营养屋®
NUTRYFARM®

NUTRYFARM INTERNATIONAL LIMITED

OUR VERDANT VISIONS

ANNUAL REPORT 2020

BUSINESS PHILOSOPHY

"Nutrition for health"

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We believe that through the use of advanced technologies in the areas of research and development, rigorous recipe screening and efficacy trials, we will be able to provide the finest quality nutrition and health food products to improve human lives.

CONTENT

Corporate Profile

NutryFarm International Limited ("NutryFarm" or "the Company", and together with its subsidiaries, "the Group"), through its wholly-owned subsidiary Nutryfarm Biomedicine International Limited ("NFB"), produces high quality nutrition and health food products formulated mainly from natural traditional medicinal herbs from across the Americas and regions in China, Europe and New Zealand for consumers in the People's Republic of China ("PRC").

Based at its 34,165.33 square metres state-of-the-art facilities in the Sichuan province, the Group is involved in the research and development, manufacturing and sales and marketing of more than 40 of its self-manufactured brands catering to the diverse nutritional needs of every customer segment in its vast PRC market.

VISION

To be one of the leading manufacturers and distributors of nutrition and health food products.

MISSION

To develop a sound business model and to continually seek and develop opportunities in high-growth markets.

OUR CORE VALUES

Good Management

We seek to continuously innovate to enhance our business, pursue our goals diligently to overcome obstacles and achieve our plans and overcome obstacles, as well as ensure effective remote management efficiency.

Ownership

We take great pride in our ability to meet what is required of us as a leading company. This includes the quality of our nutrition and health food products, our overall company growth and our obligation to the advancement and training of our employees.

Honesty and Integrity

We operate in an open and honest manner with our stakeholders, in the spirit of creating long-term business relationships.

Proactivity

We constantly work towards being the best we can be. We do this by continuously improving our efficiency, innovating our products and refining our efforts to win bigger market share.

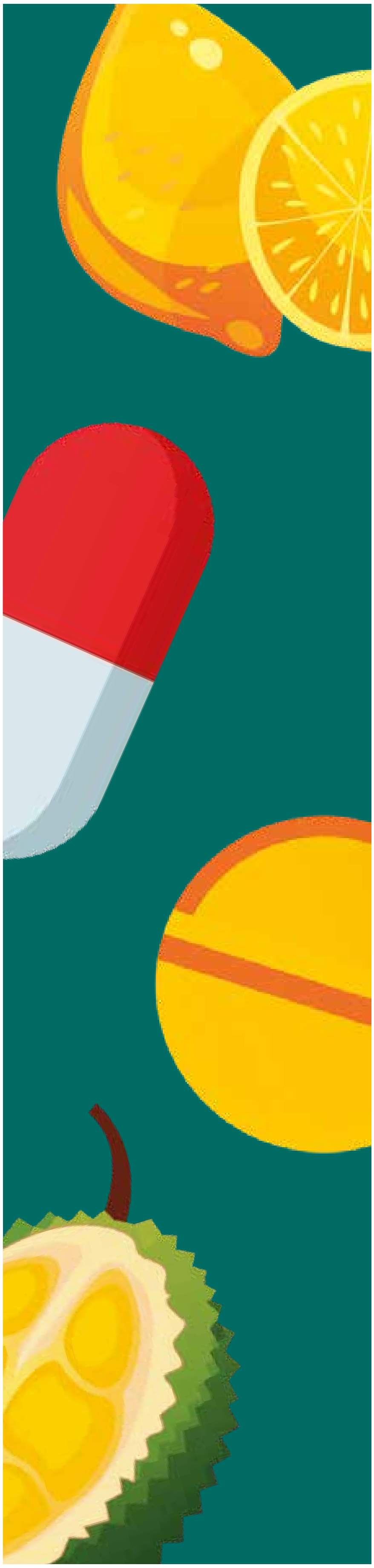
Mutual Respect

We believe in conducting business in a respectful manner with all our stakeholders to gain and keep their confidence and trust in us.

ENRICHING MORE GROUNDS FOR GROWTH

Farmers are quick to adapt to climate change with strategies like diversifying their crops, so they generate income through the seasons. Moving forward with digitalisation, the Group has taken similar trait by advancing and diversifying our sales channel. Online shopping is the new normal and we are focusing on our e-commerce model to engage and appeal to more new customers.

About Nutryfarm



"NFC aims to provide the finest quality nutrition and health food products and the gentlest care to its customers to improve their quality of life."

Established in 2005 by award-winning scientist Dr. Chen Yao Ming, NFB, through its wholly-owned subsidiary NutryFarm (Chengdu) Biomedicine Ltd. ("NFC"), focuses on research and development, manufacture and sale of nutrition and health food products. With a staff strength of close to 40 highly-qualified researchers, nutritionists, sales and marketing professionals, NFC aims to provide the finest quality nutrition and health food products and the gentlest care to its customers to improve their quality of life.

Under the strong leadership of Dr. Chen, who is the Chief Scientist at NFC, NFC has built a sound business model with a profitable track record since 2007. It also has a strong research and development team that is constantly innovating and improving its products to produce a series of diverse and competitively-priced nutrition and health food products for the PRC market.

In addition, NFC has also jointly set up a special laboratory with the Chinese Academy of Sciences and National Physical Examination Centre to study the physical health status and dietary habits of consumers in the PRC, which has helped boost its product offerings.

Key Products

Manufactured in strict accordance to the requirements of the Good Manufacturing Practice guidelines prescribed by the PRC government, NFC counts collagen, Vitamin C, Vitamin E, fish oil, liquid calcium and royal jelly as some of its most popular products. These core products are mainly aimed at protecting and improving the functions of the joints, heart, brain and blood as well as controlling diabetes.

A vast majority of its products are made from traditional medicinal herbs and plants, and NFC has to-date launched more than 40 nutritional products catered to the diverse nutritional needs of the population in the PRC.

Corporate Information

Board of Directors

Cheng Meng[1]
Executive Director and Chief Executive Officer

Terence Luk Chung Po[2]
Non-Executive Director and
Non-Executive Chairman

Xu Hai Min
Non-Executive Director

Ng Poh Khoon Jimmy
Independent Director

Neo Chee Beng
Independent Director

Management Team

Cheng Meng[1]
Executive Director and Chief Executive Officer

Andy Xu Peng
Chief Financial Officer

Audit Committee

Ng Poh Khoon Jimmy (Chairman)
Neo Chee Beng
Xu Hai Min

Nominating Committee

Ng Poh Khoon Jimmy (Chairman)
Neo Chee Beng
Xu Hai Min

Remuneration Committee

Neo Chee Beng (Chairman)
Ng Poh Khoon Jimmy
Xu Hai Min

Company Secretary

Andy Xu Peng

Deputy Company Secretary

Adrian Chan Pengee

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Share Registrar

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Share Transfer Office

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditor

Baker Tilly TFW LLP
Chartered Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Partner-in-charge: Mr. Lim Kok Heng
(Appointment effective from financial year ended 31 March 2019)

Notes:

[1] Mr. Cheng, Meng has been appointed as Non-Executive Director on 18 November 2020 and has been re-designated as Executive Director and Chief Executive Officer on 6 January 2021.

[2] Mr. Terence Luk Chung Po has been appointed as Executive Director and Chief Executive Officer on 14 October 2019. Mr. Luk has resigned as Chief Executive Officer and has been re-designated as Non-Executive Director and Non-Executive Chairman on 6 January 2021.

Chairman's Message

Dear Shareholders

2019 and 2020 was a challenging and difficult period to almost anybody with the outbreak of COVID-19 firstly discovered in China in late 2019 and then quickly experienced by the rest of the world. It seriously impacted the world's overall economy with no exception. In addition, growing global macroeconomic uncertainties and mounting trade tensions between China and the United States continued since 2018. Under such pressures and faltering domestic demands, Asia's largest economy, China, expanded 6.6% in 2018, its slowest pace in 28 years.[1]

According to Focus Economics, although China's economy grew better than expected in the first quarter of 2019 at 6.4%, weak data for April suggests that growth will decelerate in the second quarter of 2019. The economy is projected to continue to slowdown in 2020 with projected growth at 6.3%, due to weak global demand, domestic economic imbalances and financial deleveraging. Escalating trade tensions with the United States will add further downward pressure on growth.[2] Although official statistics and reports on the 2020 worldwide economic performance are still unavailable, we have not seen and do not expect any dramatic turnaround in the economic environment anywhere in the world in the year 2020.

