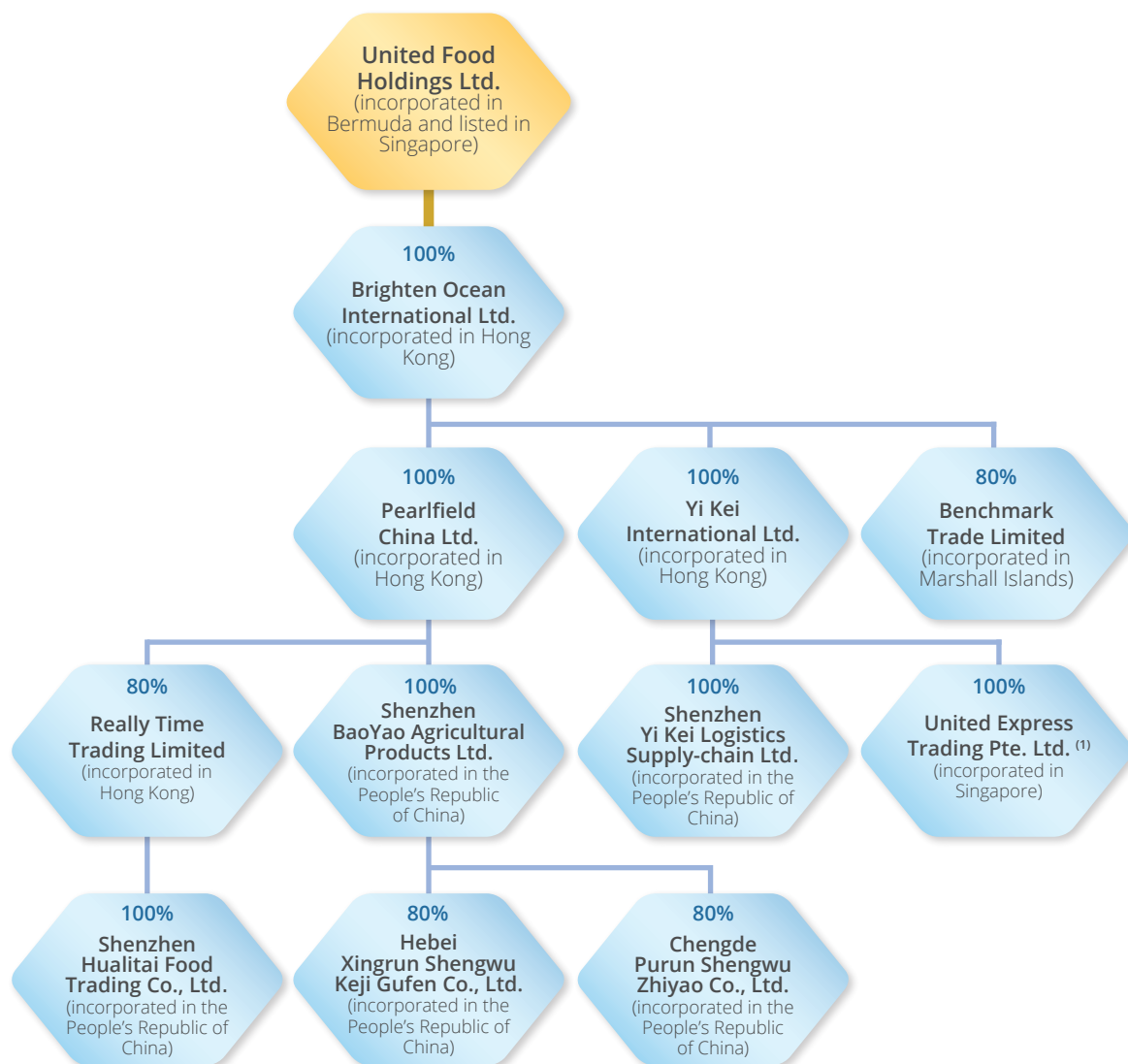


OUR CORE BUSINESS

United Food Holdings Limited (the "Company") was incorporated in Bermuda on 14 August 2000 and its shares were listed on the Main Board of the Singapore Exchange Securities Trading Limited on 26 March 2001.



The organisation chart of the Company and its subsidiaries (the "Group") is shown as follows:



(1) United Express Trading Pte. Ltd. was incorporated on 6 June 2019

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

On behalf of the Board of Directors ("the Board") of United Food Holdings Limited (the "Company" or together with its subsidiaries, the "Group"), I am pleased to present to you, the Annual Report together with the Audited Financial Statements of the Group and the Company for the financial year ended 31 March 2020 ("FY2020").

PERFORMANCE REVIEW

The Group recorded revenue of RMB30.3 million for FY2020 mainly from its Trading Segment and Additives Related Segment.

While Trading Segment registered a revenue of RMB13.06 million, the revenues generated from the subsidiaries, Chengde Purun Shengwu Zhiyao Co., Ltd. ("CDPR") and Hebei Xingrun Shengwu Keji Gufen Co., Ltd. ("HBXR")/ Benchmark Trade Limited ("Benchmark") were RMB0.2 million and RMB17.0 million respectively for FY2020. Revenue from CDPR which was mainly derived from the animal feed/traditional medicine segment had adversely affected by the African swine fever as majority of the products were sold to the poultry industry. Revenue from HBXR/Benchmark which was mainly derived from L-Ascorbyl Palmitate or anti-oxidant manufactory machineries related selling, had also adversely affected by the lack of supply of natural gas from the local government, environmental regulation during the winter period, and COVID-19 impact.

The Group recorded a net loss of RMB73.0 million mainly from the impairment loss on PPE, right-of-use assets, patents and loss on disposal of PPE.

FY2020 was a challenging year for the Group with the trade war tension between China and US coupled with the global outbreak of COVID-19 pandemic. I wish to assure shareholders that the Board is mindful of the need to optimize the Group's return on shareholders' funds.

MAJOR DEVELOPMENT

Most business strategic collaborations on L-Ascorbyl Palmitate or anti-oxidant manufactory machineries related selling which were in the pipeline, have been temporarily put on hold as a result of the movement control measures put in place by the PRC Government since beginning of 2020 in view of the COVID-19 pandemic.

The Group has resumed certain marketing activities since the conditions were stabilised.

OUTLOOK

The persistent trade war tension between China and US had significantly affected the global economy. In the meantime, the PRC Government continues their efforts to tackle environmental issues through the implementation of sustainable policies to curb industrial pollution.

The global COVID-19 pandemic has certainly impacted the overall market sentiments and the Group is unable to quantify the impact at this point in time.

Despite the uncertainties, the Group continues to focus on sales and expansion of market share leveraging on its network and actively sourcing for new customers including venturing other means of new income stream for its L-Ascorbyl Palmitate license. The Group is also exploring the potential market for its L-Ascorbyl Palmitate in other agricultural countries.

The Group remains committed to sustaining in its business concepts and enhancing shareholders' value in the long term.

IN APPRECIATION

On behalf of the Group, I would like to express my sincere thanks to our employees for their hard work and dedication, to our Directors for their contributions and support, to our business partners for their trust in the Group, and to our shareholders for sharing our vision.

We look forward to your continued support in future.

Song Yanan
Non-Executive Chairman



致各位股东

本人謹代表联合食品控股有限公司（本公司），連同其附屬公司統稱（本集團）之董事會（董事會）向你们提呈本集團截止2020年3月31日的公司年报和集团的审计报告（2020公司年报和集团的审计报告）。

业绩回顾

本集團於2020年財政年度之收益为人民币3030万，主要是由购入本集团的贸易分公司产生的收入以及主要来自销售L-抗坏血酸棕榈酸酯或与抗氧化剂的相关设备销售所产生的。

贸易分公司的收入为人民币1306万，而制造子公司承德普润生物制药有限公司（“CDPR”）和河北兴润生物科技股份有限公司（“HBXR”）/Benchmark Trade Limited（“Benchmark”）在2020财年的收入分别为人民币20万和人民币1700万。CDPR的收入主要来自动物饲料/传统药物领域，却受到非洲猪瘟的不利影响，因为大部分产品出售给家禽业。HBXR / Benchmark的收入主要来自销售L-抗坏血酸棕榈酸酯或与抗氧化剂的制造设备，同时也受到政府限制供应生产所需天然气的影响，冬季环境法规以及COVID-19的疫情影响。

本集团之净亏损为人民币7300万，主要来自固定资产的减值损失，使用权资产，专利和固定资产的出售损失。

鉴于中美之间的贸易战紧张局势以及全球COVID-19疫情大流行的爆发，2020财年对集团而言是充满挑战的一年。我想向股东们保证，董事会意识到有必要提升本集团的股东资金价值回报率。

重要进展

由于中国政府自2020年初开始实施行动控制措施来应对COVID-19疫情，目前与在筹备中的L-抗坏血酸棕榈酸酯或抗氧化剂制造厂有关的销售业务战略合作被暂时搁置。

情况稳定以来，本集团已恢复某些营销活动。

展望

中美之间持续的贸易战所造成的紧张局势严重影响了全球经济。同时，中国政府正继续努力通过实施可持续的政策来遏制工业污染，解决环境问题。

全球COVID-19疫情大流行无疑已经影响了整体市场走势，并且让本集团目前无法估测其全面的影响。

尽管存在着不确定性，本集团仍将继续专注于销售和利用其网络来扩大市场份额，并积极寻找新客户，包括为其L-抗坏血酸棕榈酸酯许可证寻求其他新收入来源。本集团还正在探索其L-抗坏血酸棕榈酸酯在其他农业国家的潜在市场。

本集团长期致力于维持其经营理念并提高股东的投资价值。

铭谢

藉此机会，本人亦感谢集团全体员工为公司作出的努力和付出，各位董事的贡献和支持，各为商业伙伴的信任。

我祈望各位未來继续支持我們。

宋亞南
非執行主席

FINANCIAL HIGHLIGHTS

	FY2020 RMB'000	^FP2019 RMB'000	Change %
REVENUE*	30,305	86,430	-64.9%
GROSS PROFIT*	5,403	6,635	-18.6%
(LOSS)/ PROFIT FROM OPERATIONS*	(99,961)	80,118	N/A
(LOSS)/ PROFIT BEFORE TAX*	(99,961)	80,118	N/A
(LOSS)/ PROFIT AFTER TAX*	(96,173)	79,191	N/A
(LOSS)/ PROFIT ATTRIBUTABLE TO SHAREHOLDERS	(73,005)	62,402	N/A
SHAREHOLDERS' FUND	188,068	248,563	-24.3%
TOTAL ASSETS	259,437	363,713	-28.7%
TOTAL LIABILITIES	63,909	84,509	-24.4%
NET ASSETS	195,528	279,204	-30.0%

Profitability			Change %
GROSS MARGIN*	17.8%	7.7%	132.2%
OPERATING MARGIN*	-329.8%	92.7%	N/A
RETURN ON REVENUE	-240.9%	72.2%	N/A
RETURN ON AVERAGE EQUITY	-33.4%	28.8%	N/A
RETURN ON AVERAGE ASSETS	-23.4%	21.2%	N/A

Per Share Data (Notes)			Change %
A. NET ASSETS* (RMB)	1.00	1.57	-36.2%
B. (LOSS)/ PROFIT* (RMB)	-0.42	0.50	N/A
C. GROSS DIVIDEND (RMB)	0.00	0.00	N/A

^ Financial Period from 1 January 2018 to 31 March 2019

* Continuing Operations

Notes:

- The net assets per share was calculated on 187,902,647 shares (^FP2019: 157,901,384).
- The basic loss per share was calculated based on the weighted average 175,607,047 shares (^FP2019: 157,901,384).
- No dividend was declared and proposed in FY2020 and ^FP2019.



FIVE YEARS FINANCIAL SUMMARY

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

YEAR ENDED 31 MARCH

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

	FY2020	FP2019	FY2017	FY2016	FY2015
REVENUE*	30,305	122,900	168,872	265,744	2,211,658
NET (LOSS) / PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(73,005)	62,402	(68,804)	(229,263)	(974,221)

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

Condensed Consolidated Statements of Financial Position (RMB'000)

	FY2020	FP2019	FY2017	FY2016	FY2015
PROPERTY, PLANT AND EQUIPMENT	2,730	20,148	43,303	68,557	146,274
LAND USE RIGHTS	3,729	11,010	20,430	36,087	43,806
NET CURRENT ASSETS	170,794	178,126	134,775	114,818	241,699
CAPITAL AND RESERVES	188,068	248,563	185,098	202,253	431,779

* For comparative purpose, the property plant and equipment, and land use right from continuing operations has been combined with the property plant and equipment, and land use right from discontinued operations.

MANAGEMENT

DISCUSSION AND ANALYSIS

The Group recorded a revenue of RMB30.3 million for FY2020 compared to RMB86.4 million for 15-month for the financial period from 1 January 2018 to 31 March 2019 ("FP2019").

In FY2020, the Group recorded a net loss of RMB73.0 million compared to a net profit of RMB62.4 million in FP2019. The net loss was mainly from the impairment loss on property, plant and equipment ("PPE"), right-of-use assets, patents and loss on disposal of PPE.

1. REVENUE

The Group recorded revenue of RMB30.3 million for FY2020 compared to RMB86.4 million in FP2019. The revenue of RMB30.3 million was mainly from the Group's Trading Segment and Additives Related Segment.

While Trading Segment registered a revenue of RMB13.06 million, the revenues generated from the subsidiaries, CDPR and HBXR/Benchmark were RMB0.2 million and RMB17.0 million respectively for FY2020. Revenue from CDPR which was mainly derived from the animal feed/traditional medicine segment had adversely affected by the African swine fever as majority of the products were sold to the poultry industry. Revenue from HBXR/Benchmark which was mainly derived from L-Ascorbyl Palmitate or anti-oxidant manufactory machineries related selling, had also adversely affected by the lack of supply of natural gas from the local government, environmental regulation during the winter period, and COVID-19 impact.

2. GROSS PROFIT

The Group recorded a gross profit of RMB5.4 million in FY2020 which was mainly contributed by Trading Segment and Additive Related Segment.

3. OTHER INCOME

Other income of RMB17.0 million was recorded in FY2020 comprised mainly fair value changes in contingent consideration, as compared to other income of RMB94.2 million in FP2019 mainly derived from the acquisition of CDPR, HBXR & Benchmark and the gain on disposal of subsidiaries, Post-Ante Trading Limited, Globe Bright Limited, Linyi Shengquan Grease Co., Ltd. ("SQ Grease") and Linyi Jiang Tian Trading Limited. A breakdown of the other income is as follows:-

	2020 RMB'000	2019 RMB'000
GAIN FROM BARGAIN PURCHASE	-	39,762
GAIN ON DISPOSAL OF SUBSIDIARIES	-	27,178
CHANGES IN FAIR VALUE OF CONTINGENT CONSIDERATION	16,831	26,951
OTHERS	189	347
	17,020	94,238



4. ADMINISTRATIVE EXPENSES

Administrative expenses increased by RMB19.5 million or 98.3% to RMB39.3 million in FY2020 compared to RMB19.8 million in FY2019 mainly due to the increase in amortisation of land use rights and impairment loss on trade receivables.

5. PPE, LAND USE RIGHTS, INTANGIBLE ASSETS-PATENTS

The decrease in PPE, land use rights and intangible assets was mainly attributable to depreciation and amortisation charges.

6. TRADE RECEIVABLES

Trade receivables was mainly the trade receivables the Group's trading segment.

7. OTHER RECEIVABLES

Other receivables include refundable deposits paid to the vendors of two potential acquisition projects amounting to RMB25 million and RMB35 million, which will become part of the consideration after the completion of the acquisitions and/or refundable after the cancellation of the acquisitions. The total remaining proceeds of RMB11.5 million from disposal of SQ Grease would be repaid by instalment commencing 30 November 2020 till March 2021.

In addition, the Group has a short-term investment of RMB40.0 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. The Group has decided to terminate the short-term investment and to recover the full sum paid.

8. TRADE AND OTHER PAYABLES

The trade payables were mainly from trading segment and other payables were mainly the other payables from subsidiaries of the acquisition of HBXR and CDPR. Also included in other payable is a cash purchase consideration from acquisition of new subsidiaries of RMB10 million which have not yet paid as at 31 March 2020.