Financial Performance

Against this challenging backdrop, which was further exacerbated by the new advertising law to regulate advertisements relating to nutrition products; more stringent inspection of marketing materials and promotional activities for nutrition products by the Chinese authorities at the start of the financial period; and a more rigorous process in getting approval or renewal of licenses for nutrition business during the financial period, led to a sharp decline in sales activities of NFC's nutrition products.

As a result, the Group reported HK$61.6 million revenue for the financial period ended 30 September 2020 ("**FY2020**") compared to HK$44.0 million of the preceding year ("**FY2019**"). Considering 18 months in current financial period, the average annual revenue had a slide of 6.8% in FY2020. Correspondingly, gross profit declined to HK$21.9 million in FY2020 with gross profit margin dipping 5.2 percentage point to 35.5% in FY2020 from 40.7% in FY2019. Net attributable loss was HK$48.5 million in FY2020 compared to a loss of HK$93.2 million in FY2019.

NFC Updates

Marketing and distribution channels
To minimise the impact of a more regulated advertising environment for nutrition products, the Group is consolidating our efforts to strengthen our local marketing strategies to further expand our market share in cities where NFC has substantial market presence, such as the Sichuan province.

The Group is increasingly leveraging local media such as newspapers, magazines and local television programmes to promote and extol the benefits of our nutrition products. We have also stepped up our promotions on the internet via various online portals.

With our core distribution channel, membership sales, still accounting for more than 60% of NFC's revenue, the Group is also working closely with our customers to offer promotional prices, as well as to increase marketing and promotional support. Additionally, the Group is also focusing on our e-commerce model to garner more new customers.

Products

NFC's core health supplements remained primarily for joints, heart, blood circulation, brain, controlling diabetes and weight loss, which are mostly manufactured by NFC. NFC has also launched some nature foods such as polyprotein powder, nutrition powder, oatmeal and coconut power, which the Group believes will further enhance sales going forward.

With changing consumer trends and increasing demands for more imported products, the Group plans to import more health food products such as flax seed oil, protein powder, complex nutrition powder, blueberry juice/wine and cranberry cereal, to further expand our product offerings.

To maximise the utilisation of our production facilities, NFC has also started to manufacture products for Original Equipment Manufacturer and Original Design Manufacturer in FY2019.

Looking Ahead

Since 2019, the Group has attempted to diversify its business to turnaround the Company and increase shareholder value. Unfortunately, the Group's purchase of 45% of First Linkage Inc. was not successful and the purchase of Xinjiang Zhongtong Internet Science and Technology Development Co. Ltd. ("Xinjiang Zhongtong") had not materialised. Significant investment in management attention and professional costs were incurred. The Group has invested RMB40.3 million in equipment in anticipation of going into the internet business. After seeking more than 1 year for approval from the authorities, the Group has decided to terminate the purchase. The Group will seek to recover its advances to the terminated transactions as well as divest any capital investments made in furtherance of this business. Taking a prudent approach, we have made provisions and impairment accordingly for both the Nutryfarm business and the terminated transactions.

In 2021, the Group decided to explore trading in fresh fruits, in particular, Thailand durians into China. Thailand exports close to 800,000 tonnes of durians per year and is the largest supplier of durians to China. According to the Thailand Agriculture Department, the annual production is expected to grow 11.42% year on year.

Due to the COVID situation, Chinese buyers are now unable to travel to Thailand to negotiate direct purchases from the plantations. As such, they are seeking the assistance of local buyers to secure their durian supply. Several big Chinese corporations have approached our new Chief Executive Officer, Mr Cheng Meng, based on his experience in Thailand and we have signed several deals with them. We believe that with our experience and Mr Cheng's local contacts, we will be able to bridge the requirement and reap benefits.

While the current trading contracts are opportunistic, the Group believes that it is a sustainable business with the demand of the Chinese market. As such, the fruit trading business is a new business opportunity to counter the current state of the nutrition business and the failed venture into the internet business. The Board will be seeking shareholder's approval in the near future to diversify into the new business.

Acknowledgements

On behalf of the Board of Directors, I would like to take this opportunity to thank Mr. Paul Gao Xiangnong, who has stepped down as Executive Director and Chief Executive Officer with effect from October 14, 2019, for his contribution during his tenure with the Group. On the other hand, I would like to extend our warmest welcome to Mr. Cheng Meng who has joined us as non-Executive Director on 18 November 2020 and subsequently re-designated as Executive Director and Chief Executive Officer on 6 January 2021. The Board truly believes that Mr. Cheng's strong management skills and entrepreneur experience can definitely contribute a lot to the continuous development of the Company's business and provide positive insights on new business opportunities of the Company going forward.

I would also like to extend my deepest appreciation to my fellow board members, management team and employees, for your contribution and dedication over the years. We have weathered many challenges over the years and have been able to work together to overcome various obstacles. Let's continue to work hard and show our commitment to deliver greater value to all our stakeholders.

Lastly, I would like to thank our business partners, customers and shareholders for standing by us through the years. Please continue to have faith in the Group.

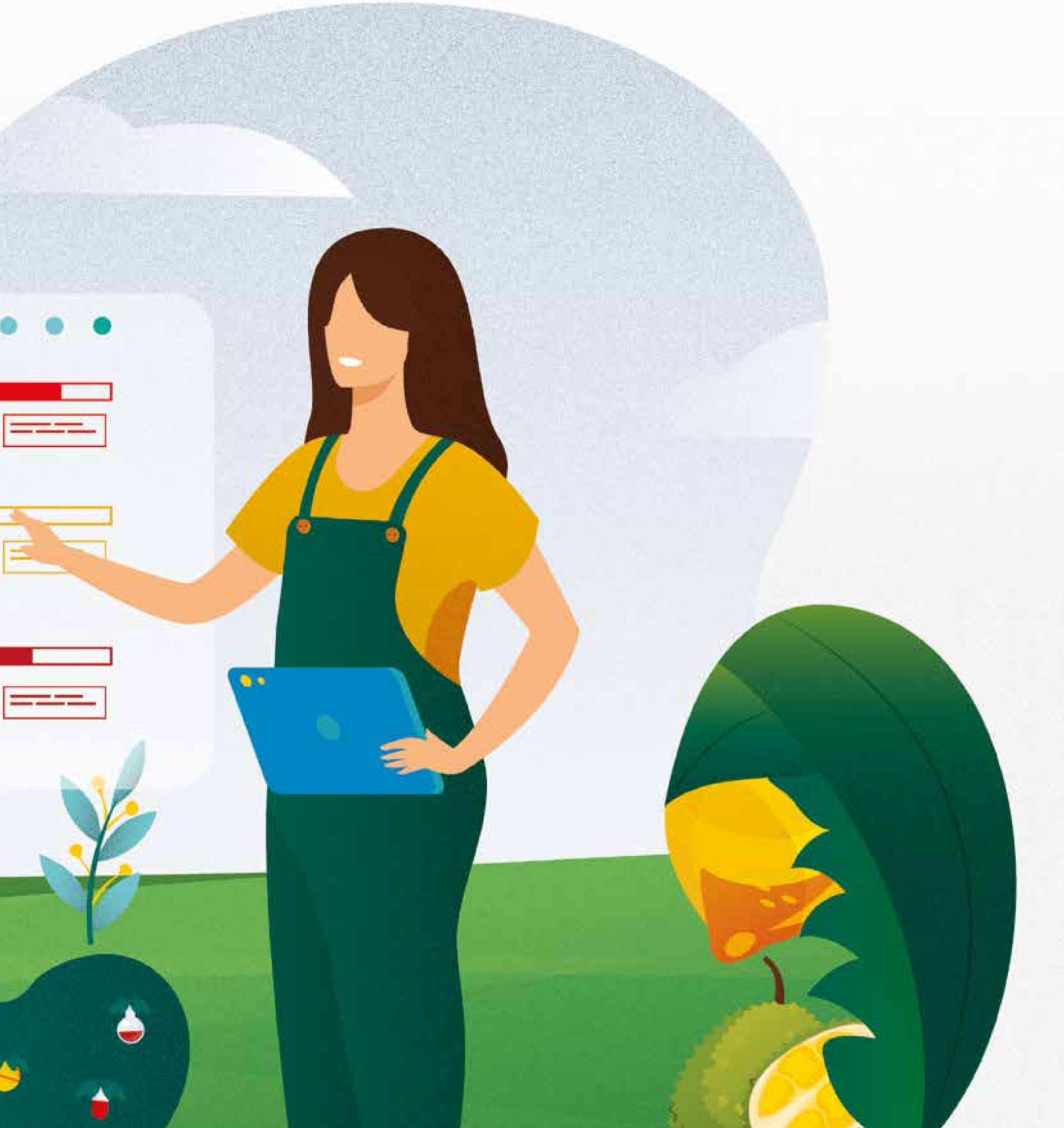
Terence Luk Chung Po
Non-Executive Director and
Non-Executive Chairman

Notes:

[1] 20 January 2019, CNBC - China's economy grew 6.6% in 2018, the lowest pace in 28 years
[2] 21 21 May 2019, Focus Economics - https://www.focus-economics.com/countries/china
[3] 2 January 2019, Ken Research - Changing dynamics of the nutritional supplement in China market outlook

BUILDING UP FOR GREATER YIELD

To attain quality crops, they need to be nurtured and given the right condition to grow. Here at Nutryfarm, we are proactively working towards being the best we can by continuously improving our efficiency, innovating our products and refining our efforts to meet the growing demands of our customers.



Financial Review

Income Review

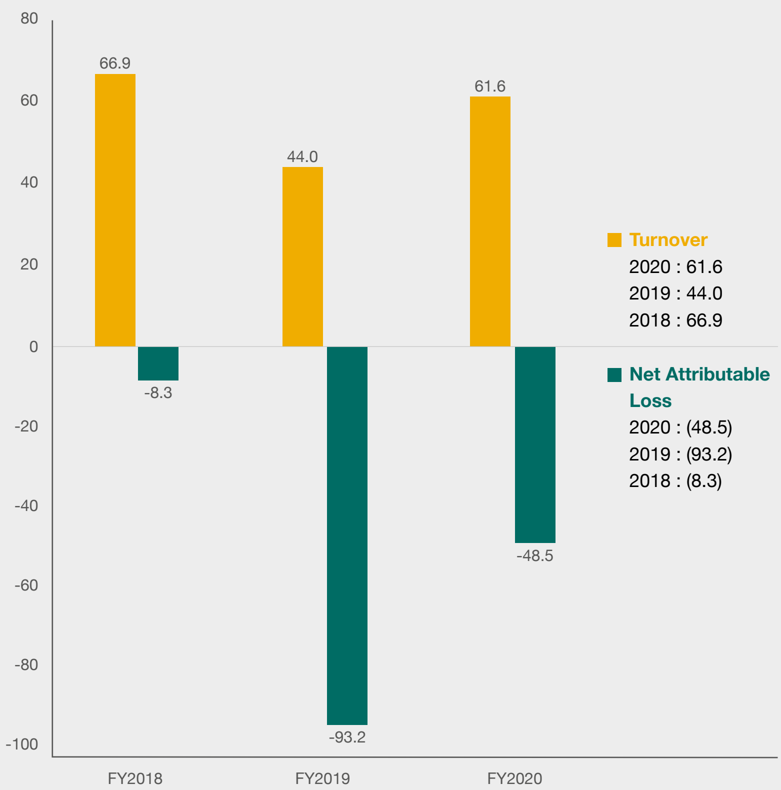
In FY2020, the Group recorded revenue of HK$61.6 million compared to HK$44.0 million in FY2019, with majority of revenue generated by NFC. Considering 18 months in FY2020, the average revenue dropped 6.8% compared to FY2019. The slide in revenue was largely due to the advertising restrictions imposed by the PRC authorities on nutrition products, as well as the more stringent inspections by the PRC authorities on marketing strategies for nutrition products since the start of 2019.

The Group registered gross profit of HK$21.9 million in FY2020 compared to HK$17.9 million in FY2019, with gross profit margin of 35.5% in FY2020 compared to 40.7% in FY2019.

The Group recorded HK$1.4 million other income in FY2020 including HK$0.9 million government subsidy recognised by NFC compared to HK$4.0 million other income in FY2019 including HK$2.4 million gain from the modification of the terms of loans from third parties.

On the cost front, HK$6.9 million distribution expenses were recorded in FY2020. Considering 18 months in FY2020 and compared to HK$7.7 million distribution expenses in FY2019, distribution expenses dropped 40.8% mainly due to a cut in staff costs and a decrease in marketing, advertisement and travel expenses in FY2020.

Revenue and Net Loss (HK$'million)



On the other hand, administrative expenses decreased to HK$40.8 million in FY2020 from HK$88.9 million in FY2019. It was largely attributable to HK$42.8 million impairment of goodwill in FY2019. The Group recorded HK$9.6 million net impairment losses on financial assets in FY2020 compared to HK$9.3 million in FY2019. It represented the net lifetime expected credit loss on trade and other receivables in FY2020 and FY2019.

Finance costs for the year increased to HK$14.8 million in FY2020 compared to HK$7.7 million in FY2019 as a result of interest paid for the short-term loan obtained by NFC and long-term third party loan obtained by the Company which has a maturity period of one to three years with an annual interest rates of 3.74% to 9.45%.

As a result, the Group posted a net attributable loss of HK$48.5 million in FY2020 compared to a net loss of HK$93.2 million in FY2019.

Balance Sheet Review

As at 30 September 2020, the Group registered net assets of HK$7.4 million compared to HK$57.0 million as at 31 March 2019. Total assets as at 30 September 2020 was HK$184.8 million compared to HK$212.3 million in FY2019, while total liabilities was HK$177.5 million in FY2020, up from HK$155.3 million in FY2019.

The Group's non-current assets increased to HK$48.3 million in FY2020 from HK$41.4 million in FY2019. The increase was due to the purchase of property, plant and equipment in FY2020.

The Group's current assets dipped to HK$136.5 million in FY2020 from HK$170.8 million in FY2019. Trade receivables declined to HK$7.4 million in FY2020 compared to HK$9.5 million in FY2019 mainly due to the drop of revenue. Inventories decreased to HK$8.0 million in FY2020 compared to HK$12.9 million in FY2019.

Trade and other payables increased to HK$36.8 million in FY2020 from HK$19.1 million in FY2019. Short-term loans, secured by land use right and office areas held by NFC, remained at HK$15.0 million in FY2020 compared to HK$15.1 million in FY2019. In FY2020, the borrowings from third parties matured within one year was HKS$40.0 million.

The Group recorded long-term payables of HK$83.5 million, which comprised a third-party loan obtained from investors with an annual interest rates of 3.74% to 9.45% and maturity periods of one to three years, as well as accrued interests.

Based on 96,422,103 ordinary shares in issue as at 30 September 2020, the Group's net asset value per share was HK$0.08, compared to HK$0.59 as at 31 March 2019.

Cash Flow Review

HK$'million	FY2020	FY2019
Net cash generated from operating activities	**3.3**	9.6
Net cash used in investing activities	**(29.7)**	(51.6)
Net cash (used in) / generated from financing activities	**(12.3)**	53.1
Net (decrease) / increase in cash and cash equivalents	**(38.7)**	11.1
Cash and cash equivalents as at 30 September / 31 March	**8.7**	47.4

The Group generated a net cash of HK$3.3 million from operating activities in FY2020 compared to a net cash generated of HK$9.6 million in FY2019. It is mainly due to the drop of revenue and uncollected receivables from business partners.

The Group recorded a net cash used in of HK$ 29.7 million from investing activities in FY2020 compared to HK$51.6 million net cash used in FY2019. In FY2019, it included a HK$32.0 million refundable deposit for a proposed acquisition of an associated company and HK$23.6 million of prepayment to purchase property, plant and equipment.

In FY2020, the Group recorded a net cash used in of HK$12.3 million from financing activities compared to a net cash generated of HK$53.1 million in FY2019. In FY2020, it mainly included the interests paid for the third party loans. In FY2019, it mainly represents the third party loans obtained by the Group.

As at 30 September 2020, the Group recorded its cash balance position of HK$8.7 million compared to HK$47.4 million as at 31 March 2019.