MANAGEMENT

DISCUSSION AND ANALYSIS

9. CONTINGENT CONSIDERATION

Contingent consideration arose from the Acquisition which was completed in September 2018. The contingent consideration comprises the convertible bond to be issued which is contingent on the profit guarantee of the vendors. The contingent consideration is classified as financial liability measured at fair value, changes in fair value is recognised in profit and loss. The change in fair value for FY2020 and FP2019 was as follows:

	2020 RMB'000	2019 RMB'000
CONTINGENT CONSIDERATION AT BEGINNING OF YEAR/DATE OF ACQUISITION	17,519	44,470
CHANGES IN FAIR VALUE OF CONTINGENT CONSIDERATION RECOGNISED IN PROFIT OR LOSS	(16,831)	(26,951)
CONTINGENT CONSIDERATION AT REPORTING DATE	688	17,519

10. CASH FLOW STATEMENT

Net cash flow of RMB46.8 million was used in FY2020, in which net cash of RMB18.9 million was used in operating activities, net cash of RMB39.8 million was used in investing activities, and net cash of RMB11.9 million was generated from financing activities.

11. EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The businesses of the Group were mainly conducted in Renminbi ("RMB") except for the payment of certain expenses in United States dollars, Singapore dollars and Hong Kong dollars. The reporting currency of the Group is RMB. The Directors are of the view that RMB is relatively stable against the relevant currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging by means of derivative instruments is therefore not necessary.

BOARD OF DIRECTORS

SONG YANAN

Non-Executive Chairman

Ms Song Yanan ("Ms Song") was appointed as a Non-Executive Director on 11 July 2016 and as Non-Executive Chairman of the Board on 15 August 2016, respectively and re-elected on 28 April 2017. Ms Song has over 18 years of industry experience, including investment and management in supermarket chain and high-end consumer products. Ms Song has been working at Renrenle Commercial Group Limited, as the manager for acquisition and Chief Executive Office Secretariat from 1999 to 2003 and as a personal assistant to the Chairman of the Board since 2003. Ms Song holds a Degree of Executive Master of Science in Logistics and Supply Chain Management awarded jointly from Tsinghua University and The Chinese University of Hong Kong.

WU XIAORAN

Executive Director

Mr Wu Xiaoran ("Mr Wu") was appointed as Executive Director on 11 July 2016 and re-elected on 29 July 2019. He is responsible for financial management of the Group. Mr Wu was an auditor in Mazars Beijing. He then joined a private equity, investment advisory firm in Canada and Hong Kong for 7 years. Mr Wu has over 20 years of financial, shipping and auditing experiences in China, North America and Europe. Mr Wu holds a Post-graduate Certificate in law from the South China Agriculture University and a Master of Business Administration from Université de Paris 1 Pantheon Sorbonne, France.

LING CHUNG YEE

Lead Independent Director

Prof Ling Chung Yee ("Prof Ling") was appointed as the Lead Independent Director of the Company on 20 November 2015 and re-elected on 30 May 2018. Prof Ling is currently a Managing Director at RL Capital Management, and also serves as an Independent Board Director at Vingroup JSC, Amplefield Ltd, Debao Property Development Ltd and Ley Choon Group Holdings Limited. Prof Ling held senior investment banking positions with JPMorgan, Lehman Brothers, Goldman Sachs and Salomon Smith Barney. He held past directorships at Singapore listed companies, Pine Capital Group Ltd, Arion Entertainment Singapore Ltd, Chaswood Resources Holdings Ltd, China Flexible Packaging Holdings Ltd, Sino Grandness Food Industry Group Ltd and Ace Achieve Infocom Ltd.

Prof Ling was a former Board Director of the CFA Society of Japan. He was honored as the Real Estate Executive of the Year by Singapore Business Review, and as one of the 20 Rising Stars in Real Estate by Institutional Investor. Prof Ling graduated from INSEAD with a Global EMBA and from the National University of Singapore with a BBA (Hons).



BOARD OF DIRECTORS

CHNG HEE KOK

Independent Director

Mr Chng Hee Kok ("Mr Chng") was appointed as an Independent Director of the Company on 23 October 2015 and re-elected on 29 July 2019. Mr Chng is Independent Chairman of SGX Mainboard listed Ellipsiz Ltd and KTL Global Limited. He also holds independent directorships at listed companies which include Full Apex Holdings Ltd, Luxking Group Holdings Ltd, Blackgold Natural Resources Ltd, Metech International Ltd and The Place Holdings Limited. Previously, Mr Chng was the Chief Executive Officer of Yeo Hiap Seng Ltd, Scotts Holdings Ltd, Hartawan Holdings Ltd and HG Metals Manufacturing Ltd. He was a Member of Parliament of Singapore from 1984 to 2001 and held past directorships at Public Utilities Board, Sentosa Development Corporation, Singapore Institute of Directors and Singapore listed companies, China Flexible Packaging Holding Ltd, Samudera Shipping Line Ltd, Chaswood Resources Holdings Ltd and Infinio Group Limited.

Mr Chng graduated from University of Singapore with a Bachelor of Engineering (Mechanical), First Class Honours degree and was awarded Institute of Engineers Singapore Gold Medal and Mobil Silver Medal. He also holds a Master of Business Administration degree from the National University of Singapore, and completed the Program for Executive Development at IMD – Lausanne Switzerland.

JOHN NG

Independent Director

Mr John Ng ("Mr Ng") was appointed as an Independent Director of the Company on 28 April 2017 and re-elected on 30 May 2018. He is currently the Vice President of Amasse Capital Limited, a company listed in Hong Kong. He had previously held executive positions on a number of listed companies in Canada. Mr Ng has extensive international corporate governance and corporate strategic development experience. Mr Ng graduated from Trent University in Canada with an Honours of Economics degree and also holds the Executive Masters of Business Administration degree from Shanghai Jiao Tong University. He is also a Corporate Advisory (Type 6) license holder in Hong Kong and has over 15 years of experience between Asia and North America.



LIU YANG

Chief Marketing Officer

Mr Liu Yang ("Mr Liu") was appointed the Group's Chief Marketing Officer on 29 September 2017. Before joining the Group, he served as Head of Global Procurement for 7 years in Guangzhou Pharmaceutical Holdings Limited which ranked No.1 among the top 100 pharmaceutical companies in China and where he was responsible for global business development and procurement in distribution unit. He also had 10 years' solid management experience in Fortune 500 multinational corporation and listed companies in China and Hong Kong. Mr Liu holds an Executive Master Degree from The Chinese University of Hong Kong and a Diploma from the Chartered Institute of Purchasing and Supply in United Kingdom. He was also awarded Certified Professional in Supply Management by the Institute for Supply Management in United States.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Song Yanan, Non-Executive Chairman
Wu Xiaoran, Executive Director
Ling Chung Yee, Lead Independent Director
Chng Hee Kok, Independent Director
John Ng, Independent Director

MANAGEMENT TEAM

Wu Xiaoran, Executive Director
Liu Yang, Chief Marketing Officer

NOMINATING COMMITTEE

Ling Chung Yee, Chairman
Chng Hee Kok
John Ng

REMUNERATION COMMITTEE

John Ng, Chairman
Ling Chung Yee
Chng Hee Kok

AUDIT COMMITTEE

Chng Hee Kok, Chairman
Ling Chung Yee
John Ng

COMPANY SECRETARY

Chiang Wai Ming

ASSISTANT COMPANY SECRETARY

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Audit Partner-in-charge:
Chang Fook Kay
(with effect from financial year ended
31 March 2019)

INVESTOR RELATIONS

United Food Holdings Limited
Laurent Wu, Executive Director
Email: finance@unitedfoodholdings.com



The Board of Directors (the "Board") and management of United Food Holdings Limited strive to maintain high standards of corporate governance to ensure greater transparency and to protect the interests of its shareholders. The Board's commitment to good corporate governance practices is essential for Directors to discharge their corporate and fiduciary responsibilities and fundamental in the enhancement of long-term shareholders' value.

The Board has taken steps to align the Group's governance framework with the recommendations of the Code of Corporate Governance 2018 ("the Code"), where they are applicable, relevant and practicable to the Group for FY2020.

(A) Board Matters

The Board's Conduct of Affairs

Principle 1: *The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.*

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

The principal functions of the Board include, but are not limited to the following:

- Reviewing and approving board policies, strategies and financial objectives for the Group and monitoring the performance of management;
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, including financial, operational and compliance risk areas identified by the Audit Committee that needed to be strengthened for assessment and the Audit Committee's recommendations on actions to be taken to address and monitor the areas of concern;
- Approving major funding proposals, investment and divestment proposals including merger and acquisition transactions and timely announcements of material transactions;
- Approving quarterly and full year results announcements;
- Recommending the declaration of dividends;
- Approving all appointments/re-appointments/re-elections of Directors and appointment of key management personnel;
- Setting of the Group's value and standards, and ensuring that obligation to shareholders and others are understood and met; and
- Assuming responsibility for corporate governance.

The Board's approval is required for matters, inter alia, corporate restructuring, mergers and acquisitions, investments and divestments, acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptance of bank facilities, the Group's quarterly and full year's results and interested person transactions.

The Board is supported by Board Committees including, the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures. All committees are chaired by an Independent Director. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Further details of the scope and functions of the various Board Committees are set out in this Annual Report.

CORPORATE GOVERNANCE

The Board has scheduled 4 meetings a year to coincide with the announcements of the Group's quarterly and full year results. Additional meetings are convened as and when they are deemed necessary to address significant transactions or issues that may arise in between the scheduled meetings.

Where a physical Board meeting is not possible, the Company's Bye-laws provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in meetings to communicate with each other simultaneously.

The Board is furnished with detailed information concerning the Group to enable them to be fully apprised of conditions and other factors affecting the Group's operations and to understand the decisions and actions of management. All Directors have unrestricted access to the Group's management and information. From time to time, Independent Directors meet with management and conduct ad-hoc discussions on the Group's business and operational matters. Management staff are invited to attend Board Meetings, as and when appropriate, to provide additional insight to matters raised, and to respond to any queries that the Board members may have.

Management provides Board members with detailed Board papers containing complete and timely information before each meeting. Such Board papers and any other relevant documents are circulated to all Board members before the meetings. Management provides periodic financial and corporate information, performance of the individual divisions within each business segment and management proposals to enable the Directors to make informed decisions on issues to be considered at Board meetings.

Directors may request for further explanation, briefing or discussion on any aspect of the Group's operations or business from the management. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

The Company Secretary attends the Board and Board Committee meetings and is responsible for keeping the Board updated on any relevant regulatory changes. The Company Secretary also ensures that established procedures, all relevant rules, and regulations that are applicable to the Group are complied with.

The appointment and the removal of the Company Secretary shall be reviewed by the Board.

The Board has separate and independent access to management and the Company Secretary at all times. Directors are aware that they may seek independent legal and other professional advice at the Company's expense, as and when necessary.

Directors' attendances at Board and Board Committee meetings in FY2020, as well as the frequency of such meetings, are set out below:

	Board Meetings	AC Meetings	RC Meeting	NC Meeting
Total meetings held during FY2020	4	4	1	1
Ms Song Yanan	3	3 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾
Mr Wu Xiaorun	4	4 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾
Mr Chng Hee Kok	4	4	1	1
Prof Ling Chung Yee	4	4	1	1
Mr John Ng	4	4	1	1

Notes:

(1) Attendance at meetings on a "By Invitation" basis.

The Group encourages Directors to receive regular training and updates on relevant laws and regulations and to participate in conferences, seminars or any training programme to equip themselves with the relevant knowledge to discharge their responsibilities in an effective and efficient manner.

Newly appointed Directors receive orientation and training, if necessary, to familiarize themselves with the Group's business activities, strategic direction and the regulatory environment in which the Group operates in, as well as their statutory and other duties and responsibilities as Directors. Directors would also be provided with extensive background information on the Group's history, industry-specific knowledge, mission, and values. Directors are also given the opportunity to visit the Group's operational facilities and to interact with management to gain a better insight of the Group's business operations.

Newly appointed Directors will also be given letters explaining the terms of their appointment as well as their duties and obligations.

The Board is updated on amendments/requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), and other statutory and regulatory requirements and key changes in financial reporting standards from time to time.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Board comprises 5 members, 3 of whom are independent.

Non-Executive Director:

Ms Song Yanan (Chairman)

Executive Director:

Mr Wu Xiaoran

Independent Directors:

Mr Chng Hee Kok

Prof Ling Chung Yee

Mr John Ng

The Board comprises Directors from diverse business, industry, management, and financial aspects. The Directors bring with them a wide spectrum of skills, experience, expertise and objective perspective to effectively lead and direct the Group. The diversity of the Directors' experience allows meaningful exchange of ideas and views in the development of the Group's strategy and performance. The profiles of the Directors are set out on pages 9 and 10 of this Annual Report.

The Board comprises a majority of Independent Directors. The Independent Directors offer alternative views to the Group's business and corporate activities and bring objective judgment to bear on business activities as well as, transactions involving conflicts of interest and other complexities.

The Directors have given due consideration to the size and composition of the Board. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective and informed decision-making. The Board considers the present Board size appropriate and effective, taking into account of the size, scope and nature of the Group's operations.

In recognition of the importance and value of gender diversity in the composition of the Board, Ms Song Yanan, was appointed as Non-Executive Chairman on 11 July 2016. As the Board consists of professionals from various disciplines, it has yet to adopt a Board diversity policy. Nonetheless, the Board acknowledges and embraces the benefits of diversity on the Board in its decision making.

CORPORATE GOVERNANCE

The NC also reviews the independence of each Director annually with reference to the guidelines set out in the Code, and the NC has also considered the annual review of Director's independence, review of the Board and Board committee meeting minutes for incidents or records of how Independent Directors actively sought explanation, self-assessment checklist and peer-review questionnaires. The Board will then, in turn, determine the independence of Directors, taking into account the evaluation by the NC. The NC with the concurrence of the Board is of the view that no individual or small group of individuals dominates the Board's decision-making process.

Non-Executive and Independent Directors contribute to the Board process by monitoring and reviewing management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive and Independent Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and hold informal meetings without the presence of management.

Chairman and Chief Executive Officer

Principle 3: *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

Ms Song Yanan is the Group's Non-Executive Chairman. Mr Wu Xiaoran, the Executive Director, effectively functions as the Chief Executive Officer ("CEO"). They are not related to each other and each performs separate functions to ensure an appropriate balance of power and authority and greater capacity of the Board for independent decision.

The Chairman is responsible for the implementation of corporate policies and effective working of the Board. She ensures that Board meetings are held when necessary, encouraging constructive discussion and sharing of views among Board members.

The Executive Director is mainly responsible for the financial and operational performance of the Group, including reviewing and charting the Group's corporate directions and strategies, financial planning and related investment activities. He ensures that corporate policies are properly complied with and works closely with the Chairman to review corporate and other business issues. He also ensures the quality and timeliness of the flow of information between management and the Board.

This division of responsibilities ensures that there are checks and balances on their individual power and authority within the Group.

Prof Ling Chung Yee was appointed as the Lead Independent Director on 20 November 2015 to represent the views of Independent Directors and to facilitate a two-way flow of information between shareholders, the Chairman and the Board. He will be available to shareholders in the event their concerns are not resolved through the Chairman, Executive Director, or for which contact is inappropriate.

Board Membership

Principle 4: *The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.*

The NC is regulated by a set of written terms of reference and consisted of 3 members, all of whom are Independent Directors. Members of the NC are:

Prof Ling Chung Yee (Chairman, Lead Independent Director)
Mr Chng Hee Kok
Mr John Ng

The NC Chairman is not associated in any manner with any substantial shareholder of the Company.

The principal functions and duties of the NC are as follows in accordance with its terms of reference:

- reviewing and recommending to the Board the structure, size and composition of the Board and Board Committees;
- identifying candidates and reviewing all nominations for the appointment to the Board and Board committees, having regard to the mix of skills and experience which the Directors should bring to the Board and submission of such nominations to the Board for consideration;
- reviewing and determining annually, the independence of Directors, bearing in mind the circumstances set forth in the Code and any other salient factors;
- considering and making recommendations to the Board on all Board appointments/re-appointments, including nomination of Directors retiring by rotation, having regard to the Directors' contribution and performance;
- reviewing and evaluating whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations;
- deciding how the Board's performance may be evaluated and proposing objective performance criteria for the Board's approval; assessing the effectiveness of the Board and Board Committees;
- reviewing succession plans, in particular, the Chairman and CEO; and
- overseeing the induction, orientation and training for any new and existing Directors.