AN EVERGREEN COMMITMENT

Just like farmers who are committed to reap sweet harvests, we have a strong sense of commitment and will always find ways to create opportunities for future growth and we continue to pave the way to deliver value-generating harvests for our investors, partners and customers.

Board of Directors

Mr. Cheng Meng
Executive Director and Chief Executive Officer

Mr. Cheng was appointed as Non-Executive Director on 18 November 2020 and was re-designated as Executive Director and Chief Executive Officer on 6 January 2021. Mr. Cheng is an entrepreneur and the founder and director of One Family (Thai) Company Limited incorporated in Thailand in 2016 which is principally in the business of the plantation, trading and value-added processing of durian in the People's Republic of China ("PRC") and other Southeast Asia countries with an annual revenue of approximately USD 200 million. Before that, Mr. Cheng has served the Shandong Electric Power Construction No. 3 Engineering Company as a project manager from year 2013 to 2015 to oversee that company's major construction projects in Thailand.

Mr. Cheng was being awarded Bachelor of Automotive Engineering by Shanghai University, PRC in the year 2013. Mr. Cheng is also currently the Executive Vice President of the Thailand-Anhui Business Council.

Mr. Terence Luk Chung Po
Non-Executive Director and Non-Executive Chairman

Mr. Luk was appointed as Executive Director and Chief Executive Officer on 14 October 2019. He resigned as Chief Executive Officer and was re-designated as an Non-Executive Director and Non-Executive Chairman on 6 January 2021.

Mr. Luk founded Singapore listed company MultiVision Intelligent Surveillance Limited in 2002, which changed name to LottVision Limited and subsequently changed name again to the present NutryFarm International Limited. He acted as the Non-Executive Chairman of LottVision Limited from 2002 till October 2014.

Mr. Luk also founded Singapore listed company Armarda Group Limited in 2004, which subsequently changed name to the present SinoCloud Group Limited. He was appointed as the Executive Director, Deputy Chairman and CEO of the Company till September 2015, then served as Executive Director and Vice Chairman till November 2017.

Mr. Luk has acted as private venture capitalist, focusing principally on satellite communication, education, health and agriculture related businesses after his retirement from then LottVision limited and then Armarda Group Limited.

Mr. Xu Hai Min
Non-Executive Director

Mr. Xu Hai Min was appointed as Non-Executive Director on 9 April 2014.

He is the Chief Financial Officer of Beijing Sinoix Communication Co., Ltd. since 2000. From 1996 to 2000, he served as Deputy General Manager at China United Assets Appraisal Group. Prior to that, he was with state-run research institutions and was engaged in quantitative economics research from 1987 to 1995. He was awarded the prestigious National Science Progress Award and a number of provincial and ministerial level scientific and technological progress awards for his research works.

Mr. Ng Poh Khoon Jimmy
Independent Director

Mr. Ng Poh Khoon Jimmy was appointed as Independent Director on 1 April 2008 and re-elected on 28 July 2016. He is currently the Director of 67 Capital Private Limited, a firm specializes in Financial advisory services and also a Project Director with Guangdong Chengde Financial Advisory Co., Ltd and, a member of Financial Advisory committee with the Entrepreneur Capital Management Association of Guangdong Province.

Mr Ng has over 20 years of experience in auditing, financial management, sales and business development, investor relations, fundraising and merger and acquisition activities. He is also currently the Lead Independent Director and the Chairman of the Audit Committee of China Star Food Group Limited, and Independent Director and the Chairman of Nomination Committee of Green Build Technology Limited, both companies listed on the mainboard of SGX-ST, respectively. Mr. Ng is a Chartered Accountant and a member of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors. He is also a fellow member of the Association of Chartered Certified Accountants, UK.

Mr. Neo Chee Beng
Independent Director

Mr. Neo Chee Beng was appointed as Independent Director on 1 October 2009 and re-elected on 28 July 2017.

He is currently the Director of Operations of Persistent Asset Partners Pte Ltd, an asset management company. Prior to that, he was Chief Investment Officer of Beijing Ruyi Media Group, a leading movie and TV series production and investment group.

Mr Neo has over 20 years of investment, audit and financial management experience with established venture capital firm, business conglomerate, listed companies and international audit firms.

Mr. Neo is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of Singapore Institute of Directors.

Management Team

Mr. Cheng Meng
Executive Director and Chief Executive Officer

Mr. Cheng was appointed as Non-Executive Director on 18 November 2020 and was re-designated as Executive Director and Chief Executive Officer on 6 January 2021. Mr. Cheng is an entrepreneur and the founder and director of One Family (Thai) Company Limited incorporated in Thailand in 2016 which is principally engaged in the business of the plantation, trading and value-added processing of durian in the People's Republic of China ("PRC") and other Southeast Asia countries with an annual revenue of approximately USD 200 million. Before that, Mr. Cheng has served the Shandong Electric Power Construction No. 3 Engineering Company as a project manager from year 2013 to 2015 to oversee that company's major construction projects in Thailand.

Mr. Cheng was being awarded Bachelor of Automotive Engineering by Shanghai University, PRC in the year 2013. Mr. Cheng is also currently the Executive Vice President of the Thailand-Anhui Business Council.

Mr. Andy Xu Peng
Chief Financial Officer

Mr. Xu was appointed as Chief Financial Officer on 1 February 2009. He is responsible for the finance, accounting and corporate secretarial functions of the Group.

Mr. Xu was previously the Chief Financial Officer of the Group's associate company, PAL (Beijing) Information and Technology Co., Ltd, where he oversaw the human resource and finance departments within the company. He was also with Dell (China) Co., Limited as Finance Manager. He has over five years of audit and financial consulting as well as finance and accounting management experience with Deloitte and Ernst & Young in the PRC.

Mr. Xu holds a Master Degree of Science in Business and Administration (Finance) from San Diego State University, USA. He also holds a Bachelor Degree of Economics from University of International Business and Economics, PRC.

Mr. Xu is a Certified Public Accountant with the State Board of Accountancy, Guam, USA and a Chartered Public Accountant in British Columbia, Canada.

FINANCIAL CONTENTS

Corporate Governance Report

NutryFarm International Limited (the "Company") is committed to achieving a high standard of corporate governance which conforms to the principles set out in the Code of Corporate Governance 2012 (the "Code"). The Board is pleased to report on the compliance of the Company with the Code (except as otherwise stated).

Principle 1: Board's Conduct of its Affairs

Apart from its statutory duties and responsibilities, the Board is responsible for overseeing the management and affairs of the Company and its subsidiaries ("Group") and approving the Group's corporate and strategic directions. The Board is also responsible for implementing policies in relation to financial matters, which include risk management, internal controls, and compliance.

The Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Group at all times, and to make decisions independently and objectively.

In accordance with the Code, the Board has, without abdicating its responsibility, delegated specific authority to three (3) Board Committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. Each Board Committee is chaired by an Independent Director and has its own terms of references to address its respective areas of focus. Each committee has approved the relevant written terms of reference clearly setting out the authorities and duties thereof. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive to attend their meetings. The Board reviews each Board Committee's terms of references from time to time, to ensure that these are updated and remain relevant in line with, inter alia, best practices and the evolving needs of the Group. The composition and description of each Board Committee is set out in this Report.

The Board meets at least once a year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance and to endorse the release of the quarterly and annual financial results. Additional meetings may be held to address significant transactions or issues, where necessary. The Company's Bye-laws permit a Board meeting to be conducted by way of teleconference and video-conference. The record of the Directors' attendance at Board and the respective committee meetings during the financial period ended 30 September 2020 ("FY2020") is set out below. Minutes of the Board Committee meetings are circulated to the Board to keep all Directors updated on the activities of each Board Committee.

	Directors' Attendance at Board and Other Committee Meetings			
	No. of meetings & attendance (for the period from 01/04/19 to 30/09/20)			
	Board	**AC**	**NC**	**RC**
Number of meetings held	9	7	2	2
Name of Director				
Paul Gao Xiang Nong(1)	2	2	-	-
Ng Poh Khoon Jimmy	9	7	2	2
Neo Chee Beng	9	7	2	2
Xu Hai Min	9	7	2	2
Terence Luk Chung Po(2)	7	5	-	-
Cheng Meng(3)	-	-	-	-

Note 1: Mr. Paul Gao Xiang Nong has ceased to be Executive-Director and Chief Executive Officer on 14 October 2019.

Note 2: Mr. Terence Luk Chung Po has been appointed as Executive Director on 14 October 2019 and has been re-designated as Non-Executive Director and Non-Executive Chairman on 6 January 2021.

Note 3: Mr. Cheng Meng has been appointed as Non-Executive Director on 18 November 2020 and has been re-designated as Executive Director on 6 January 2021.

The principal functions of the Board of Directors of the Company ("Board" or "Directors") include:

(a) providing entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;
(c) reviewing management performance;
(d) identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;
(e) setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met;
(f) considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;
(g) approving policies, strategies, structure and direction of the Group;
(h) approving annual budgets, key operational issues, major funding proposals, and investment and divestment proposals;
(i) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
(j) approving the nominations of Board Directors, committee members and key personnel, recommended by the NC; and
(k) providing oversight for the proper conduct of the Company's business and assuming responsibility for corporate governance.

The Board gives clear instructions to Management on the levels of authorization required and the Management team seeks Board approval on material transactions such as material acquisitions and disposals, joint ventures and other transactions that would materially impact the Company.

Prior to their respective appointments to the Board, each of the Directors is given comprehensive and tailored induction on joining the Board, including his duties as a Director and how to discharge those duties, and an orientation on the Group's business strategies, operations and governance practices. A formal letter is also issued to each Director upon appointment, setting out the Directors' roles, duties and obligations. Each Director is also informed of the terms of reference of each Board Committee to help him/her understand the roles, duties and obligations of each Board Committee. The formal letter issued to newly-appointed Directors is updated from time to time, in line with best practices in respect of corporate governance standards. Newly appointed Directors who have no prior experience as directors of a listed company will be given legal and accounting training, and training on the industry the Company operates in.

The Directors will receive, from time to time, further relevant training arranged and funded by the Company particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular presentations and meetings.

Principle 2: Board Composition and Balance

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs independently, in particular from Management and 10% shareholders. The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board.

Following the resignation of Mr. Paul Gao Xiang Nong on 14 October 2019 and the appointment of Mr. Terence Luk Chung Po and Mr. Cheng Meng, the Board is made up of five Directors, of whom two are independent Non-Executive Directors. Although slightly less than half of the Board comprised independent Directors, and 40% of the Board has comprised independent Directors since then, the Company is confident that the two independent Directors have been and are able to more than adequately perform their roles as independent Directors and safeguard the interests of minority shareholders. The new CEO, Mr. Cheng will lead the Company and contribute his extensive experience in the future. Notwithstanding the foregoing, the Board is of the view that the current composition of the Board sufficiently meets the Company's needs. The Company considers the composition of the Board appropriate and suitable for the Company's current requirements for effective decision making, taking into account, inter alia, the scope and nature of the operations of the Company.

The involvement of the Non-Executive Directors in setting and developing strategies and goals for Management, and reviewing and assessing Management's performance enables Management to benefit from the external and objective perspective of issues that are tabled before the Board.

To facilitate a more effective check on the Executive Directors and Management, the Non-Executive Directors meet at least once annually without the presence of Management to discuss matters that they wish to raise privately. The Non-Executive Directors also constructively challenge the decisions of the Executive Directors and Management and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The independence of each Independent Director is reviewed annually by the NC based on the definition of independence as set out in the Code. The Independent Directors have abstained from voting on any resolutions and making any recommendations and/or participated in any deliberations of the Board in respect of the evaluation of his or her independence. The NC provides its views on the independence of each Director to the Board. Mr. Ng Poh Khoon Jimmy has served the Board for approximately eleven years, while Mr. Neo Chee Beng has served the Board for approximately nine years.

In subjecting the independence of Mr. Ng Poh Khoon Jimmy and Mr. Neo Chee Beng to particularly rigorous review and taking into account the need for progressive refreshing of the Board, the NC placed emphasis on whether each of them has demonstrated strong independence in character and judgement in discharging his responsibility as a Director of the Company and whether he is free from any interest, business or other relationship which could reasonably be perceived to interfere with the exercise of his independent judgement with a view to the best interests of the Company. The NC's particularly rigorous review includes critical examination of any conflicts of interest, review of each director's involvement in affairs of the Company, including board and committee meetings, discussions, views and comments expressed and decisions taken on matters and proposals put before the Board.

In assessing the independence of Mr. Ng Poh Khoon Jimmy, the NC and the Board took into account that Mr. Ng Poh Khoon Jimmy is a Chartered Accountant and a member of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors. He is also a fellow member of the Association of Chartered Certified Accountants, UK. Mr. Ng Poh Khoon Jimmy is currently an independent director of another listed company on SGX-ST. He has over 20 years of experience in financial auditing, especially in the area of merger and acquisition. The Company believes that Mr. Ng Poh Khoon Jimmy's appointments, qualifications, skills and experience in the relevant fields are complementary and crucial to his contribution to the Company. Mr. Ng Poh Khoon Jimmy attended every AC and Board meeting held by the Company, and participated actively in the meetings by providing valuable advice, recommendations and creative ideas. He has also demonstrated professionalism. In the course of discussions in the rigorous review exercise, the Board noted that Mr. Ng Poh Khoon Jimmy has consistently constructively challenged the management's or executive directors' decisions on important issues to ensure that the Company's and shareholders' interests are protected. During his years serving the Company, there have been no issues or circumstances which are likely to affect, or could appear to affect, his independence. Therefore, the NC and the Board are satisfied that Mr. Ng Poh Khoon Jimmy is qualified and independent in character and judgment as an independent director of the Company notwithstanding his length of service. For the avoidance of doubt, Mr. Ng Poh Khoon Jimmy was not involved in the discussion and assessment of his own independence.

In assessing the independence of Mr. Neo Chee Beng, the NC and the Board took into account that Mr. Neo Chee Beng is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of Singapore Institute of Directors. He has been providing professional services to companies listed on the Stock Exchange of Hong Kong and Nasdaq Stock Market for about 10 years. He also manages investment portfolios in the Stock Exchange of Hong Kong, Singapore Exchange Limited, Nasdaq Stock Market and New York Stock Exchange. The Board believes that Mr. Neo Chee Beng's appointments, qualifications, skills and experience in the relevant fields are complementary and crucial to his contribution to the Company. He has contributed extensively to the Company, having attended meetings on time, helped analyse potential opportunities available to the Company, introduced professionals to perform relevant services for the Company, and provided advice based on his experience. When there are any material issues, he has requested for details and inquired about the potential risks involved. Through the rigorous review exercise, the Board finds Mr. Neo Chee Beng exercises objectivity and independence at all time in discharging his duties as director. During his years serving the Company, there has been no issues or circumstances which are likely to affect, or could appear to affect, his independence. Therefore, the NC and the Board are satisfied that Mr. Neo Chee Beng is qualified and independent in character and judgment as an independent director of the Company notwithstanding his length of service. For the avoidance of doubt, Mr. Neo Chee Beng was not involved in the discussion and assessment of his own independence.

After due consideration and careful assessment, the NC and the Board noted that each of Mr. Ng Poh Khoon Jimmy's and Mr. Neo Chee Beng's independence as a Director is not affected as each of them continues to exercise independent judgement and demonstrate objectivity in his deliberations in the interest of the shareholders and the Company. The Board is of the view that it is not in the best interests of the Company or shareholders to require all directors who have served for more than nine years to retire. The Board is also of the view that the in-depth understanding of the Group's business and operations gained by these directors will contribute to continuity and stability. The Board is of the view that the long term contributions of these directors would benefit the Company in the long term and enhance the Company's long-term prospects.

Taking into account the views of the NC, the Board is satisfied as to the independence of Mr. Ng Poh Khoon Jimmy and Mr. Neo Chee Beng, both of whom do not have any material relationship with the Company, its related corporations, its shareholders who have an interest of not less than 10% of the Company's voting shares or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company.

The Board has examined its size and is of the view that it is an appropriate size for effective decision making, taking into account the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees.