The NC had adopted a process for the selection and appointment of new Directors which provides the procedure for identification of potential candidates' skills, knowledge, experience and assessment of candidates' suitability.

The curriculum vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC, inter alia, his/her qualifications, business and related experience, commitment, ability to contribute to the Board, such other qualities and attributes that may be required by the Board, before making its recommendation to the Board.

The NC meets at least once a year.

In accordance with the provisions of the Company's Bye-Laws, one-third of the Directors is to retire from the office by rotation and submit themselves for re-nomination and re-election at every AGM. The chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Each Director is also requested to retire at least once in every three years. New Directors, who are appointed during the financial year, will submit themselves for re-election at the next Annual General Meeting ("AGM").

Pursuant to Bye-law 86(1) of the Company's Bye-laws, Prof Ling Chung Yee and Mr John Ng will be retiring at the forthcoming AGM. Prof Ling Chung Yee and Mr John Ng have signified their consents to remain in office.

The NC having considered the attendance and participation of Prof Ling Chung Yee and Mr John Ng at the Board and Board Committee meetings, in particular, their contribution to the business and operations of the Group has nominated Prof Ling Chung Yee and Mr John Ng for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberations in respect of his re-election as Director.

The task of assessing the independence of the Directors is delegated to the NC. The NC reviews the independence of each Director annually, and as and when circumstances require.

Annually, each Independent Director is required to complete a Director's Independence Checklist (the "Checklist") to confirm his independence. The Checklist is drawn up based on the guidelines provided in the Code. Thereafter, the NC reviews the Checklist completed by each Independent Director, assess the independence of the Independent Directors and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that Prof Ling Chung Yee, Mr Chng Hee Kok and Mr John Ng are independent.

There is no Independent Director who has served the Board for more than nine years from the date of his appointment.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. The Board, with the concurrence of the NC, having considered the confirmations received from Prof Ling Chung Yee, Mr Chng Hee Kok and Mr John Ng, is of the view that their multiple board representations do not hinder them from carrying out their duties as Directors of the Company. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The NC is of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each company vary, thus one should not be presumptuous as time commitment cannot be objectively determined in all situations.

There is no alternate Director on the Board.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole and that of each of its Board committees and individual directors.

The Board has, through the NC, adopted a process to evaluate the effectiveness of the Board and its Board Committees. No individual Director assessment is conducted as the NC is mindful that each member of the Board contributes in different ways to the effectiveness of the Board. As part of this process, Directors would complete Board and Board Committees performance evaluation questionnaires and the findings would be analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board and Board Committees. The Board and Board Committees evaluation covers amongst others, the size and composition of the Board and Board Committees, access to information, Board and Board Committees processes and accountability in relation to discharging the principle responsibilities of the respective Board and Board Committees and standards of conducts of Board members.

Based on the NC's review, the NC is generally satisfied with the Board and Board Committees evaluation results for FY2020, which indicated areas for improvement with no significant problems being identified.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: *The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.*

The RC consists of 3 members, all of whom are independent. Members of the RC are:

Mr John Ng (Chairman)
Prof Ling Chung Yee
Mr Chng Hee Kok

The RC meets at least once annually.

The principal functions and duties of the RC are as follows in accordance with its terms of reference:

- recommend to the Board a framework of remuneration for the Board and key management personnel of the Group with the aim of building a capable and committed Board and management team through competitive compensation which is sufficient to attract, retain and motivate key management personnel of the required caliber to run the Group effectively;
- determine specific remuneration packages and terms of employment for the Executive Director and key management personnel, including renewal of service agreements;
- review and recommend Directors' fees for Non-Executive Directors, taking into account factors such as their effort and time spent, and their responsibilities; and
- review whether the Executive Director and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time. If required, the RC will seek expert advice inside or outside the Company on the remuneration of all Directors and executive compensation.

The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and benefits-in-kind. The remuneration packages take into consideration the long-term interests of the Group, industry standards, and ensure that the interests of the Executive Director is aligned with that of shareholders.

No external remuneration consultants were appointed for the financial year under review.

The Group does not have any employee share option scheme or any long-term scheme in place.

Level and Mix of Remuneration

Principle 7: *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.*

As part of its responsibilities, the RC reviews the remuneration of each of the Directors and key management personnel's remuneration packages annually and makes recommendations to the Board for approval. The RC ensures that their remuneration commensurate with their performance, giving due regard to the financial and commercial performance and business needs of the Group and the performance of the individual Director.

CORPORATE GOVERNANCE

The RC is of the view that the current remuneration of the Non-Executive Directors is appropriate, taking into account factors such as effort and time spent and responsibilities of the Directors. Other than the Directors' fees, the Non-Executive Directors do not receive any other forms of remuneration from the Company.

The RC had recommended to the Board an amount of S\$190,000 as Directors' fees for the financial year ending 31 March 2021. The Board will table this at the forthcoming AGM for shareholders' approval. No Director or a member of the RC is involved in deciding his own remuneration.

DISCLOSURE ON REMUNERATION

Principle 8: *The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

The following table sets out the Directors' Remuneration for FY2020:

Name of Directors	Salary	Fees	Bonus	Total
Mr Wu Xiaoran	HKD600,000	–	–	HKD600,000
Ms Song Yanan	–	SGD10,000	–	SGD10,000
Prof Ling Chung Yee	–	SGD60,000	–	SGD60,000
Mr Chng Hee Kok	–	SGD60,000	–	SGD60,000
Mr John Ng	–	SGD60,000	–	SGD60,000

The Executive Director's Service Agreement was for an initial period of 3 years and is renewable for successive periods of one year each. The Service Agreement can be terminated by not less than 3 months' notice by either party or such shorter period as may be mutually agreed between the parties.

Notwithstanding Provision 8.1 of the Code, there was only 1 key management personnel during FY2020. The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the key management personnel due to competitiveness of the industry for key talent and increase risk of poaching by other competitors in the market. As such, the Board has deviated from complying with the recommendation. The Board only partially complies with the recommendation by providing below a breakdown showing the level and mix of remuneration of the key management personnel in bands of S\$250,000 for FY2020.

Name of Key Management Personnel	Designation	Salary %	Bonus %	Other Benefits %	Total %
Below SGD250,000 per annum					
Liu Yang	Chief Marketing Officer	100	–	–	100

The Board believes that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation are consistent with the intent of Principle 8 of the Code.

The Company does not have any long-term incentive schemes.

There were no employees of the Group who are immediate family members of a Director of the CEO, and whose remuneration exceeds SGD50,000 during FY2020.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.*

The Board is of the view that the Group's risk management process and system of internal controls are designed to manage, rather than to eliminate, the risk of failure to achieve the Group's strategic objectives. Action plans to manage the risks are continually being monitored and refined. The Board acknowledges that it is responsible for the overall internal controls framework to safeguard shareholders' interests and the Group's business and assets, but recognizes that no cost effective internal controls system will preclude all errors and irregularities. Such system however could only provide reasonable but not absolute assurance against material misstatement or loss.

The internal controls system stipulates a series of procedures and policies, which the Board believes, plays an important role in assisting the Board and management with respect to risk management.

Management regularly reviews the Group's Company's business and operational activities to identify areas of significant financial, operational and compliance and information technology risks. Steps have been taken to document the operational procedures to minimize the identified risks in various areas. Any significant matters are reported to the AC and Board.

As required under the Code, the Board had received written assurances from the Non-Executive Chairman and Executive Director of the Company:

- (a) that the financial records have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances; and
- (b) regarding the effectiveness and adequacy of the Company's risk management and internal control systems.

Other Head of Divisions who are responsible point (b) above had also provided written assurance to the Board.

Based on the Group's framework of management control, the internal control policies and procedures established and maintained by the Group, the regular audits, monitoring and reviews performed by the internal and external auditors and review of the Risk Management Assessment Framework, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management are adequate and effective to address the financial, operational, compliance and information technology risks as at 31 March 2020.

Audit Committee

Principle 10: *The Board has an AC which discharge its duties objectively.*

The AC comprises all Independent Directors. The members of the AC are as follows:

Mr Chng Hee Kok (Chairman)
Prof Ling Chung Yee
Mr John Ng

The Board is of the opinion that the AC Chairman and members of the AC are appropriate qualified, with the necessary accounting, financial, business management and corporate experience to discharge their responsibilities.

CORPORATE GOVERNANCE

The AC meets at least four times a year and as and when deemed appropriate to carry out its functions.

The AC works under clear defined terms of reference adopted by the Board. The principal functions of the AC are to:

- review with management the Group's general policies, procedures and controls in relation to management accounting, financial reporting, risk management and ethics;
- review the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls;
- review significant financial reporting issues and judgments to ensure the integrity of the financial statements;
- review any formal announcement relating to the Group's financial performance;
- review the independence and objectivity of the external auditors, their audit plans and the related audit findings;
- review the external auditors' management letter and management's responses;
- review the assistance provided by management to the external auditors;
- review the nature and extent of non-audit services performed by the external auditors;
- review the adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its duties;
- review the effectiveness of the Group's internal audit function;
- recommend the re-appointment of the external auditors;
- approve the compensation of the external auditors, and review of the scope and results of the audit and its cost-effectiveness;
- review the internal audit plan and the Group's internal accounting controls system as well as the internal audit reports and where necessary ensure that appropriate actions have been taken to implement the recommendations made;
- review legal and regulatory matters that may have a material impact on the financial statements;
- review the assurance from the Non-Executive Chairman and Executive Director on the financial records and financial statements;
- review the Group's transactions with related parties and interested persons and situations where a conflict of interest may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- review arrangements by which staff of the Group may in confidence, raise concerns about possible improprieties in financial reporting or, other matters.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and cooperation by management and full discretion to invite any Director or Executive Officer to attend its meetings and reasonable resources to enable it to discharge its functions properly. The AC also generally undertakes such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, as amended.

For FY2020, the AC had:

- (i) held four meetings to review the quarterly and full year results;
- (ii) reviewed the annual audit plans, including the nature and scope of the internal and external audits before commencement of these audits;
- (iii) reviewed and approved the consolidated audited financial statements;
- (iv) reviewed the interested person transactions;
- (v) reviewed and discussed the reports of the internal auditors and external auditors and consider the effectiveness of responses/actions taken by management on the audit recommendations and observations;
- (vi) reviewed the adequacy and effectiveness of the Group's internal audit function;
- (vii) met with the internal and external auditors without the presence of management and had established that both the internal and external auditors have had the full co-operation of management in carrying out the audit for FY2020. Both the internal and external auditors had also confirmed that no restrictions were placed on the scope of their audits; and
- (viii) undertaken a review of all audit and non-audit services provided by the external auditors to ensure that the nature and provision of such services would not affect the independence and objectivity of the external auditors. It was noted that audit fees amounted to SGD200,000 for the audit of the Company and its subsidiaries in FY2020. No non-audit services were rendered by the auditors in FY2020.

The AC is of the view that the external auditors are independent. The external auditors have affirmed their independence in this respect.

The external auditors of the Company and its significant subsidiaries are Foo Kon Tan LLP. The Company has complied with Rules 712 and 715 of the Listing Manual. The AC was satisfied that the resources and experience of Foo Kon Tan LLP, the audit engagement partner and the team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. Therefore, the AC recommended to the Board that Foo Kon Tan LLP be re-appointed as the external auditors. The Board accepted the recommendation and has proposed a resolution to shareholders for the re-appointment of Foo Kon Tan LLP. The Group's subsidiaries are disclosed under Note 10 of the Notes to the Financial Statements on pages 84 and 85 of this Annual Report.

The AC has full access to resources to enable it to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements and to discharge its functions fully. During FY2020, the external auditors have provided updates on accounting standards and issues at the AC meetings.

The Company has in place a "Whistle-Blowing" Programme, whereby employees of the Group and any other party may, in confidence, raise concerns about possible corporate and financial improprieties and other reporting matters to the Independent Directors. A whistle-blowing feedback channel is posted on the Company's website. There were no whistle blowing incidents reported in FY2020.

Internal Audit

The Group has an in-house internal audit function based at the Group's headquarters in Luanping county, China. The in-house internal audit department is responsible for the review of the effectiveness of the Group's internal controls system and procedures and reports directly to the AC Chairman on internal audit matters.

CORPORATE GOVERNANCE

The AC had reviewed the internal audit findings prepared by the Group's in-house internal audit department. During the year, the Group's in-house internal audit department adopted a risk-based auditing approach that focused on material internal controls, including financial, operational, information technology and compliance controls as well as risk management procedures. Any material non-compliance and weakness in internal controls and recommendation for improvements are reported to the AC. The FY2020 Internal Audit Report was submitted to the AC with relevant audit findings and recommendations. The AC also had reviewed the effectiveness of actions taken by management on the recommendations made by the internal audit team.

The AC is satisfied that the Group's internal audit function is adequately resourced. The internal audit team has an on-going training programme to equip the staff with relevant knowledge and experience.

(D) Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Group recognises the importance of maintaining a constructive and effective communication channel with all shareholders, stakeholders, investors and the public in general.

The Group does not practise selective disclosure. In line with continuous disclosure obligations of the SGX-ST's Listing Manual and the Bermuda Companies Act, the Board's policy is that all shareholders should be informed of all major developments that impact the Group. The Board embraces openness and transparency in the conduct of the Group's affairs. Information is communicated to shareholders on a timely basis through:-

- Annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report contains all relevant information about the Group, including future developments and other disclosures required by the Bermuda Companies Act and International Financial Reporting Standards ("IFRS");
- Quarterly and full-year results announcements containing a summary of the financial information and affairs of the Group for the period are disseminated through SGXNET and news releases;
- Notices of and explanatory notes for annual general meetings and special general meetings;
- Minutes of annual general meetings and special general meetings are also available to shareholders upon their request; and
- Shareholders can access information on the Group's website www.unitedfood.com.sg, which provides, inter alia, corporate announcements, circular, press releases, annual reports, and profile of the Group.

The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when the Group's financial performance improves. The Company has an internal investor relations function which focuses on facilitating communications with shareholders and analysts on a regular basis, attending to their queries or concerns and keeping them apprised of the Group's corporate developments and financial performance. During such interactions, the Company solicits and understands the views of shareholders and the investment community.

Shareholders are encouraged to attend the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM as the principal forum for dialogue with shareholders, and is for shareholders to voice their views, raise issues to and seek clarification from the Board or management regarding the Company and its operations. All shareholders of the Company will receive the Annual Report and Notice of AGM within the mandatory period. The Notice of AGM is also advertised in a local newspaper in Singapore.

The Chairmen of the AC, NC and RC attend AGMs to address questions at the AGM. The Company's external auditors are also invited to attend the AGM and are available to assist the Directors, in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report. For FY2019, all the Directors were present at the AGM held on 29 July 2019 and had addressed shareholders' questions.

At the AGMs, the shareholders will be given an opportunity to voice their views and seek clarification from the Directors and members of the senior management.

In accordance with the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act.

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of the retiring Directors.

All votes of the shareholders at the shareholders' meeting will be taken by poll. Poll results will be announced via SGXnet of the SGX-ST and posted on the website of the Company after the meeting. Electronic poll voting may be efficient in terms of speed but may not be cost effective. In this respect, the Company did not adopt electronic poll voting.

To minimize physical interactions and Covid-19 transmission risk, the forthcoming AGM to be held in respect of FY2020 will be convened and held wholly by electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangement for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 i.e. this Order provides that the alternative arrangements apply to meetings held during the period commencing from 27 March 2020 to 30 June 2021.

Alternative arrangements relate to attendance at the AGM via electronic means i.e. live audio-visual webcast or live audio-only stream, submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM (if any) and appointing the Chairman of the Meeting as the proxy at the AGM, will be put in place.

Dividend

The Group does not have a dividend policy. In considering the declaration of dividends, the Company will have to take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend has been declared for FY2020 due to the Group's loss position.

CORPORATE GOVERNANCE

(E) Managing Stakeholders Relationships

Engagement with Stakeholders

Principle 13: *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interest of the Company are served.*

The Company maintains a corporate website to constantly communicate with stakeholders. The Company welcomes any comment, feedback and query from the stakeholders through the Company's corporate website and strives to engage and manage relationships with the stakeholders. Stakeholders may find such information on the investors relation section of the Company's corporate website.