The Board has also considered that its Directors as a group provide an appropriate balance and diversity of gender, industry skills, knowledge of the Company and experience, and possess core competencies such as in accounting, finance, industry knowledge, strategic planning experience, customer-based experience or knowledge and business strategies, which contributes to effective and robust decision-making that enhances shareholder value. The NC also places importance on diversity of age, gender, ethnicity and tenure on the Board so as to form a quality Board that can contribute to more robust decision-making and thereby increase corporate governance and maximize shareholder value. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

Principle 3: Non-Executive Chairman and Chief Executive Officer

The role of the Non-Executive Chairman is to provide guidance on the corporate direction of the Group and, inter alia:

(a) lead the Board to ensure its effectiveness on all aspects of its role;
(b) set the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues;
(c) promote a culture of openness and debate at the Board;
(d) ensure that the Directors receive complete, adequate and timely information;
(e) organize the Board meetings and facilitate discussion in such meetings;
(f) ensure effective communication with shareholders;
(g) encourage constructive relations within the Board and between the Board and Management;
(h) facilitate the effective contribution of Non-Executive Directors in particular; and
(i) promote high standards of corporate governance.

The role of the CEO is to set the business strategies and directions for the Group and manage the business operations of the Group with the Executive Directors and other management staff.

The Company has strengthened the balance of power and authority among the members of the Board by appointing Mr. Ng Poh Khoon Jimmy as the lead independent Director of the Company. The lead independent Director is appointed by the Board to serve in a lead capacity to coordinate the activities of the Non-Executive Directors in circumstances where it would be inappropriate for the Chairman to serve in such capacity. He also assists the Chairman and the Board to assure effective corporate governance in managing the affairs of the Board and the Company. As the lead independent Director, Mr. Ng Poh Khoon Jimmy is available to address the concerns of shareholders and will lead the independent Directors in meeting periodically without the presence of the other Directors and provide feedback to the Chairman after such meetings. Led by Mr. Ng Poh Khoon Jimmy, the independent Directors meet at least annually without the presence of the other Directors to appraise the performance of the Chairman, after which the lead independent Director provides feedback to the Chairman.

Principle 4: Board Membership

The composition of the Board and Board Committees is as follows:

Directors	Board Membership	Date of First Appointment	Date of Last Re-Appointment	AC	RC	NC
Cheng Meng[1]	Executive Director and Chief Executive Officer	18 November 2020	-	-	-	-
Terence Luk Chung Po[2]	Non-Executive Director and Deputy Chairman	14 October 2019	-	-	-	-
Ng Poh Khoon Jimmy	Independent Director	01 April 2008	29 July 2019	Chairman	Member	Chairman
Neo Chee Beng	Independent Director	01 October 2009	28 July 2017	Member	Chairman	Member
Xu Hai Min	Non-Executive Director	09 April 2014	29 July 2019	Member	Member	Member
Paul Gao Xiang Nong [3]	Executive Director	09 January 2006	27 July 2018	-	-	-

Note 1: Mr. Cheng Meng has been appointed as Non-Executive Director on 18 November 2020 and has been re-designated as Executive Director and Chief Executive Officer on 6 January 2021.

Note 2: Mr. Terence Luk Chung Po has been appointed as Executive Director on 14 October 2019 and has been re-designated as Non-Executive Director and Non-Executive Chairman on 6 January 2021.

Note 3: Mr. Paul Gao Xiang Nong has ceased as Executive Director and Chief Executive Officer on 14 October 2019.

The NC comprises Mr. Neo Chee Beng and Mr. Xu Hai Min, and is chaired by Mr. Ng Poh Khoon Jimmy.

The NC held two meetings during FY2020.

The Board has approved the written terms of reference of the NC. The NC performs, inter alia, the following functions:

(a) making recommendations to the Board on relevant matters relating to:
  (i) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
  (ii) the process and criteria for evaluation of the performance of the Board, its board committees and directors, including the proposal of objective performance criteria in respect of the evaluation of the performance of the Board;
  (iii) the review of training and professional development programs for the Board and its directors;
  (iv) the appointment and re-appointment of directors (including alternate directors, if any);
  (v) the objective performance criteria and process for the evaluation of the effective of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board; and
  (vi) the establishment of guidelines on what a reasonable and maximum number of directorships and principal commitments for each director (or type of director) should be; and

(b) determining annually, and as and when circumstances require, if a director is independent, having regard to the laws, regulations, codes, rules and/or other applicable provisions in respect of the Company;

The Board recognises the importance of good succession planning. The NC is tasked to review the Board membership progressively and identify the potential successors to key positions. Succession and leadership development plans for the senior management will be implemented to ensure smooth transition. The review, if any, will be presented to the Board for its approval.

The search and nomination process for new Directors, if any, will be through search agencies, contacts and recommendations to reach out to the largest pool of candidates as possible for the right candidate.

When considering a new Board member, the NC will review the curriculum vitae of the potential candidate and consider his/her experience and likely contribution to the Board. Interviews will then be subsequently conducted before the NC makes its recommendation to the Board. The Board will make the final determination for the appointment.

Pursuant to bye-law 104 of the Company's Bye-laws, other than the Managing Director, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest one-third but not greater than one-third) shall retire from office by rotation. In addition, under bye-law 107(B), any Director appointed by the Board shall hold office only until the next AGM and shall then be eligible for re-election at the meeting.

Accordingly, Mr. Cheng and Mr. Luk will be retiring and standing for re-election at the upcoming AGM. The NC considered the overall contribution and performance of Mr. Cheng and Mr. Luk, and recommended to the Board that it was in support of Mr. Cheng and Mr. Luk's standing for re-election at the forthcoming AGM. Mr. Cheng and Mr. Luk abstained from making any recommendation in respect of his own re-election.

Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his or her duties as a director of the Company. The NC monitors and determines on an on-going basis whether Directors who have multiple board representations and other principal commitments, give sufficient time and attention to the affairs of the Company and adequately carry out their duties as a Director. The NC takes into account both the results of the assessment of the effectiveness of the individual Directors and their actual conduct during Board and Board Committee meetings and ad-hoc discussions when making this determination. The Board also believes that each Director has to personally determine the demands of his or her competing directorships and obligations and assess how much time is available to serve on the Board effectively. Accordingly, the Board has not made a determination of the maximum number of board representations a director may hold.

Key information regarding the Directors' academic and professional qualifications, shareholding in the Company and its related corporations, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other appointments is set out on pages 14 to 15 of the Annual Report.

There have been no alternate directors appointed.

Principle 5: Board Performance

The Board has implemented a process to be carried out by the NC to assess the performance and effectiveness of the Board as a whole, its Board Committees, the contribution of the Chairman and each individual director to the effectiveness of the Board.

In conducting the individual evaluation of Directors, the NC assesses on an individual basis whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and board committees, and any other duties). The criteria taken into consideration include, inter alia, the level of preparation of each Director, commitment to the role, performance, level of independence in views, effectiveness and value of contribution to the development of strategy for the Group and risk management, and the Director's knowledge and experience. The Chairman will act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors. Through such performance evaluations, the NC and Board also identify areas for the Board and Board Committees to improve their effectiveness.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his or her performance or re-nomination as a Director.

The performance of each Board Committee is evaluated based on its roles and functions set out in its terms of reference, and its ability to perform these functions effectively.

The assessment of the Board's performance as a whole adopted both quantitative and qualitative criteria, such as return on equity, the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring Management's performance against the goals that had been set by the Board. The performance criteria for the Board was decided upon and proposed by the NC, and approved by the Board.

The NC has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. No external facilitator was used in the assessment of the performance of the Board, Board Committees, Chairman or individual Directors in FY2020.

Principle 6: Access to Information and Company Secretaries

To assist the Board in fulfilling its responsibilities, the Board will be provided with board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. In respect of budgets, any material variance between the projections and actual results is also disclosed and explained.

The Board is provided with adequate and timely information prior to each Board meeting. Board papers are prepared for each Board meeting and are usually circulated at least three working days prior to each meeting. Directors are entitled to request from Management, and are provided with, such complete and adequate additional information in a timely manner as needed to make informed decisions. The Chief Financial Officer (the "CFO"), key management personnel of the Group and external professionals may also be invited to attend the meetings to provide further insight on specific matters or respond to queries from the Directors.

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company. The Company encourages each Director to seek independence professional advice where necessary so as to best facilitate the effective discharge of their duties.