(F) Interested Person Transactions

The Company does not have a mandate for transactions with Interested Persons.

(G) Material Contracts

There are no material contracts of the Company or its subsidiaries involving the interest of the CEO, Directors or Controlling Shareholders either still subsisting as at 31 March 2020 or if not then subsisting, entered into since the end of the previous financial year.

(H) Dealings In Securities

The Group has adopted an internal compliance code of conduct to provide guidance to the Group, its officers regarding dealings in the securities of the Company and the implications of insider trading.

Directors and key employees of the Group, who have access to price-sensitive and confidential information are not permitted to deal in securities of the Company during the periods at least 2 weeks and one month before the announcement of the Group's quarterly and full-year results respectively and ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group. Directors and employees are also not allowed to deal in the Company's securities on short-term considerations and during the two weeks before the announcement of the Company's financial statements for the first three quarters of its financial year and the one month before the announcement of the Company's full year financial results.

The Company confirmed that it has adhered to its policy for securities transactions for FY2020 pursuant to Rule 1207(19) of the Listing Manual.

(I) Risk Management Policies and Processes

The Board regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks as follows:

Environment Friendliness

The Group's production processes are fully in compliance with the local environmental protection and safety standards in the PRC. The Group's waste-water recycling treatment plant has been appraised by the local environmental authority to be the model for other enterprises to follow in promoting a hygienic and healthy environment.

Fire and Other Calamity That Will Disrupt Production

To prevent fire or other calamity that may disrupt the Group's production, the Group has implemented safety measures at all its production facilities and office buildings. The Group has established safety procedures and regular drills are conducted to ensure that employees familiarize themselves with the basic safety protocols. The Group has sufficient fire insurance coverage against possible losses in respect of damages to its property, inventory and plant & machinery.

Change in Political, Economic and Legal Environment in the PRC

As the PRC economy is undergoing various developments, the PRC government will continue to refine its legal system and various economic policies to maintain and encourage foreign investment. We anticipate that China will continue to be the source of all of our revenue. Any change in China's political, economic and social conditions, law, and regulations and policies or any significant decline in the condition of the Chinese economy could adversely affect consumer buying power, result in a decrease in the growth rate of food industry in China, and reduce demand for the products in our portfolio, which in turn would have a material adverse on our business, results of operations and financial conditions. The Group endeavors to adapt to the various changes and will seek formal consultation with the relevant legislative authorities to ensure that the Group is in compliance with the relevant rules and regulations.

Covid-19 Outbreak

The Group operates mainly in Mainland China has been affected by the outbreak of Covid-19. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the balance sheet date is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other form of interruptions to business.

The Group's financial risk and management is discussed under the Note 27 to Financial Statements of the Annual Report.

(J) Use of Proceeds

As at the date of this Annual Report, the net proceeds from the Placement of 30,001,263 new ordinary shares have been utilised and the details were as depicted in the table below:

Intended Use of Net Proceeds	Amount allocated		Amount utilised	Balance of Net Proceeds utilised
	S\$	%	S\$	S\$
Exploration of investments, acquisitions, strategic alliances and/or joint ventures	1,649,970.70	70	143,509.70	1,506,461.00
General working capital	707,130.30	30	707,130.30	0

(K) Sustainability Report

The Company is committed to upholding its sustainability practices and creating value for its stakeholders. A standalone sustainability report for FY2020 was released to SGX-ST on 29 August 2020. Stakeholders can access the sustainability report on the Company's corporate website.

CORPORATE GOVERNANCE

Additional Information on Directors seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Prof Ling Chung Yee and Mr John Ng are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 November 2020 ("AGM") under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 13 November 2020 (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	Prof Ling Chung Yee	John Ng
Date of Appointment	20 November 2015	28 April 2017
Date of Last Re-Appointment	30 May 2018	30 May 2018
Age	43	41
Country of principal residence	Singapore	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board having considered among others, the recommendation of the Nominating Committee, contribution, qualifications and work experience of Prof Ling Chung Yee, is of the view that he is suitable for re-election as an Independent Director of the Company.	The Board having considered among others, the recommendation of the Nominating Committee, contribution, qualifications and work experience of Mr John Ng, is of the view that he is suitable for re-election as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	No.	No.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Nominating Committee, Members of Audit Committee and Remuneration Committee	Independent Director, Chairman of Remuneration Committee, Members of Nominating Committee and Audit Committee
Professional qualifications	Please refer to Director's Profile on page 9 of Annual Report.	Please refer to Director's Profile on page 10 of Annual Report.
Working experience and occupation(s) during the past 10 years	Please refer to Director's Profile on page 9 of Annual Report.	Please refer to Director's Profile on page 10 of Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Not Applicable	Not Applicable
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Name of Director	Prof Ling Chung Yee	John Ng
Other principal commitments* including Directorships# * Principal commitments has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)		
Past (for the last 5 years)	1. Pine Capital Group Ltd 2. Advance Capital Partners Asset Management Pte Ltd 3. BSDCN Pte Ltd 4. TAP Private Equity Pte Ltd 5. TAP Venture Fund 1 Pte Ltd 6. Arion Entertainment Singapore Ltd 7. Chaswood Resources Holdings Ltd 8. China Flexible Packaging Holdings Ltd 9. ChinaSing Investment Holdings Ltd 10. Ace Achieve Infocom Ltd 11. Sino Grandness Food Industry Group Ltd	Not Applicable
Present	1. Amplefield Ltd 2. Debao Property Development Ltd 3. United Food Holdings Ltd 4. Ley Choon Group Holding Ltd 5. Vingroup JSC 6. Derong Real Estate Holdings Pte Ltd 7. Dynamic Real Estate Holdings Pte Ltd	1. Amasse Capital Limited
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

CORPORATE GOVERNANCE

Name of Director	Prof Ling Chung Yee	John Ng
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

Name of Director	Prof Ling Chung Yee	John Ng
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

CORPORATE GOVERNANCE

Name of Director	Prof Ling Chung Yee	John Ng
Prior Experience as a Director of a Listed Company on the Exchange		
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.
If yes, please provide details of prior experience.	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable	Not Applicable



FINANCIAL CONTENTS

34

Directors'
Statement

37

Independent
Auditor's Report

46

Consolidated Statement
of Profit or Loss and
Other Comprehensive
Income

47

Statements of
Financial Positions

48

Consolidated
Statement of
Changes in Equity

50

Consolidated
Statement of
Cash Flows

54

Notes to Financial
Statements

FINANCIAL CALENDAR

First Quarter
Second Quarter and Half-Year
Third Quarter
Fourth Quarter and Twelve Months
Financial Year End
Deliver of Annual Report to Shareholders
Annual General Meeting

14 August 2019
13 November 2019
12 March 2020
29 July 2020
31 March 2020
13 November 2020
30 November 2020



DIRECTORS' STATEMENT

for the financial year ended 31 March 2020

The directors present their statement to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the year ended 31 March 2020.

Opinion of the directors

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 March 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this report are:

Executive director:

Mr. Wu Xiaoran

Non-executive director:

Ms. Song Yanan (Chairman)

Independent Non-executive directors:

Prof. Ling Chung Yee

Mr. Chng Hee Kok

Mr. John Ng

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of the year, nor at any time during the year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

According to the Register of Directors' Shareholdings, the following directors, who held office as at the end of the year, had interests in shares of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
	AS AT	AS AT	AS AT	AS AT
	1.4.2019	31.3.2020	1.4.2019	31.3.2020
Ordinary shares of the Company of HK\$0.10 each				
Song Yanan	–	–	44,223,680	44,223,680

DIRECTORS' STATEMENT

for the financial year ended 31 March 2020

Directors' interests in shares and debentures (Cont'd)

There were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2020.

Except as disclosed in this report, no director who held office at the end of the financial period had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial period.

Share options

There are presently no option schemes on unissued shares of the Company except as disclosed in Notes 9 and 10 relating to the issuance of a maximum aggregate of RMB 85 million of bonds that are convertible into shares of the Company subject to the terms and conditions of the share purchase agreement on the acquisition of new subsidiaries.

Audit committee

At the end of the financial period, the Audit Committee comprises the following members:

Mr. Chng Hee Kok (Chairman)
Prof. Ling Chung Yee
Mr. John Ng

Details of the Company's Audit Committee, Nominating Committee and Remuneration Committee are set out in the Corporate Governance Report.

Directors' contractual benefits

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within 1 year without payment other than statutory compensation.

Independent auditors

The auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has indicated its willingness to accept re-appointment.

Interested person transactions

Except for the transactions disclosed in Note 25 to the financial statements, there were no interested person transactions during the financial year from 1 April 2019 to 31 March 2020. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.



DIRECTORS' STATEMENT

for the financial year ended 31 March 2020

Interested person transactions (Cont'd)

The AC will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST are complied with. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and Section 90 of the Companies Act 1981 of Bermuda, and for such internal control as management determines is necessary to enable the preparation of financial statement that are free from material statements, whether due to fraud or error.

On behalf of the Board of Directors

Song Yanan
Non-executive Chairman

Wu Xiaoran
Executive Director

Dated: 30 October 2020

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

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.

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").



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Basis for Disclaimer of Opinion (Cont'd)

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

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.

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.

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Basis for Disclaimer of Opinion (Cont'd)

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

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.

(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).



INDEPENDENT

AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Basis for Disclaimer of Opinion (Cont'd)

3. Deferred tax liabilities (Cont'd)

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.

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 深圳农映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).

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

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)

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.

(i) RMB 35.0 million deposit paid to 深圳农畎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.



INDEPENDENT

AUDITOR'S REPORT

TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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)

(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.

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 Ke 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 XXXXXXXXXXXX00100180 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.

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

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

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.

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 totalling 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).

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);



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)

Basis for Disclaimer of Opinion (Cont'd)

7. Going concern (Cont'd)

- Cash flow forecast was prepared for the next 12 months after year end which showed that sufficient cash flows will be generated from operations to pay liabilities when they are due based on the assumptions made by management;
- Management expects the monies to be collected from 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 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.

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF UNITED FOOD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

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



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 March 2020

	Note	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
Continuing operations			
Revenue	3	30,305	86,430
Cost of sales		(24,902)	(79,795)
Gross profit		5,403	6,635
Other income	3	17,020	94,238
Selling and distribution costs		(1,140)	(251)
Administrative expenses	4	(39,316)	(19,827)
Finance expenses		(1,079)	(582)
Other expenses	5	(80,849)	(95)
(Loss)/Profit before taxation from continuing operations		(99,961)	80,118
Income tax credit/(expense)	6	3,788	(927)
(Loss)/Profit for the year/period from continuing operations		(96,173)	79,191
Discontinued operations			
Loss for the year/period from discontinued operations	7	–	(17,100)
(Loss)/Profit for the year/period	8	(96,173)	62,091
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		240	(883)
Reclassification adjustment of foreign currency translation difference upon disposal of foreign operations		–	1,857
Total comprehensive (loss)/income for the year/period		(95,933)	63,065
(Loss)/Profit attributable to:			
Equity holders of the Company			
- (Loss)/Profit from continuing operations, net of tax		(73,005)	79,502
- Loss from discontinued operations, net of tax	7	–	(17,100)
		(73,005)	62,402
Non-controlling interests			
- Loss from continuing operations, net of tax	10	(23,168)	(311)
		(96,173)	62,091
Total comprehensive (loss)/income attributable to:			
- Equity holders of the Company		(72,752)	63,465
- Non-controlling interests	10	(23,181)	(400)
		(95,933)	63,065
Basic earnings per share:			
- (Loss)/Profit for the year/period	9(a)	(0.42)	0.40
- (Loss)/Profit from continuing operations	9(a)	(0.42)	0.50
- (Loss) from discontinued operations	9(a)	–	(0.10)
Diluted earnings per share:			
- (Loss)/Profit for the period	9(b)	(0.42)	0.32
- (Loss)/Profit from continuing operations	9(b)	(0.42)	0.40
- (Loss) from discontinued operations	9(b)	–	(0.10)

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2020

		The Group		The Company	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Subsidiaries	10	–	–	9	9
Goodwill	11	12,742	12,742	–	–
Property, plant and equipment	12	2,730	20,148	–	–
Right-of-use assets	13	8,664	–	–	–
Intangible assets	14	64,507	152,697	–	–
		88,643	185,587	9	9
Current assets					
Inventories	15	1,520	1,518	–	–
Trade and other receivables	16	142,134	102,776	15,695	15,109
Amounts due from subsidiaries	17	–	–	106,930	98,809
Cash and cash equivalents	18	27,140	73,832	983	226
		170,794	178,126	123,608	114,144
Total Assets		259,437	363,713	123,617	114,153
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19	18,685	15,975	18,685	15,975
Reserves	20	169,383	232,588	89,817	83,362
Equity attributable to owners of the Company		188,068	248,563	108,502	99,337
Non-controlling interests	10	7,460	30,641	–	–
Total Equity		195,528	279,204	108,502	99,337
LIABILITIES					
Current liabilities					
Trade and other payables	21	50,147	49,879	1,408	898
Amounts due to subsidiaries	17	–	–	13,707	13,918
Borrowings	22	–	10,000	–	–
Contingent consideration for acquisition of subsidiaries	23	688	17,519	–	–
Current tax payable		779	919	–	–
		51,614	78,317	15,115	14,816
Non-current liabilities					
Borrowings	22	10,000	–	–	–
Deferred tax liabilities	24	2,295	6,192	–	–
		12,295	6,192	–	–
Total Liabilities		63,909	84,509	15,115	14,816
Total Equity and Liabilities		259,437	363,713	123,617	114,153

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2020

	Attributable to owners of the Company							Non-	
	Share capital	Share premium	Contributed surplus reserve	Statutory reserve	Capital redemption reserve	Accumulated losses	Exchange translation reserves	controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	15,975	48,729	397,141	19,431	2,982	(298,067)	(1,093)	1,278	186,376
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Acquisitions of subsidiaries	-	-	-	-	-	-	-	29,763	29,763
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	29,763	29,763
Total comprehensive income for the period									
Profit/(Loss) for the period	-	-	-	-	-	62,402	-	(311)	62,091
Currency translation difference - net	-	-	-	-	-	-	1,063	(89)	974
Total comprehensive income for the period	-	-	-	-	-	62,402	1,063	(400)	63,065
Transfer from statutory reserve to accumulated losses upon disposal of subsidiaries	-	-	-	(19,431)	-	19,431	-	-	-
At 31 March 2019	15,975	48,729	397,141	-	2,982	(216,234)	(30)	30,641	279,204

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2020

	Attributable to owners of the Company								
	Share capital	Share premium	Contributed surplus reserve	Statutory reserve	Capital redemption reserve	Accumulated losses	Exchange translation reserves	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2019	15,975	48,729	397,141	-	2,982	(216,234)	(30)	30,641	279,204
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Issuance of shares (Note 19)	2,710	9,547	-	-	-	-	-	-	12,257
Total transactions with owners, recognised directly in equity	2,710	9,547	-	-	-	-	-	-	12,257
Total comprehensive loss for the year									
Loss for the year	-	-	-	-	-	(73,005)	-	(23,168)	(96,173)
Currency translation difference - net	-	-	-	-	-	-	253	(13)	240
Total comprehensive loss for the year	-	-	-	-	-	(73,005)	253	(23,181)	(95,933)
At 31 March 2020	18,685	58,276	397,141	-	2,982	(289,239)	223	7,460	195,528