The Board has separate and independent access to the Management and the company secretaries at all times.

The company secretaries administer, attend and prepare minutes of Board meetings, assist the Non-Executive Chairman in ensuring that:-

(a) Board procedures are followed and reviewed so that the Board functions effectively;
(b) the Company's Bye-laws and relevant rules and regulations, including requirements of the Companies Act and the SGX-ST, are complied with;
(c) under the direction of the Chairman, ensuring good information flows within the Board and its Board Committees and between the Management and the Non-Executive Directors;
(d) facilitating the orientation of incoming Directors and assist with professional development as required; and
(e) advising the Board on all governance matters.

The appointment and removal of the company secretary is a matter for the Board as a whole to decide.

Principle 7: Procedures for Developing Remuneration Policies

Remuneration Committee

The RC comprises Mr. Ng Poh Khoon Jimmy, Mr. Xu Hai Min and is chaired by Mr. Neo Chee Beng.

The RC held two meetings during the financial period under review.

The Board has approved the written terms of reference of the RC. The functions of the RC include, *inter alia*, the following:

(a) reviewing and make recommendations to the Board on a framework of remuneration for the Board and key management personnel; and
(b) reviewing and make recommendations to the Board on the specific remuneration packages for each director as well as for the key management personnel, considering all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind, termination payments and termination terms, to ensure they are fair and aim to avoid rewarding poor performance.

The RC will review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses for such advice shall be borne by the Company. The Company did not appoint any remuneration consultants for FY2020.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the RC aligns the level and structure of remuneration with the long-term interest and risk policies of the Company and considers what is appropriate to attract, retain and motivate (i) the Directors to provide good stewardship of the Company, and (ii) the key management personnel to successfully manage the Company.

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group. The RC also takes into account the risk policies of the Company, and ensures that remuneration is symmetric with risk outcomes and is sensitive to the time horizon of risks.

The Company will continually evaluate the remuneration structure of Executive Directors and key management personnel and consider linking rewards to corporate and individual performance, to promote the long-term success of the Company. The remuneration policy will take into account the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. The Company has introduced the LottVision Share Option Scheme and the LottVision Incentive Share Scheme administered by the RC. Executive directors and key management personnel are encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.

The remuneration of Non-Executive Directors is measured against their level of contribution, taking into account factors such as effort and time spent, and the responsibilities undertaken. The RC ensures that Non-Executive Directors are not overcompensated to the extent that their independence may be compromised. Non-Executive Directors are also entitled to be offered shares under the LottVision Incentive Share Scheme.

The Company is entitled to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Principle 9: Disclosure on Remuneration

The remuneration paid to the Directors and Executive Officers for services rendered during the FY2020 was as follows:

Remuneration bands	Salary (%)	Performance bonus (%)	Directors' fees (%)	Others (%)	Total (%)
Directors					
Below S$250,000					
Cheng Meng(1)	-	-	-	-	-
Terence Luk Chung Po(2)	100	-	-	-	100
Ng Poh Khoon Jimmy	-	-	100	-	100
Neo Chee Beng	-	-	100	-	100
Xu Hai Min	100	-	-	-	100
Paul Gao Xiang Nong(3)	100	-	-	-	100

Note 1: Mr. Cheng Meng has been appointed as Non-Executive Director on 18 November 2020 and has been re-designated as Executive Director and Chief Executive Officer on 6 January 2021.

Note 2: Mr. Terence Luk Chung Po has been appointed as Executive Director on 14 October 2019 and has been re-designated as Non-Executive Director and Non-Executive Chairman on 6 January 2021.

Note 3: Mr. Paul Gao Xiang Nong has ceased as Executive Director and Chief Executive Officer on 14 October 2019.

No termination, retrenchment and post-employment benefits were granted to the Directors and key management personnel during FY2020.

The RC and the Board are of the view that the remuneration of the Directors is adequate but not excessive in order to attract, retain and motivate them to run the Company successfully and also believes that the remuneration package of the Directors and key management is a competitive advantage of the Group and as such has chosen to make disclosure in relation thereto in bands of S$250,000.

Mr. Cheng Meng does not receive any compensation for services rendered as Director during FY2020.

The remuneration of the Independent Directors was in the form of a fixed fee subject to shareholders' approval at the AGM.

Executive Directors have service agreements with the Company. Their compensation consists of a salary, bonus and performance awards that are dependent on the performance of the Group and their individual performance, based on performance conditions which are consistent with the Company's business goals and which focus on creating value for shareholders. Such performance conditions can include targets relating to the cash flow and net profits of the Group over specified periods.

The Company does not have any employees who are immediate family members of a Director or the Chief Executive Officer.

For FY2020, the top key management personnel (who are not also Directors or CEOs) (in terms of remuneration paid) of the Company is Andy Xu Peng. Key Management personnel are remunerated on a similar basis to Executive Directors, and receive salary, bonus and performance awards that are dependent on the performance of the Group and their individual performance, based on performance conditions which are consistent with the Company's business goals and which focus on creating value for shareholders. Such performance conditions can include targets relating to the cash flow and net profits of the Group over specified periods.

A breakdown, showing the level and mix of the top key management personnel who are not Directors or CEO in remuneration bands of S$250,000 for FY2020, is as follows:-

Remuneration bands	Salary (%)	Performance bonus (%)	Benefits in kind (%)	Stock options, share based incentives and awards, and other long-term incentives (%)	Total (%)
Below S$250,000					
Andy Xu Peng	100	-	-	-	100

The Company has established the LottVision Share Option Scheme and the LottVision Incentive Share Scheme and further details of this (including the description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met) are set out on Pages 86 of the Annual Report.

Principle 10: Accountability and Audit

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to interim and other price-sensitive public reports, and reports to regulators (if required).

The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, by establishing written policies where appropriate. The Board ensures that it is regularly updated on relevant changes to laws and regulations so that it can monitor and supervise compliance by the Group with such laws and regulations and requirements of regulatory and governmental authorities.

Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects and such explanation and information on a quarterly basis to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. Where the Board requires any additional information, the Board will request for such information from Management. Such information may include additional financial information such as monthly management accounts, and will be available for the Board's review on its request.

Principle 11: Risk Management & Internal Controls

Risk management is an integral aspect of the Company and the Group. The Board has the overall responsibility for risk management and exercises oversight of the key risk areas in the Group's business, setting the overall strategic direction in the identification and assessment of risks and ensuring that decisions and strategies adopted are in line with the risk management tolerances of the Group. In order to create, enhance, protect value for its shareholders, the Company proactively manages risks and embeds the risk management process into all planning and decision-making processes as well as its day-to-day operations at the Company and Group levels. Led by the Board, Management regularly reviews the Company's business and operational activities to identify areas of significant business risk as well as appropriate measures to control and mitigate these risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. In conducting its affairs, the Company understands the importance of preparation and all major investments undergo a due diligence and risk management review process.

The Company has instituted a system of internal controls for the Group. While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication is reliable. In designing these controls, Management has had regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them. The Company seeks to improve internal control and risk management on an on-going basis to ensure that they remain sound and relevant.

The Board has in place a set of internal controls which sets out approval limits for expenditure, investments and divestments and cheque signatory arrangements. Approval sub-limits are also provided at management and committee levels to facilitate operational efficiency. The Board also determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of risk management and internal control systems.

During the year under review, the Board had conducted an annual review of the adequacy and effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and these are reported to the AC. Any material non-compliance and recommendation for improvement are reported to the AC. The AC, on behalf of the Board, also reviewed the adequacy and effectiveness of the Group's system of internal controls in light of key business and financial risks affecting its businesses through discussion with Management and the auditor. The members of the Board are vigilant in looking out for potential risks that the Group may face, and will take the necessary steps to work with Management to ensure that such potential risks are dealt with in a timely manner.

The Board believes that the risk management and internal control systems, including financial, operational, compliance and information technology controls, established by the Company is adequate and effective to provide reasonable assurance that the Company would not be adversely affected by any event that could be reasonably foreseen. However, the Board also notes that no risk management and internal control systems, including financial, operational, compliance and information technology controls, could provide an absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

Based on:

(a) the risk management and internal control systems, including financial; operational, compliance and information technology controls, established and maintained by the Group;
(b) reviews performed by Management, various Board Committees and the Board;
(c) assurance from the CEO and CFO that the financial records of the Group have been properly maintained;
(d) the financial statements for FY2020 give a true and fair view of the Group's operations and finances; and
(e) the Group's risk management and internal control systems are effective in addressing the material risks in the Group in its current business environment,

the AC and the Board are of the opinion that the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls, were adequate and effective as at 30 September 2020.