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2020

	Note	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
Cash Flows from Operating Activities			
(Loss)/Profit before taxation			
- from continuing operations		(99,961)	80,118
- from discontinued operations	7	-	(17,100)
Adjustments for:			
Depreciation of property, plant and equipment	12	1,094	1,001
Depreciation of right-of-use assets	13	1,106	-
Amortisation of intangible assets	14	13,913	7,046
Impairment loss on property, plant and equipment	12	3,224	-
Impairment loss on right-of-use assets	13	14,172	-
Impairment loss on intangible assets	14	63,267	-
Impairment loss on trade receivables	16	13,822	3,092*
Unrealised foreign exchange differences		168	1,046
Gain on disposal of subsidiaries (Note A)	7	-	(27,178)
Gain from bargain purchase (Note B)	10	-	(39,762)
Fair value changes on contingent consideration on acquisition of subsidiaries	23	(16,831)	(26,951)
Loss on disposal of property, plant and equipment		151	-
Finance cost		1,079	582
Interest income		(189)	(372)
Cash flow used in operating activities before working capital changes		(4,985)	(18,478)
Change in inventories		(2)	(13)
Change in trade and other receivables		(13,180)	1,078*
Change in trade and other payables		(512)	13,397
Cash used in operations		(18,679)	(4,016)
Interest received		-	-
Tax paid		(249)	(548)
Net cash used in operating activities		(18,928)	(4,564)
Cash Flows from Investing Activities			
Net cash from disposal of subsidiaries (Note A)	7	-	35,565
Net cash from acquisition of subsidiaries (Note B)	10	-	931
Deposit for potential business acquisitions	16	(40,000)	(25,000)
Purchase of property, plant and equipment	12	(20)	(226)
Proceeds from disposal of property, plant and equipment		37	-
Interest received		189	372
Net cash (used in)/generated from investing activities		(39,794)	11,642

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2020

	Note	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
Cash Flows from Financing Activities			
Proceeds from issue of new shares	19	12,257	-
Advance from shareholders		780	-
Finance cost		(1,079)	(582)
Net cash generated from/(used in) financing activities		11,958	(582)
Net changes in cash and cash equivalents		(46,764)	6,496
Effect of foreign exchange rate changes on balances of cash held in foreign currencies		72	(72)
Cash and cash equivalents at beginning of year/period		73,832	67,408
Cash and cash equivalents at end of year/period	18	27,140	73,832

Reconciliation of liabilities arising from financing activities, excluding equity items

	Note	As at 1 April 2019 RMB'000	Cash flows from addition/ (Repayment) of advances RMB'000	Non-cash movement Interest expense RMB'000	Foreign exchange movement RMB'000	As at 31 March 2020 RMB'000
Amount due to shareholders	21	4,280	780	-	-	5,060
Borrowings	22	10,000	(1,079)	1,079	-	10,000

	Note	As at 1 January 2018 RMB'000	Cash flows from addition/ (Repayment) of advances RMB'000	Non-cash movement Acquisition of subsidiaries RMB'000	Foreign exchange movement RMB'000	As at 31 March 2019 RMB'000
Borrowings	22	-	-	10,000	-	10,000

* The consolidated statement of cash flows for the financial period ended 31 March 2019 have been restated with the inclusion of impairment loss on trade receivables of RMB 3,092,000 that was previously erroneously omitted, which resulted in the figure reported for changes in trade and other receivables to be restated to RMB 1,078,000. The third balance sheet as at 1 January 2018 has not been presented as there is no impact to the figure reported in the net cash used in operating activities for the period then ended.

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2020

Note A: Net cash from disposal of subsidiaries during the period ended 31 March 2019 ("FY2019") (Note 7)

	Period from 1 January 2018 to 31 March 2019 RMB'000
<u>Assets</u>	
Property, plant and equipment	43,300
Land use rights	20,430
Inventories	9,685
Cash and cash equivalents	4,435
Assets classified as disposal group held for sale	77,850
<u>Liabilities</u>	
Trade and other payables	1,371
Provision	11,557
Liabilities classified as disposal group held for sale	12,928
Loss from discontinued operations	(17,100)
Gain on disposal of subsidiaries (Note 7)	27,178
Total consideration	75,000
Consideration received, satisfied in cash during the year ended 31 December 2017 (FY2017)	(20,000)
Consideration receivables (Note 16)	(15,000)
Consideration received during the year, satisfied in cash	40,000
Less: Cash and cash equivalents disposed of on de-consolidation	(4,435)
Net cash inflow from disposal of subsidiaries	35,565

Note B: Net cash from acquisition of subsidiaries in FY2019 (Note 10)

	Period from 1 January 2018 to 31 March 2019 RMB'000
Cash paid during the period	–
Less: Cash and bank balances in subsidiaries acquired	931
Net cash inflow on acquisition	931

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2020

The Group acquired certain subsidiaries during the period ended 31 March 2019. The carrying values of assets and liabilities acquired were as follows:

	Period from 1 January 2018 to 31 March 2019 RMB'000
<u>Net assets acquired</u>	
Patents – intangible assets	148,643
Land use rights – intangible assets	11,100
Property, plant and equipment	20,920
Trade receivables	1,811
Prepayment, deposits and other receivables	1,233
Inventories	1,505
Cash and bank balances	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 (Note 10)	(39,762)
Total consideration for the acquisition of subsidiaries	79,470
<u>Consideration for the acquisition of subsidiaries</u>	
	Period from 1 January 2018 to 31 March 2019 RMB'000
Cash paid (in FY2017 as deposits for potential acquisition)	25,000
Cash payable to the vendors (Note 21)	10,000
Contingent consideration (Note 23)	44,470
Total consideration	79,470

The accompanying notes form an integral part of these consolidated financial statements.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

1 General information

The financial statements of United Food Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company was incorporated in Bermuda on 14 August 2000 with limited liability under the Companies Act 1981 of Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal places of business of the Group is located at 16F The Hong Kong Club Building, 3A Chater Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 10 to these consolidated financial statements.

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;
- 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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

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

Going concern (Cont'd)

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.

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.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

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).

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

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.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(b) Interpretations and amendments to published standards effective in 2020

On 1 April 2019, the Group has applied the new and revised standards, amendments and interpretation of IFRS that are mandatory for application from that date. The adoption of the new and revised standards, amendments and interpretations of IFRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current period or prior financial year, except as follows:

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

IFRS 16 Leases

IFRS 16 *Leases* supersedes IFRS 1-17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, IFRS 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's and the Company's financial statements are discussed below.

The date of initial application of IFRS 16 for the Group is 1 April 2019. The Group has elected to transition to IFRS 16 using the modified retrospective approach which requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under IAS 17.

(a) Definition of a lease

The new definition of a lease under IFRS 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under IAS 17.

The Group has elected to apply the practical expedient available on transition to IFRS 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under IAS 17 continues to be applied to those leases entered into, or modified, before 1 April 2019, and the Group applies the new definition of a lease and related guidance set out in IFRS 16 only to those lease contracts entered into, or modified, on or after 1 April 2019. After the transition to IFRS 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under IFRS 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

Leasehold building and land use right

In prior years, the Group had made an upfront payment for the right-of-use of a 50-year leasehold building and 50-year land use right which were used as office premises and factory and recorded in the Group's property, plant and equipment and intangible assets respectively. Upon transition to IFRS 16, the Group has elected to present the right-of-use assets separately from other assets in the statement of financial position and therefore reclassifies this leasehold building from "property, plant and equipment" and the land use right from "intangible assets" to "right-of-use assets" in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(b) Interpretations and amendments to published standards effective in 2020 (Cont'd)

IFRS 16 Leases (Cont'd)

(c) Financial impact of initial application of IFRS 16

The effects of adoption of IFRS 16 on the Group's financial statements as at 1 April 2019 are as follows:

	Note	Increase/ (Decrease) RMB'000
Assets		
Property, plant and equipment – Leasehold buildings	12	(12,932)
Intangible assets – Land use rights	14	(11,010)
Right-of-use assets	13	23,942
		<u>-</u>

(d) Deferred tax impact from adoption of IFRS 16

In the jurisdictions that the Group operates in, tax deductions are received in respect of the right-of-use asset (i.e. depreciation allowance) and the lease liability (i.e. deduction for finance cost) in a manner consistent with the accounting treatment, and there is no difference between the accounting and tax depreciation rates, no temporary differences arise from recognition of the right-of-use asset and lease liability.

2(c) IFRS not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 April 2020 and earlier application is permitted. However, the Group and the Company has not early adopted the following new or amended standards in preparing these financial statements.

Reference	Description	Effective date (Annual Periods beginning on or after)
Various	<i>Amendments to References to the Conceptual Framework in IFRS</i>	1 January 2020
IFRS 3	<i>Amendments to IFRS 3: Definition of a Business</i>	1 January 2020
IAS 1, IAS 8	<i>Amendments to IAS 1 and IAS 8: Definition of Material</i>	1 January 2020
IFRS 9, IAS 39, IFRS 7	<i>Amendments to IFRS 9, IAS 39 and IAS 7: Interest Rate Benchmark Reform</i>	1 January 2020
IFRS 10, IAS 28	<i>Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Management does not anticipate that the adoption of the above new standards and amendments to standards in future periods will have a material impact to the financial statements in the period of their initial adoption.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Subsidiaries (Cont'd)

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Subsidiaries (Cont'd)

Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Bargain purchase

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised in statement of profit or loss and other comprehensive income on a straight-line basis so as to write off the depreciable amounts of these assets over their estimated useful lives as follows:

Leasehold buildings	10 to 20 years
Leasehold improvements	5 to 10 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	5 years

No depreciation is provided on construction-in-progress. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in statement of comprehensive income during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Gains and losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income on the date of retirement or disposal.

Depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Intangible assets (Cont'd)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Patents

Patents acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 to 13 years, which is the shorter of their estimated useful lives and periods of contractual rights.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of the land use rights over the lease terms of 50 years. From 1 April 2019, land use rights are reclassified to "right-of-use assets".

Financial assets

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL)

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and amount due from subsidiaries.

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other operating income or other expense". Interest income from these financial assets is recognised using the effective interest rate method and presented in "other operating income".
- FVTPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other operating income and other expense".

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For other financial assets and debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the financial assets and debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the financial assets and debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than days past due.

The Group consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts (if any). Bank overdrafts (if any) are included within borrowings in current liabilities in the statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on a first-in, first-out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices in the ordinary course of business less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Assets and liabilities classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to consumable stocks, financial assets and deferred tax assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment once classified as held for sale are not depreciated.

If the criteria to classify as held for sale are no longer met, the assets, or disposal group, are remeasured at the lower of the carrying amount before the classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the assets or disposal group not been classified as held for sale, and the recoverable amount at the date of the subsequent decision not to sell.

Discontinued operation

A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. In profit or loss of the comparative period of the previous year, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in profit or loss. Consequently, certain comparative figures were re-presented to reflect the financial effect of excluding the "discontinued operation".

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties, borrowings, lease liabilities and contingent consideration for acquisition of subsidiaries.

Financial liabilities are recognised when the Group and the Company become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in statement of comprehensive income. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables and related party balances are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

Contingent consideration in the form of bonds payable, 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.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Leases

The accounting policy for leases before 1 April 2019 is as follows:

Where the Group is the lessee

Rentals on operating leases are charged to income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination of lease, if any, are recognised in the income statement when incurred.

Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the interest expense and the reduction of the outstanding lease liability. The interest expense is recognised within "finance costs" in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

The accounting policy for leases from 1 April 2019 is as follows:

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) *Lease liability*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate. Lease payments include the following:

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is subsequently measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that is not part of the original term and is not accounted for as a separate lease.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Lease liability is presented as a separate line item in the statements of financial position.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

(b) *Right-of-use asset*

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Leasehold buildings	10 to 20 years
Land use rights	50 years

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The right-of-use assets are presented as a separate line item in the statement of financial position.

(c) *Short term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(d) *Variable lease payments*

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

(i) Revenue from trading income

The Group purchases and sells food products in the marketplace. Revenue is recognised when the control of the goods has been transferred to the customer, which is when the customer obtains control of the goods.

(ii) Sales of additives

The Group manufactures and sells the additive (L-Ascorbyl Palmitate) or antioxidants in the marketplace. Revenue is recognised when the control of the goods has been transferred to the customer, which is when the customer obtains control of the goods.

(iii) Sales of animal feed and traditional medicine

The Group manufactures and sells the animal feed and traditional medicine in the marketplace. Revenue is recognised when the control of the goods has been transferred to the customer, which is when the customer obtains control of the goods.

(iv) Sale of equipment

The Group purchases and sells L-AP related production equipment. Revenue is recognised when the control of the goods has been transferred to the customer, which is when the customer obtains control of the goods.

(v) Provision of technical consultation services

Technical consultation services are recognised over time as the service are simultaneously performed and consumed by the customer.

(vi) Interest income

Interest income is recognised on a time apportion basis using the effective interest method.

Employee benefits

(a) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(b) Retirement benefits

Pursuant to the relevant regulations of the government of the People's Republic of China (the "PRC"), the subsidiaries in Mainland China have each participated in a local municipal government retirement benefit scheme (the "Scheme"), pursuant to which the subsidiaries in Mainland China are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in Mainland China. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to statement of comprehensive income as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control of the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or the Company or a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and the fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third party and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and members of management team are considered key management personnel.

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable statement of comprehensive income at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories, subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flows evaluation. All assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case, it is charged to equity.

An impairment loss, except for goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss has been recognised. A reversal of impairment loss is recognised in profit or loss.

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in RMB, whereas the functional currency of the Company is Hong Kong dollars.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the statement of comprehensive income, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to statement of comprehensive income as part of the gain or loss on disposal of the foreign operation.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2(d) Summary of significant accounting policies (Cont'd)

Functional currency (Cont'd)

Transactions and balances (Cont'd)

Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates at the dates of the transactions. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Group entities

The results and financial positions of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at average exchange rates.
- (iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

All operating segments' operating results are reviewed regularly by the Group's directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Additional disclosures on operating segments are shown in Note 31 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the Group's directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise contingent consideration (Note 23).



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

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
<u>Revenue</u>			
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
<u>Other income</u>			
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

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

3 Revenue and other income (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

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).

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.

4 Administrative expenses

The Group	Note	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
Amortisation of land use rights		–	90
Amortisation of patents		13,855	6,920
Directors' remuneration	8	1,528	1,692
Depreciation of property, plant and equipment		1,089	996
Depreciation of right-of-use assets		1,101	–
Employee benefit expenses	8	2,559	1,708
Impairment loss on trade receivables	16	13,822	3,092
Office supplies		1,407	364
Professional fees		1,370	2,279
Others		2,585	2,686
		<u>39,316</u>	<u>19,827</u>



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

5 Other expenses

The Group	Note	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
Impairment loss on property, plant and equipment	12	3,224	–
Impairment loss on right-of-use assets	13	14,172	–
Impairment loss on patents	14	63,267	–
Loss on disposal of property, plant and equipment		151	–
Others		35	95
		<u>80,849</u>	<u>95</u>

6 Income tax

The Group	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
Current tax expense		
Current year	109	1,175
Deferred tax expense		
Current year	(3,897)	(248)
Income tax (credit)/expense	<u>(3,788)</u>	<u>927</u>

The Group	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
(Loss)/Profit before taxation from continuing operations	(99,961)	80,118
Loss before taxation from discontinued operations	–	(17,100)
Total (loss)/profit before taxation	<u>(99,961)</u>	<u>63,018</u>

Reconciliation of effective tax rate

Income tax using the PRC tax rate of 25% (2019: 25%)	(24,990)	15,755
Tax effect on non-deductible expenses (a)	23,540	8,797
Non-taxable income (b)	(3,007)	(23,470)
Effect of tax rates in foreign jurisdictions	409	(155)
Deferred tax assets not recognised	260	–
Income tax (credit)/expense	<u>(3,788)</u>	<u>927</u>

- (a) Expenses not deductible for tax purposes relate mainly to depreciation and amortisation of non-qualifying assets and other disallowed expenses such as impairment loss on properties, plant and equipment, right-of-use assets, patents and ECL on trade and other receivables incurred in the ordinary course of business.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

6 Income tax (Cont'd)

- (b) Non-taxable income relates mainly to the items of other income consisting of the gain on disposal of subsidiary, gain from bargain purchase and fair value changes in contingent consideration which are not taxable or deductible.

Subject to the agreement by the tax authorities, the Group has unutilised tax losses of RMB 1.0 million (2019 - Nil) available for offset against future profits at the reporting date. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB 0.26 million (2019 - Nil) that will expire in 2025. Other tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

7 Discontinued operations

The Group's investments in Post-Ante Trading Limited, Globe Bright Limited, Linyi Shengquan Grease Co., Ltd ("SQ Grease") ("Disposal group classified as held for sale") and Linyi Jiang Tian Trading Limited related to the soybean processing, feed production and pig rearing operating segments are classified as assets held for sale at 31 December 2017 as the Group has definitively committed on a plan to dispose of the operations. The Disposal group classified as held for sale represents the entirety of the Group's Soybean, Feed production and Pig rearing segment. The Disposal group classified as held for sale during FY2017 was disposed of in May 2018 and the results of the discontinued operations up to the date of disposal were as follows:

The Group	Period from 1 January 2018 to 31 March 2019 RMB'000
Revenue	36,470
Cost of sales	(41,348)
Gross (loss)/profit	(4,878)
Other income	22
Selling and distribution expenses	(1,020)
Administrative expenses	(11,224)
Loss before taxation from discontinued operations	(17,100)
Income tax expense	-
Loss for the period from discontinued operations	(17,100)

The net cash flows incurred by discontinued operations are as follows:

The Group	Period from 1 January 2018 to 31 March 2019 RMB'000
Operating activities	(4,382)
Investing activities	-
Financing activities	-
Net cash outflow	(4,382)



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

7 Discontinued operations (Cont'd)

Gain on disposal of subsidiaries

The Group	Period from 1 January 2018 to 31 March 2019 RMB'000
<u>Assets</u>	
Property, plant and equipment	43,300
Land use rights	20,430
Inventories	9,685
Cash and cash equivalents	4,435
Assets classified as disposal group held for sale	77,850
<u>Liabilities</u>	
Trade and other payables	1,371
Provision	11,557
Liabilities classified as disposal group held for sale	12,928
Loss from discontinued operations	(17,100)
Gain on disposal of subsidiaries	27,178
Total consideration	75,000

The purchaser to the Disposal group classified as held for sale did not grant access to their books and records for audit purposes.

During the financial period ended 31 March 2019, the Group has received RMB 60 million from the disposal, remaining outstanding proceed was recorded in "other receivables" (Note 16). Subsequent to year end, as of 14 April 2020, the Group has further received RMB 3,500,000 from the purchaser.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

9 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
The Group		
(Loss)/Profit attributable to ordinary shareholders of the Company (RMB'000)		
(Loss)/Profit for the year	(73,005)	62,402
(Loss)/Profit from continuing operations	(73,005)	79,502
Loss from discontinued operations	-	(17,100)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	175,607,047	157,901,384
Basic earnings per share (RMB):		
(Loss)/Profit for the year/period	(0.42)	0.40
(Loss)/Profit from continuing operations	(0.42)	0.50
Loss from discontinued operations	-	(0.10)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, i.e. contingent consideration (Note 23).

As disclosed in Note 10, the balance purchase price of RMB 85,000,000 in relation to the Acquisition is payable by way of the issuance of Bonds which are convertible subject to the terms of the sale and purchase agreement. The maximum number of shares of the Company that may be issued pursuant to the terms and conditions of the sale and purchase agreement (Refer to Note 10) is 38,576,307.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

9 Earnings per share (Cont'd)

(b) Diluted earnings per share (Cont'd)

Diluted earnings per share for continuing operations and discontinued operations attributable to equity holders of the Company is calculated as follows:

	Year ended 31 March 2020 RMB'000	Period from 1 January 2018 to 31 March 2019 RMB'000
The Group		
Profit/(Loss) attributable to ordinary shareholders of the Company (RMB'000)		
Profit/(Loss) for the year	(73,005)	62,402
Profit/(Loss) from continuing operations	(73,005)	79,502
Loss from discontinued operations	-	(17,100)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	175,607,047	157,901,384
Adjustment for contingent consideration (Note 23)	38,576,307	38,576,307
Weighted average number of ordinary shares for the purposes of diluted earnings per share	214,183,354	196,477,691
Diluted earnings per share (RMB):		
(Loss)/Profit for the period	(0.42)	0.32
(Loss)/Profit from continuing operations	(0.42)	0.40
Loss from discontinued operations	-	(0.10)

The effect of the convertible bonds as potential ordinary shares is antidilutive. This is because the conversion to ordinary shares would decrease loss per share. Accordingly, the calculation of diluted loss per share does not assume conversion because that would have an antidilutive effect on loss per share.

10 Subsidiaries

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



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

10 Subsidiaries (Cont'd)

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group		Principal activities
		2020 %	2019 %	
<u>Directly held by the Company</u>				
Post-Ante Trading Limited *	British Virgin Islands	–	–	Investment holding
Brighten Ocean International Limited (“Brighten Ocean”)	Hong Kong	100	100	Investment holding
<u>Held by Post-Ante</u>				
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
<u>Held by Brighten Ocean</u>				
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
<u>Held by Pearlfield</u>				
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
<u>Held by RTTL</u>				
Shenzhen Hualitai Food Trading Co., Ltd	PRC	80	80	Trading of food products
<u>Held by Yi Kei</u>				
Shenzhen Yi Kei Logistics Supply-chain Limited	PRC	100	100	Logistics services
United Express Trading Pte. Ltd.	Singapore	100	–	Trading of food products
<u>Held by GBL</u>				
Linyi Jiang Tian Trading Limited *	PRC	–	–	Trading of food products

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

10 Subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation	Effective equity interest held by the Group		Principal activities
		2020 %	2019 %	
<u>Held by SZBY</u>				
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
<u>Held by HBXR</u>				
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.

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.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

10 Subsidiaries (Cont'd)

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

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 issued 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 $[(\text{Actual profits}/\text{RMB 25 million}) \times \text{RMB 28.333 million Bonds}]$ 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.

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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

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 (Cont'd)

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:

	31 March 2019 RMB'000
The Group	
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



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

10 Subsidiaries (Cont'd)

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

Measurement of fair value

	31 March 2019 RMB'000
The Group	
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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

10 Subsidiaries (Cont'd)

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

Measurement of fair value (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



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

10 Subsidiaries (Cont'd)

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

	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)
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)

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

11 Goodwill

	31 March 2020	31 March 2019
The Group	RMB'000	RMB'000
Goodwill	12,742	12,742

Impairment test for goodwill

As at 31 March 2020, the carrying amount of goodwill is attributable to the food trading business constituting a cash-generating unit ("CGU"). The recoverable amount of the CGU was determined based on its value-in-use calculation, determined by discounting the projected five-year cash flows to be generated from the continuing use of the CGU at a pre-tax discount rate of 17.07% (2019 - 18.92%). The terminal value growth rate used does not exceed the historical long-term growth rate of the market the CGU operates in.

Key assumptions used for value-in-use calculations:

	31 March 2020	31 March 2019
The Group	%	%
Growth rate ¹	3.14	2.90
Gross margin ²	7.13	7.73
Discount rate ³	17.07	18.92

- 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.

These assumptions have been used for the analysis of each CGU. Management determines the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are those that are consistent with industry reports. The discount rates used pre-tax and reflect specific risks relating to the business segments.

As at 31 March 2020, the carrying amount of the CGU containing goodwill was lower than its recoverable amount.

The management believes that any reasonably possible change in the above key assumptions relating to growth rates and discount rates are not likely to cause the recoverable amounts of the CGU to be materially lower than its carrying amount.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

12 Property, plant and equipment

The Group	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Cost</u>					
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
<u>Accumulated depreciation and impairment</u>					
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
<u>Net book value</u>					
At 31 March 2020	–	2,566	8	156	2,730
At 31 March 2019	12,932	6,747	28	441	20,148

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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

12 Property, plant and equipment (Cont'd)

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.

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.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, right-of-use assets (Note 13) and patents (Note 14) (Cont'd)

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.

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 (refer to Note 11)	RTTL

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, right-of-use assets (Note 13) and patents (Note 14) (Cont'd)

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.

The impairment loss represents the write-down of certain assets in the Additive 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.

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
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

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



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, right-of-use assets (Note 13) and patents (Note 14) (Cont'd)

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 2: RMB 14.3 million Year 3: RMB 18.4 million Year 4: RMB 20.7 million Year 5: RMB 24.0 million	Year 1: RMB 25.2 million Year 2: RMB 40.9 million Year 3: RMB 49.0 million Year 4: RMB 51.8 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.

	31 March 2020 RMB'000	31 March 2019 RMB'000
The Group		
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

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

12 Property, plant and equipment (Cont'd)

Impairment tests for property, plant and equipment, right-of-use assets (Note 13) and patents (Note 14) (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字第113080号	22	9,088	12,932



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

13 Right-of-use assets

The Group	Leasehold buildings RMB'000	Land use rights RMB'000	Total RMB'000
<u>Cost</u>			
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
<u>Accumulated amortisation and impairment losses</u>			
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
<u>Net book value</u>			
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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

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:

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

14 Intangible assets

The Group	Land use rights RMB'000	Patents RMB'000	Total RMB'000
<u>Cost</u>			
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	<u>–</u>	<u>148,643</u>	<u>148,643</u>
<u>Accumulated amortisation and impairment losses</u>			
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	<u>–</u>	<u>84,136</u>	<u>84,136</u>
Comprising:			
- Accumulated depreciation	–	20,869	20,869
- Accumulated impairment loss	–	63,267	63,267
<u>Net book value</u>			
At 31 March 2020	<u>–</u>	<u>64,507</u>	<u>64,507</u>
At 31 March 2019	11,010	141,687	152,697



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

14 Intangible assets (Cont'd)

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.

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

15 Inventories

The Group	31 March 2020 RMB'000	31 March 2019 RMB'000
At cost:		
Raw materials	1,036	1,266
Work-in-progress	42	42
Finished goods	442	210
	<u>1,520</u>	<u>1,518</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB 12,856,000 (2019 - RMB 272,000).

During the year ended 31 March 2020, inventories written off amounted to RMB Nil (2019 - RMB 145,000).

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

16 Trade and other receivables

	The Group		The Company	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RMB'000	RMB'000	RMB'000	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. (Refer to Note 7 and Note A to the consolidated statement of cash flows).

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.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

16 Trade and other receivables (Cont'd)

Note (A) (Cont'd)

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 深圳农畎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 深圳农畎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.

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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

16 Trade and other receivables (Cont'd)

Note (B) (Cont'd)

(a) RMB 35.0 million deposit paid to 深圳农映食品开发集团有限公司 ("Nongfu") (Cont'd)

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.

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.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

16 Trade and other receivables (Cont'd)

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.

17 Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries, comprising mainly advances, are denominated in Hong Kong dollars, 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.

18 Cash and cash equivalents

	The Group		The Company	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Cash and bank balance (Cash and cash equivalents in the consolidated statement of cash flows)	27,140	73,832	983	226

Renminbi of RMB 24.8 million (2019: RMB 72.6 million) is not freely convertible into foreign currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks that are authorised to conduct foreign exchange business. The remittance of these funds maintained with banks in the PRC by the Group out of the PRC is subject to currency exchange restrictions.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

18 Cash and cash equivalents (Cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong dollar	2,168	1,231	979	222
Renminbi	24,789	72,595	–	–
Others	183	6	4	4
	<u>27,140</u>	<u>73,832</u>	<u>983</u>	<u>226</u>

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

19 Share capital

The Group and The Company	Number of ordinary shares	Nominal value of ordinary shares	
		HK\$'000	RMB'000
Authorised:			
At 1 January 2018 and March 2019 (par value of HK\$0.10 each) and at 31 March 2020 (par value of HK\$0.10 each)	5,000,000,000	500,000	450,760
Issued and fully paid-up ordinary shares:			
At 1 January 2018	157,901,384	15,790	15,975
Issue of shares	–	–	–
At 31 March 2019 and 1 April 2019	157,901,384	15,790	15,975
Issue of shares	30,001,263	3,000	2,710
At 31 March 2020	187,902,647	18,790	18,685

During the year ended 31 March 2020, the Company issued and allotted 30,001,263 shares for cash with net proceeds of HK\$ 13,567,650 (or equivalent to RMB 12,257,000) and recorded HK\$ 10,567,524 (or equivalent to RMB 9,547,000) within share premium.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

20 Reserves

	The Group		The Company	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Share premium	58,276	48,729	58,276	48,729
Contributed surplus reserve	397,141	397,141	397,141	397,141
Capital redemption reserve	2,982	2,982	2,982	2,982
Accumulated losses	(289,239)	(216,234)	(368,110)	(363,322)
Statutory reserve	–	–	–	–
Exchange translation reserve	223	(30)	(472)	(2,168)
	169,383	232,588	89,817	83,362

Share premium

The share premium account may be distributed in the form of fully paid bonus shares.

Contributed surplus reserve

Contributed surplus reserve represents the excess of the credit amount arising from the capital reduction over the amount utilised to offset against the Company's accumulated losses as at 31 December 2017. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of a company is available for distribution.

Capital redemption reserve

Capital redemption reserve represents the nominal value of the Shares of the Company which was transferred from the Company's retained earnings upon repurchase and cancellation of Shares by the Company.

Accumulated losses

The accumulated losses comprise the distributable reserves recognised in the preceding years less any dividends declared. The total of such profits or losses brought forward and the loss derived for the current reporting period constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders, at the reporting date.

Statutory reserve

In accordance with the relevant PRC regulations, being the wholly-owned foreign investment enterprise established in Mainland China, is required to appropriate not less than 10% of its profit after tax to its statutory reserve, until the balance of the reserve reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against any of its accumulated losses. Statutory reserves from Linyi Shengquan Grease Co., Ltd SQ Grease were disposed of during the financial period ended 31 March 2019.

There were no appropriations of the statutory reserve during the year (2019 - Nil).

Exchange translation reserve

The exchange translation reserve comprises foreign exchange differences arising from the translation of the financial statements of Group entities whose functional currencies are different from that of the Group's presentation currency.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

21 Trade and other payables

	The Group		The Company	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	9,255	9,767	–	–
Other payables (Note A)	19,327	27,490	224	74
Cash payable to the vendors (Note B) (Note 10)	10,000	10,000	–	–
Advances from customer (Note C)	10,381	1,800	–	–
Accruals	1,184	822	1,184	824
	50,147	49,879	1,408	898

Note (A)

Other payables as at 31 March 2020 include amounts due to shareholders of RMB 5.1 million (2019 – RMB 4.3 million) and amounts due to ex-shareholders of the Target Companies of RMB 2 million (2019 – RMB 15 million) which are non-trade in nature, unsecured, interest-free and repayable on demand.

Note (B)

Consists of RMB 10 million payable to the vendors for the acquisition of the Target companies (Refer to Note 10).

Note (C)

The advances from customer as at 31 March 2020 relate to payments in advance for the purchase of L-AP equipment and L-AP or antioxidant products (2019 – L-AP or antioxidant products). The contract for advances of RMB 8,600,000 for the purchase of L-AP equipment has been cancelled subsequent to the year end. As at 1 January 2018, the Group's advances from customer amounted to RMB Nil.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong dollar	41,968	39,546	1,408	898
Renminbi	8,179	10,333	–	–
	50,147	49,879	1,408	898



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

22 Borrowings

The bank loans of the Group are secured over land use right and leasehold buildings with carrying amounts of RMB 10.0 million and RMB 11.5 million respectively as at 31 March 2020 (2019 - RMB 11 million and RMB 12.9 million) [see Notes 12, 13 and 14].

All borrowings are denominated in RMB. The loans are repayable by January 2022 (2019 - repayable within 12 months) with 7.8% (2019 - 9%) interest per annum.

The fair values of non-current borrowings are determined based on fair value hierarchy Level 2 measurement by discounting of cash flows at the market borrowing rates of equivalent financial instruments at the reporting date, as follows:

The Group	31 March 2020 %	31 March 2019 %	31 March 2020 RMB'000	31 March 2019 RMB'000
Bank loans	4.65	4.65	9,270	10,000

23 Contingent consideration for acquisition of subsidiaries

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 discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. As part of the purchase price allocation for the acquisition of the Target companies (Refer to Note 10), the Group identified an element of contingent consideration.

The contingent consideration for acquisition of subsidiaries with a carrying amount of RMB 17.52 million as at 31 March 2019 was determined following the acquisition of the Target Companies by the Group. The Group had entered into a Bond instrument which is convertible into shares of the Company. 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 vendors of the Target Companies have provided a profit warranty of RMB 25 million each year over 3 years with a cumulative aggregate profit warranty of RMB 75 million. 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 under IFRS 3 Business Combinations.

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 is dependent on the Forecast prepared on the use of the patents to produce and sell the L-Ascorbyl Palmitate (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.

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 0.7 million (2019 - RMB 17.5 million) as at 31 March 2020.

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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

23 Contingent consideration for acquisition of subsidiaries (Cont'd)

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.

The changes in the fair value of the contingent consideration have been recognised in profit or loss as follows:

	31 March 2020 RMB'000	31 March 2019 RMB'000
Contingent consideration at beginning of year/date of acquisition	17,519	44,470
Changes in fair value of contingent consideration recognised in profit or loss	(16,831)	(26,951)
Contingent consideration at reporting date	688	17,519

The changes in the fair value of contingent consideration were primarily due to the profit forecast, effect of the change in DLOM and the estimated share price at the relevant valuation dates.

24 Deferred tax liabilities

Movements in deferred tax liabilities are as follows:

The Group	31 March 2020 RMB'000	31 March 2019 RMB'000
Deferred income tax liabilities		
Balance at beginning	6,192	–
Acquisition of subsidiary (Note 10)	–	6,440
Reversal of temporary differences (Note 6)	(3,897)	(248)
Balance at end	2,295	6,192

The deferred income tax liabilities balance was attributable to the differences between the fair values and book values of the leasehold land and building at date of acquisition in 2019.

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 March 2020, deferred tax liabilities have not been recognised on undistributed profits of a subsidiary of RMB 1,233,000 (2019 - RMB 1,233,000) because the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

25 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, there were significant transactions which were carried out in the normal course of business on terms agreed between the parties as follows:

The Group	Note	31 March 2020 RMB'000	31 March 2019 RMB'000
Compensation of key management personnel:			
short-term employee benefits	(i)	2,647	2,323
(i) Further details of directors' remuneration are included in Note 26 to the financial statements.			

26 Directors' remuneration

The number of directors of the Group whose remuneration falls within the following band is disclosed in compliance with Rule 1207(11) of Chapter 12 of the Listing Manual of the SGX-ST:

The Group	Executive/ non-executive directors	Independent non-executive directors	Total
2020			
Below S\$250,000 (equivalent to approximately RMB1,200,000)	2	3	5
2019			
Below S\$250,000 (equivalent to approximately RMB1,200,000)	2	3	5

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 of Directors 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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

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 credit rating information is supplied by publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

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
- 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.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

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

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 as 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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

Trade receivables (Cont'd)

The Group's credit risk exposure in relation to trade receivables by segment under IFRS 9 as at 31 March 2020 are set out as follows:

2020	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
<i>ECL rate</i>	8%	80%	–	0%	55%	
Gross trade receivables						
Animal feed and traditional medicine	14	5	–	–	962	981
Food additive	90	–	–	63	–	153
Trading	–	–	–	–	30,560	30,560
	104	5	–	63	31,522	31,694
Less: Impairment loss						
Animal feed and traditional medicine	(8)	(4)	–	–	(925)	(937)
Food additive	–	–	–	–	–	–
Trading	–	–	–	–	(16,389)	(16,389)
	(8)	(4)	–	–	(17,314)	(17,326)
	96	1	–	63	14,208	14,368
Net trade receivables						
Animal feed and traditional medicine	6	1	–	–	37	44
Food additive	90	–	–	63	–	153
Trading	–	–	–	–	14,171	14,171
	96	1	–	63	14,208	14,368



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

Trade receivables (Cont'd)

The Group's credit risk exposure in relation to trade receivables by segment under IFRS 9 as at 31 March 2019 are set out as follows:

2019	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
<i>ECL rate</i>	10%	11%	11%	10%	42%	
Gross trade receivables						
Animal feed and traditional medicine	–	73	59	12	1,490	1,634
Trading	2,914	1,224	5,722	3,894	2,359	16,113
	2,914	1,297	5,781	3,906	3,849	17,747
Less: Impairment loss						
Animal feed and traditional medicine	–	(16)	(59)	(12)	(923)	(1,010)
Trading	(291)	(122)	(572)	(389)	(708)	(2,082)
	(291)	(138)	(631)	(401)	(1,631)	(3,092)
	2,623	1,159	5,150	3,505	2,218	14,655
Net trade receivables						
Animal feed and traditional medicine	–	57	–	–	567	624
Trading	2,623	1,102	5,150	3,505	1,651	14,031
	2,623	1,159	5,150	3,505	2,218	14,655

The developments of the novel coronavirus outbreak, US-China trade tensions, and social unrest in Hong Kong resulted in increases in trade receivables of the Group's trading business of RMB 14,447,000 (2019: RMB 4,418,000) and increases in the Group's impairment allowances in FY2020 of RMB 13,822,000 (2019: RMB 3,092,000). The increase in the loss allowance is due to moving assets being measured at 12-month expected credit losses to lifetime expected credit losses which witness a significant financial stress or deterioration in the credit worthiness.

Other receivables and amount due from subsidiaries

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. Other than as disclosed in Note 16 to the financial statements, management believes that no additional credit risk lies in the Group'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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

27 Financial risk management (Cont'd)

Credit risk (Cont'd)

Significant concentration of credit risks (Cont'd)

	The Group		The Company	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RMB'000	RMB'000	RMB'000	RMB'000
<u>By geographical areas</u>				
PRC	197	624	–	–
Hong Kong	14,171	14,031	–	–
	14,368	14,655	–	–

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	Contractual cash flows			
	Carrying amount	Total contractual cash flows	Less than one year	Within two to five years
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 March 2020				
Financial liabilities				
Trade and other payables	50,147	50,147	50,147	–
Contingent consideration	688	688	688	–
Borrowings	10,000	11,170	–	11,170
	60,835	62,005	50,835	11,170
At 31 March 2019				
Financial liabilities				
Trade and other payables	49,879	49,879	49,879	–
Contingent consideration	17,519	17,519	17,519	–
Borrowings	10,000	10,000	10,000	–
	77,398	77,398	77,398	–



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

27 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

The Company	Carrying amount RMB'000	Contractual cash flows		
		Total contractual cash flows RMB'000	Less than one year RMB'000	Within two to five years RMB'000
At 31 March 2020				
Financial liabilities				
Trade and other payables	1,408	1,408	1,408	–
Amounts due to subsidiaries	13,707	13,707	13,707	–
	15,115	15,115	15,115	–
At 31 March 2019				
Financial liabilities				
Trade and other payables	898	898	898	–
Amounts due to subsidiaries	13,918	13,918	13,918	–
	14,816	14,816	14,816	–

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.

28 Capital management

The Group's and the Company's objectives when managing capital are:

- (a) To safeguard the Group's and the Company's ability to continue as a going concern;
- (b) To support the Group's and the Company's stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Group and the Company manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements. However, the subsidiaries incorporated in the PRC are subject to currency exchange restrictions on the remittance of funds out of the PRC.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

28 Capital management (Cont'd)

The Group and the Company monitor capital using Gearing Ratio, which is net debt divided by total equity. Net debt represents total liabilities less cash and cash equivalents.

	The Group		The Company	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	63,909	84,509	15,115	14,816
Less: Cash and cash equivalents	(27,140)	(73,832)	(983)	(226)
Net debt (A)	36,769	10,677	14,132	14,590
Total equity (B)	195,528	279,204	108,502	99,337
Gearing ratio (times) (A)/(B)	0.19	0.04	0.13	0.15

29 Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

	31 March 2020	31 March 2019
The Group	RMB'000	RMB'000
<u>Financial assets</u>		
Trade and other receivables, excluding prepayment and VAT receivables (Note 16)	140,771	102,008
Cash and cash equivalents (Note 18)	27,140	73,832
	167,911	175,840
<u>Financial liabilities</u>		
Trade and other payables (Note 21)	50,147	49,879
Borrowings (Note 22)	10,000	10,000
Contingent considerations (Note 23)	688	17,519
	60,835	77,398
The Company	31 March 2020	31 March 2019
	RMB'000	RMB'000
<u>Financial assets</u>		
Trade and other receivables (Note 16)	15,695	15,109
Amounts due from subsidiaries (Note 17)	106,930	98,809
Cash and cash equivalents (Note 18)	983	226
	123,608	114,144
<u>Financial liabilities</u>		
Trade and other payables (Note 21)	1,408	898
Amounts due to subsidiaries (Note 17)	13,707	13,918
	15,115	14,816



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

29 Financial instruments by category (Cont'd)

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.

30 Fair value measurement

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 fair values of non-current borrowings are determined based on fair value hierarchy Level 2 measurement by discounting of cash flows at the market borrowing rates of equivalent financial instruments at the reporting date.

Other than as disclosed elsewhere in these financial statements, the carrying amounts and fair values of liabilities, including their fair value hierarchy level, are set out below:

The Group	Carrying amount RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
31 March 2020				
Borrowings	(10,000)	–	(9,270)	–
31 March 2019				
Borrowings	(10,000)	–	(10,000)	–

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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

30 Fair value measurement (Cont'd)

Fair value measurement of contingent consideration (Cont'd)

The following table shows the Levels within the hierarchy of the contingent consideration measured at fair value as at 31 March 2020 and 2019:

The Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 March 2020				
Contingent consideration (Bonds to be issued)	-	-	(688)	(688)
31 March 2019				
Contingent consideration (Bonds to be issued)	-	-	(17,519)	(17,519)

For movements in the contingent consideration, refer to Note 23.

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 2020	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration	RMB 688,000	Market approach	- Probability of meeting profit warranty of RMB 85 million - DLOM of 26.28%	The higher the probability that the profit warranty is met, the higher the value of the contingent consideration. The higher the DLOM, the lower the value of the contingent consideration.

Type	Carrying amount at 31 March 2019	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration	RMB 17,519,000	Market approach	- Probability of meeting profit warranty of RMB 85 million - DLOM of 27.20%	The higher the probability that the profit warranty is met, the higher the value of the contingent consideration. The higher the DLOM, the lower the value of the contingent consideration.



NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

30 Fair value measurement (Cont'd)

Sensitivity analysis

For the fair values of contingent consideration, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

The Group	Profit or loss	
	Increase RMB'000	Decrease RMB'000
31 March 2020		
DLOM (3% movement (300 bps))	27	(27)
31 March 2019		
DLOM (3% movement (300 bps))	722	(722)

31 Operating segment information

For management reporting purposes, the Group is organised into reportable operating segments which are the Group's strategic business units.

A summary of the details of the operating segments is as follows:

- (a) The trading segment relates to the business of purchases and sales of food products.
- (b) The additives segment relates to the manufacture and sales of L-Ascorbyl palmitate or antioxidant; this segment was acquired during the period ended 31 March 2019.
- (c) The animal feed and traditional medicine segment relates to the manufacture and sales of animal feed and traditional medicine from traditional Chinese herbs; this segment was acquired during the period ended 31 March 2019.
- (d) Others comprise mainly corporate office functions and investment in shares.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

31 Operating segment information (Cont'd)

Year ended 31 March 2020	CONTINUING OPERATIONS				
	Trading RMB'000	Additives RMB'000	Animal feed and traditional medicine RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue					
Sales of food products	13,068	–	–	–	13,068
Sales of animal feed and traditional medicine	–	–	192	–	192
Sales of food additives	–	129	–	–	129
Sales of L-AP equipment	–	16,437	–	–	16,437
Provision of technical consultation services	–	479	–	–	479
Net sales to external customers	13,068	17,045	192	–	30,305
Segment results (EBIDTA)	(14,993)	(48,103)	(32,820)	12,958	(82,958)
Bank interest income					189
Bank interest cost					(1,079)
Depreciation of PPE					(1,094)
Depreciation of ROU assets					(1,106)
Amortisation of intangible assets					(13,913)
Loss before tax					(99,961)
Segment assets	15,687	69,096	18,945	128,569	232,297
Reconciliation:					
Corporate and unallocated assets					27,140
Total assets					259,437
Segment liabilities	11,996	14,944	19,293	14,602	60,835
Reconciliation:					
Corporate and unallocated liabilities					3,074
Total liabilities					63,909
Other segment information:					
Additions of property, plant and equipment	–	–	20	–	20
Depreciation of PPE	1	651	442	–	1,094
Depreciation of ROU assets	–	240	886	–	1,106
Amortisation of intangible assets	–	11,692	2,221	–	13,913
Impairment loss on PPE	–	1,491	1,733	–	3,224
Impairment loss on intangible assets	–	17,089	46,178	–	63,267
Impairment loss on ROU assets	–	1,560	12,612	–	14,172
Impairment loss on trade receivables	–	13,822	–	–	13,822
Impairment loss on other receivables	–	–	–	–	–
Fair value gain on contingent consideration	–	–	–	16,831	16,831

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

31 Segment information (Cont'd)

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group for the period ended 31 March 2019:

	CONTINUING OPERATIONS					DISCONTINUED OPERATIONS				
	Animal feed and traditional medicine									
	Trading	Additives	Animal feed and traditional medicine	Others	Sub-total	Soybean processing	Feed production	Pig rearing	Sub-total	Consolidated
Period ended 31 March 2019	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue										
Net sales to external customers	86,144	2	284	-	86,430	-	-	-	-	86,430
Segment results (EBIDTA)										
Bank interest income	4,929	(1,514)	(890)	(8,041)	(5,516)	(9,762)	(6,921)	(417)	(17,100)	(22,616)
Bank interest cost					372					372
Depreciation on PPE					(582)					(582)
Amortisation on land use rights and intangible assets					(1,001)					(1,001)
Gain on disposal of subsidiary					(7,046)					(7,046)
Gain from bargain purchase					27,178					27,178
Fair value changes on contingent consideration					39,762					39,762
Loss before tax					26,951					26,951
					80,118				(17,100)	63,018
Segment assets	62,856	120,782	62,000	44,243	289,881	-	-	-	-	289,881
Reconciliation:										
Corporate and unallocated assets										73,832
Total assets										363,713
Segment liabilities	30,726	15,364	24,334	6,974	77,398	-	-	-	-	77,389
Reconciliation:										
Corporate and unallocated liabilities										7,111
Total liabilities										84,509

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

31 Segment information (Cont'd)

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group for the period ended 31 March 2019 (Cont'd):

← CONTINUING OPERATIONS →				← DISCONTINUED OPERATIONS →			
Animal feed and traditional medicine							
Trading RMB'000	Additives RMB'000	Others RMB'000	Sub-total RMB'000	Soybean processing RMB'000	Feed production RMB'000	Pig rearing RMB'000	Consolidated RMB'000
Other segment information:							
-	20	981	-	-	-	-	1,001
-	5,907	1,139	-	-	-	-	7,046
-	8,025	13,121	-	-	-	-	21,146
-	-	11,100	-	-	-	-	11,100
-	118,871	29,772	-	-	-	-	148,643
-	-	-	26,951	-	-	-	26,951

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

31 Segment information (Cont'd)

Reportable segments' assets are reconciled to total assets as follows:

The Group	31 March 2020 RMB'000	31 March 2019 RMB'000
Segment assets	232,297	289,881
<u>Unallocated assets</u>		
Cash and bank balances	27,140	73,832
Total assets per consolidated financial statements	259,437	363,713

Reportable segments' liabilities are reconciled to total liabilities as follows:

The Group	31 March 2020 RMB'000	31 March 2019 RMB'000
Segment liabilities	60,835	77,398
<u>Unallocated liabilities</u>		
Current tax payable	779	919
Deferred tax liabilities	2,295	6,192
Total liabilities per consolidated financial statements	63,909	84,509

Geographical information

The following table presents revenue and non-current assets information based on the Group's geographical segments for the year ended 31 March 2020 and period ended 31 March 2019.

	Continuing operations		Discontinued operations	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Revenue				
Mainland China	17,196	286	–	36,470
Hong Kong	13,109	86,144	–	–
	30,305	86,430	–	36,470
	Continuing operations		Discontinued operations	
	31 March 2020 RMB'000	31 March 2019 RMB'000	31 March 2020 RMB'000	31 March 2019 RMB'000
Non-current assets				
Mainland China	75,901	172,845	–	–
Hong Kong	12,742	12,742	–	–
	88,643	185,587	–	–

Information about major customers

During the financial year ended 31 March 2020, sales to two customers made up more than 10% of the Group's total revenue. (2019 - 2).

NOTES TO FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

32 Comparative figures

The financial statements for the period ended 31 March 2019 are for 15 months from 1 January 2019 to 31 March 2019. The financial statements for the year ended 31 March 2020 are for the 12-month period. Accordingly, the financial statements are not comparable.

33 Subsequent events

- (a) An outbreak of COVID-19 (Coronavirus Disease 2019) had been reported to the World Health Organisation in China on 31 December 2019. At the date of these financial statements, while the outbreak has been most severe in Asia, it has spread to various regions around the world, including Australia, Europe, Middle East and the United States of America. The Group operates mainly in Mainland China that is affected by the outbreak. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the balance sheet date is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other forms of interruptions to business.
- (b) The Group has, on 22 July 2020, applied to the local authorities to install and supply the gas to its factory plants in HBXR and CDPR for the production and sale of its L-AP antioxidant patented products and animal feed patented products.



STATISTICS OF SHAREHOLDINGS

As at 30 October 2020

No. of shares issued	: 187,902,647
Class of shares	: Ordinary share
Voting rights	: One vote per share
Treasury Shares and Shubsidary Holdings	: Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	10	0.26	259	0.00
100 - 1,000	1,643	42.98	1,141,600	0.61
1,001 - 10,000	1,822	47.66	6,687,060	3.55
10,001 - 1,000,000	332	8.68	19,495,579	10.38
1,000,001 AND ABOVE	16	0.42	160,578,149	85.46
TOTAL	3,823	100.00	187,902,647	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	GOLDEN EVER INTERNATIONAL PROPERTY MANAGEMENT LIMITED	44,223,680	23.54
2	RUIFUER TRADING GROUP LIMITED	22,895,701	12.18
3	CHINESE GLORY INVESTMENTS LIMITED	22,012,442	11.71
4	TING CHENG-FA	12,909,905	6.87
5	PHILLIP SECURITIES PTE LTD	11,472,215	6.11
6	GU YULIN	10,000,000	5.32
7	LIU JUN	10,000,000	5.32
8	CHRISTINE MAK	9,110,513	4.85
9	DBS NOMINEES (PRIVATE) LIMITED	7,829,900	4.17
10	CHAN WAI MAN	1,850,500	0.98
11	UOB KAY HIAN PRIVATE LIMITED	1,622,733	0.86
12	PING ZHI	1,600,400	0.85
13	FENG XIAO	1,404,000	0.75
14	LOKE YEE WOON	1,359,200	0.72
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,245,600	0.66
16	RAFFLES NOMINEES (PTE.) LIMITED	1,041,360	0.55
17	GOH BEE LAN	957,300	0.51
18	NG WONG WAI LAN	845,500	0.45
19	WANG HUICHANG	814,400	0.43
20	WEI ZHENGWEI	731,000	0.39
	TOTAL	163,926,349	87.22

STATISTICS OF SHAREHOLDINGS

As at 30 October 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Golden Ever International Property Management Limited	44,223,680	23.54	–	–
Ruifuer Trading Group Limited	22,895,701	12.18	–	–
Chinese Glory Investments Limited	22,012,442	11.71	–	–
Song Yanan ⁽¹⁾	–	–	44,223,680	23.54
David Yip Wai Sun ⁽²⁾	–	–	22,012,442	11.71
Wang Tingbao ⁽³⁾	–	–	22,212,464	11.82
Gu Yulin	10,000,000	5.32	–	–
Liu Jun	10,000,000	5.32	–	–
Christine Mak ⁽⁴⁾	9,110,513	4.85	42,000	0.022
Zhu Yanhui ⁽⁵⁾	–	–	22,895,701	12.18
Ting Cheng-Fa	12,909,905	6.87	–	–

Notes:

- (1) Song Yanan is deemed interested in the Shares of the Company held by Golden Ever International Property Management Limited by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore ("SFA").
- (2) David Yip Wai Sun is deemed to be interested in the Shares of the Company held by Chinese Glory Investments Limited by virtue of Section 4 of the SFA.
- (3) Wang Tingbao is deemed to be interested in the Shares of the Company held by the following:
 - (i) all the Shares held by Chinese Glory Investments Limited by virtue of Section 4 of the SFA;
 - (ii) 22 Shares held under UOB Kay Hian Pte Ltd; and
 - (iii) 200,000 Shares held under Phillip Securities (HK) Ltd.
- (4) Christine Mak is deemed to be interested in 42,000 Shares held under DBS Vickers (Hong Kong) Limited, as nominee of Ms Christine Mak.
- (5) Zhu Yanhui is deemed to be interested in the Shares of the Company held by Ruifuer Trading Group Limited by virtue of Section 4 of the SFA.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information provided and to the best knowledge of the Directors, approximately 30.07% of the issued ordinary shares of the Company were held in the hands of the public as at 30 October 2020 and therefore Rule 723 of the Listing of Singapore Exchange Securities Trading Limited is complied with.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **UNITED FOOD HOLDINGS LIMITED** (the "**Company**") will be held by way of electronic means (via live webcast and audio only means) on 30 November 2020 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2020 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors who are retiring pursuant to Bye-law 86(1) of the Company's Bye-laws:

Prof Ling Chung Yee [Retiring under Bye-law 86(1)] **(Resolution 2)**
[See explanatory note (i)]

Mr John Ng [Retiring under Bye-law 86(1)] **(Resolution 3)**
[See explanatory note (ii)]

Prof Ling Chung Yee will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Prof Ling Chung Yee will be considered independent for the purpose of the Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Mr John Ng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. Mr John Ng will be considered independent for the purpose of the Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

3. To approve the payment of Directors' fees of S\$190,000 for the year ending 31 March 2021, to be paid quarterly in arrears (2020: S\$190,000). **(Resolution 4)**
4. To re-appoint Foo Kon Tan LLP, Public Accountants and Chartered Accountants, Singapore as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a fee and on such terms to be agreed by the Directors of the Company. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

6. **Renewal of the General Issue Mandate**

"THAT authority be and is hereby given to the Directors to:

- (a) (i) allot and issue shares in the Company whether by way of rights, bonus or otherwise;
- (ii) convertible securities;
- (iii) additional convertible securities arising from adjustments made to the exercise price or conversion price and, where appropriate, the number of convertible securities previously issued in the event of a rights issue, bonus issue or subdivision or consolidation of shares pursuant to Rule 829 of the Listing Manual; and/or
- (iv) shares arising from the conversion of convertible securities,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force, provided that:
- (1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of convertible securities, made or granted pursuant to this Ordinary Resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Ordinary Resolution) does not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in capital of the Company (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of convertible securities;
 - (b) new shares arising from exercising shares options or vesting of share awards; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;provided that any adjustments made under sub-paragraphs (a) and (b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting as at the date this Ordinary Resolution is passed;
 - (3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws for the time being of the Company; and
 - (4) unless earlier revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law or the Bye-laws of the Company to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 6)

By Order of the Board

Chiang Wai Ming
Company Secretary

Singapore, 13 November 2020



NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note to Resolutions to be passed –

- (i) Prof Ling Chung Yee, if re-elected, will remain as Chairman of Nominating Committee, a member of the Audit Committee and Remuneration Committee of the Company. Prof Ling Chung Yee will be considered as an Independent Director of the Company. Pursuant to Rule 720(6) of the Listing Manual, further information on Prof Ling Chung Yee is set out on Pages 28 to 32 of the Company's Annual Report.
- (ii) Mr John Ng, if re-elected, will remain as Chairman of Remuneration Committee, a member of the Nominating Committee and Audit Committee of the Company. Mr John Ng will be considered as an Independent Director of the Company. Pursuant to Rule 720(6) of the Listing Manual, further information on Mr John Ng is set out on Pages 28 to 32 of the Company's Annual Report.
- (iii) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an aggregate amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

Notes

1. The annual general meeting ("AGM") is being convened, and will be held, by electronic means to minimize physical interactions and Covid-19 transmission risk pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. In view thereof, Members will not be able to attend the AGM in person. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast, submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out below. Any reference to a time of day is made by reference to Singapore time.
3. Members will be able to observe and/or listen to the AGM proceedings through a live audio-visual webcast via their mobile phones, tablets or computers. In order to do so, Members must preregister at the Company's pre-registration website at the URL <http://on.skr.ma/ufh-agm> by 28 November 2020, 10.00 a.m. ("**Registration Deadline**"), to enable the verification of Members' status.

Corporate shareholders must also submit the Corporate Representative Certificate to the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, at srs.teamc@boardroomlimited.com in addition to the registration procedures as set out in paragraph above, by 28 November 2020, 10.00 a.m., for verification purpose.

Following the verification, authenticated Members will receive an email, which will contain the login instructions, password as well as the link to access the live audio-visual webcast of the AGM proceedings, by 29 November 2020, 12 noon. Members who do not receive an email by 29 November 2020, 12 noon, but have registered by the Registration Deadline should contact the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. via email at srs.teamc@boardroomlimited.com or call the general telephone number at +65 6536 5355 during office hours for assistance.

Members must not forward the abovementioned link to other persons who are not shareholders of the Company and who are not entitled to attend the AGM to avoid any technical disruptions or overload to the live audio-visual webcast.

4. Members may also submit questions related to the resolutions to be tabled for approval at the AGM, in advance of the AGM. In order to do so, their questions must be submitted via the Company's pre-registration website at the URL <http://on.skr.ma/ufh-agm> by the Registration Deadline, being 28 November 2020, 10.00 a.m.

The Company will endeavour to address all substantial and relevant questions submitted by shareholders prior to or during the AGM. The Company will publish the responses to such questions together with the minutes of the AGM on SGXNet and the Company's website within 1 month after the date of the AGM.

Members will not be able to ask questions during the AGM held via live audio-visual webcast, and therefore it is important for Members who wish to ask questions to submit their questions in advance of the AGM.

NOTICE OF ANNUAL GENERAL MEETING

5. If a Member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.

In appointing the Chairman of the AGM as proxy, a Member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

6. The Proxy Form(s) must be submitted to in the following manner:
- (a) if submitted by post, be lodged at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623; or
 - (b) if submitted electronically, be submitted via email to the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at srs.teamc@boardroomlimited.com.

in either case, by the Registration Deadline, 28 November 2020, 10.00 a.m., being no later than 48 hours before the time fixed for the AGM.

A Member who wishes to submit a Member Proxy Form and/or Depositor Proxy Form must complete and sign the Proxy Form(s), before submitting it by post to the address provided above, or before sending it by email to the email address provided above.

In view of the elevated safe distancing measures which may make it difficult for Members to submit completed Proxy Forms by post, Members are strongly encouraged to submit completed Proxy Forms electronically via email.

7. The Chairman of the AGM, as proxy, need not be a Member of the Company
8. Due to the constantly evolving Covid-19 situation in Singapore, the Company may be required to change the arrangements for the AGM at short notice. Members are advised to check the announcement on SGXNet for the latest updates on the status of the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be (i) consents to the collection, use and disclosure of the member or Depositor's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member or a Depositor discloses the personal data of the member or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor's breach of warranty.



NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTICE TO MEMBERS IN RELATION TO THE CONDUCT AND PROCEEDINGS OF THE COMPANY'S ANNUAL GENERAL MEETING ("AGM")

General

1. The AGM is being convened, and will be held, by electronic means to minimize physical interactions and Covid-19 transmission risk pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Save for printed copies of notice of AGM ("**Notice**") and Proxy Form(s), the Company's annual report for the financial year ended 31 March 2020 ("**Annual Report**") will not be sent to members. Annual Report, Notice and Member Proxy Form will be available to members by electronic means via publication on the Company's corporate website <https://unitedfood.com.sg/> and on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:-
 - (a) watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate will have to pre-register in the manner outlined in Note 3 below;
 - (b) submitting questions ahead of the AGM. Please refer to Notes 6 to 8 below for further details; and/or
 - (c) voting by proxy at the AGM. Please refer to Notes 9 to 18 below for further details.

Participation in the AGM via live webcast or live audio feed

3. A member of the Company or their corporate representatives (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast or listen to the "live" audio feed of the AGM proceedings ("**Live Webcast**"). To join the Live Webcast, the member must pre-register by **10.00 a.m. on 28 November 2020** (the "**Registration Deadline**") at the following URL : <http://on.skr.ma/ufh-agm> ("**AGM Website**"), and to enable the Company to verify the shareholders' status.
4. Following verification, the authenticated members of the Company will receive a confirmation email by **12 noon on 29 November 2020** with access link and the password details to access the audio-visual or audio-only stream. Members must not forward the above-mentioned link to other persons who are not members of the Company and who are not entitled to attend the AGM.
5. Member (including a depositor holding shares through The Central Depository (Pte) Limited) who have registered by the Registration Deadline in accordance with Note 3 above but do not receive an email by **12 noon on 29 November 2020** may contact the Company for assistance at the following email address : srs.teamc@boardroomlimited.com, with the following details included : (1) the member's full name, and (2) his/her/its identification/passport/registration number. Alternatively, the concerned member may call the general telephone number at +65 6536 5355 during office hours for assistance.

Submission of questions prior to the AGM

6. Please note that members will not be able to ask questions during the Live Webcast, and therefore it is important for members who wish to ask questions to submit their questions in advance. A member of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or at the Company's businesses and operations not later than 10.00 a.m. on 28 November 2020. The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) will endeavour to publish its responses to those questions on the SGXNet and the Company's website by 10.00 a.m. on 30 November 2020. Where substantial and relevant questions submitted by members are unable to be addressed prior to the AGM, the Company will address them at the AGM. The Company will publish the minutes of the AGM and its responses to relevant and substantial questions that were not answered prior to the AGM on the SGXNet and the Company's website within one month after the date of AGM.

NOTICE OF ANNUAL GENERAL MEETING

7. All questions must be submitted not later than 10.00 a.m. on 28 November 2020 through any one of the following means :-
- (a) via email to email address: srs.teamc@boardroomlimited.com; or
 - (b) in physical copy by depositing the same at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623
8. If the questions are deposited in physical copy at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions : (i) the member's full name; and (ii) his/her/its identification/passport/registration number for verification purposes, failing which the submission will be treated as invalid.

Voting by proxy

9. Members (including depositors holding shares through The Central Depository (Pte) Limited) may only exercise their voting rights at the AGM via proxy voting. The accompanying printed Member proxy form and Depository proxy form for the AGM will be sent to members. Alternatively, the Member proxy form can be accessed via the Company's corporate website <https://unitedfood.com.sg/>, and will also be made available on the SGX website at the URL : <https://www.sgx.com/securities/company-announcements>.
10. A member with Shares registered in his/her/its name in the Register of Members who wish to vote on any or all of the resolutions at the AGM must submit a Member proxy form to appoint the Chairman of the Meeting as his/her/its proxy to do so on his/her/its behalf.
11. A depositor holding Shares through The Central Depository (Pte) Limited who is an individual or a corporation wishes to vote must appoint Chairman of the AGM as a nominee as The Central Depository (Pte) Limited's proxy to attend and vote on his/her/its behalf, by completing, signing and returning the Depositor proxy form and deposit the duly completed Depositor proxy form in the manner as set out in Note 13 below.
12. If a person or corporation who has Shares entered against his/her/its name in the Depository Register and Shares registered in his/her/its name in the Register of Members wishes to vote and to be represented at the meeting, he/she/it should use the Depositor proxy form and the Member proxy form for, respectively, the Shares entered against his/her/its name in the Depository Register and Shares registered in his/her/its name in the Register of Members.
13. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner :
- a. if submitted by post, be lodged at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623; or
 - b. if submitted electronically, be submitted via email to the srs.teamc@boardroomlimited.com;

in either case, by not later than 28 November 2020, 10.00 a.m., being not later than forty-eight (48) hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument of proxy must first download and/or complete and sign the Member proxy form and/or Depositor proxy form (collectively known as proxy forms), before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.



NOTICE OF ANNUAL GENERAL MEETING

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

14. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointer or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation. **Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a certified copy thereof must be lodged with the instrument.**
15. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 48 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to vote at the AGM.
16. An electronic copy of the Company's annual report for the financial year ended 31 March 2020, Notice of AGM, Member proxy form and an accompanying announcement setting out the alternative arrangements for the AGM are available on :
 - a. the Company's corporate website at <https://unitedfood.com.sg/>; and
 - b. the SGX website at <https://www.sgx.com/securities/company-announcements>
17. Printed copies of Notice of AGM and proxy forms will be sent to members of the Company.
18. **Please note that shareholders will not be able to vote through the Live Webcast and can only vote with their proxy form(s) which are required to be submitted in accordance with the foregoing paragraphs.**



UNITED FOOD HOLDINGS LIMITED
聯合食品控股有限公司

BUSINESS OFFICE

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