In connection with the above, the Board has received written assurance from the CEO and CFO that the financial records have been properly maintained, the financial statements give a true and fair view of the Company's operations and finances, and the Company's risk management and internal control systems are effective.

The AC and the Board have also reviewed the Company's overall risk management framework and policies and considered them to be adequate, taking into account the scope and nature of the operations of the Company and the risk profile of the Company. In this regard, the AC and the Board are of the opinion that there is no necessity for the establishment of a separate board risk committee.

Principle 12: Audit Committee

The AC comprises Mr. Xu Hai Min, Mr. Neo Chee Beng and is chaired by Mr. Ng Poh Khoon Jimmy. None of the AC members were former partners or directors of the Company's existing auditing firm, and none of them have any financial interest in that firm.

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities. In particular, Mr. Ng Poh Khoon Jimmy (the AC Chairman) and Mr. Neo Chee Beng have a wealth of experience in accounting.

The Board has approved the written terms of reference of the AC. The AC performs, inter alia, the following functions:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
(b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;
(c) making recommendations to the Board on:
    - the proposals to the shareholders on the appointment and removal of external auditors; and
    - the remuneration and terms of engagement of the external auditors;
(d) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function (as applicable); and
(e) reporting to the Board on how it has discharged its responsibilities and whether it was able to discharge its duties independently.

The AC also reviews the scope and results of the external audit, and the independence and objectivity of external auditor.

The AC meets periodically and also holds informal meetings and discussions with Management from time to time. The AC has full discretion to invite any Director or Executive Officer to attend its meetings, and has reasonable resources to discharge its functions properly.

During FY2020, the AC met seven times to discuss and review the audit plan, the audit report and evaluate the system of internal controls. In such meetings, the AC also reviewed the quarterly financial statements prior to recommending their release on SGXNET to the Board, interested person transactions, and the re-appointment of the external auditor and its remuneration.

The AC's primary role is to investigate any matter within its terms of reference, and it has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, Management and has been given full access to and is provided with the co-operation of the Company's management. In addition, the AC has independent access to the external auditor. The AC meets with the external auditor without the presence of Management at least annually.

The members of the AC also meet with, or correspond over email, Management, the CFO and external auditor to discuss and keep abreast of changes to accounting standards and issues which have a direct impact on financial statements as and when it is required. Where necessary, the members of the AC would also attend training conducted by professionals or external consultants in respect of such changes.

The aggregate amount of fees paid to the external auditor of the Company in FY2020 was HK$562,000.

The Group has complied with Rules 712 and 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited ("SGX-ST") in relation to its auditor.

The Company has put in place a "whistle-blowing" policy which enables employees who have major concerns over any wrongdoing within the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment to come forward and express these concerns without fear of any punitive action. The AC has reviewed and ensured that arrangements are in place for concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

Principle 13: Internal Audit

The Company had yet to establish an internal audit function as of the end of FY2020. Noting the importance of having an independent, effective and adequately-resourced internal audit function, the Audit Committee has highlighted the same to the Board and Management and instructed that an independent, effective and adequately-resourced internal audit function be set up or engaged as soon as possible. In FY2019, the Audit Committee confirmed the importance of the internal audit function and prepared to implement internal audit procedures in FY2020. Due to the outbreak of COVID-19 since late 2019 from China and quickly worldwide, the Company has to suspend the implementation of internal audit function considering the safety of employees. The Audit Committee will continue to focus on the situation of COVID-19 and will implement internal audit function once the situation permits.

Principle 14: Shareholder Rights

All shareholders are treated fairly and equitably, and the Company facilitates the exercise of ownership rights by all shareholders, by striving to keep shareholders informed, in a timely manner, of changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares.

At general meetings, all shareholders are entitled to attend, participate effectively in and vote at general meetings of shareholders. Where shareholders are unable to attend in person, they are able to appoint a proxy to attend and vote on their behalf. Shareholders are informed of general meetings through the annual reports or circulars sent to them, and/or through notices in the newspapers and via SGXNET. The rules governing such meetings and voting procedures are set out in the notice of general meetings. At the general meetings, the voting procedures are explained to shareholders at the start of each meeting, before the resolutions are read out and put to vote.

Principle 15: Communication with Shareholders

Although the Company does not have a formal investor relations policy, the Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders and investors. For the purpose of establishing communication and maintaining relationships with shareholders and investors, the Company has engaged a public relations company, through which the investors and shareholders can communicate their feedbacks or ideas to the Company, to provide an accessible means of communication for the shareholders and investors to reach out to the Company. The Company maintains a high standard of disclosure by providing information to its shareholders and investors on a timely basis via SGXNET announcements and press releases. Such information is also available on the Company's website. In disclosing information to its shareholders and investors, the Company aims to be as descriptive, detailed and forthcoming as possible, so as to, inter alia, provide sufficient information to all shareholders and investors to keep them abreast of latest developments in relation to the Company and to facilitate the exercise of ownership rights by all shareholders and investors. The Company ensures that it does not practice selective disclosure of material information. If inadvertent disclosure is made to a select group of shareholders and/or investors, the Company will make the same disclosure publicly to all others as promptly and possible. The Company ensures that price-sensitive information is publicly released, and announced on an immediate basis where required under the Listing Manual of the SGX-ST. Such information includes information relating to changes in the company or its business which would be likely to materially affect the price or value of the Company's shares. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders, investors and the public have fair access to the information. At shareholders' meetings, the Board also seeks for the views, comments and input of the Company's shareholders and investors, to better understand and address their specific concerns.

While the Company does not have a dedicated investor relations team, the Management, including the CEO and CFO, actively undertakes efforts to engage with investors (both present and prospective). Such investor relations engagement efforts may include meetings with investors.

The Company does not have a dividend policy currently in place. In deciding whether to declare any dividends in a given financial period, the Company takes into account, inter alia, maximizing shareholder value in the long term, the profits of the Company in a given year, future development and investment plans of the Company, projected capital expenditure, the market outlook for each of the Company's areas of business, and the Company's expected performance in the coming financial periods. For FY2020, the Company will not be declaring dividends to shareholders. Due to the ongoing challenges in the economic and business environment, the Board is of the view that there is a need to preserve liquidity in the Company to prepare for unforeseen circumstances.

Principle 16: Conduct of Shareholder Meetings

The Company encourages shareholders to participate and vote at general meetings. Shareholders are informed of the rules, including voting procedures, that govern the general meetings. At AGMs, all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Directors, chairmen of the Board Committees and external auditor are normally present at the AGMs, and are available to address the Shareholders' questions.

All shareholders of the Company will receive the Annual Report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on the SGXNET.

The Company's Bye-Laws allow the Shareholders to appoint proxies to attend and vote in their stead at general meetings. Pursuant to Bye-Law 84 of the Company's Bye-Laws, the Shareholders holding two (2) or more shares may appoint not more than two (2) proxies to attend and vote at the same general meeting. When a Shareholder appoints more than one (1) proxy, he or she shall specify the proportion of his or her shareholding to be represented by each proxy.

The Company has not amended its Bye-Laws to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the Shareholders' identities through the web are maintained.

The Company ensures that there are separate resolutions at general meetings on each distinct issue, and puts each resolution to vote by poll, with an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. The Company will not be using electronic polling this year, but is aware of the benefits of electronic polling and will consider implementing it at an appropriate time.

All minutes of general meetings that include substantial and relevant comments or queries from the Shareholders, and responses from the Board and the Management, are made available to the Shareholders upon their request.

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreement between the Executive Directors and the Company, there are no material contracts entered into by the Company or its subsidiaries and in which the Chief Executive Officer, or any Director or controlling shareholders were interested subsisting at the end of FY2020.

Risk Management
(Listing Manual Rule 1207(4)(b)(iv))

The Company does not have a Risk Management Committee. However, Management regularly reviews the Company's business and operational activities to identify areas of significant business risk as well as appropriate measures to control and mitigate these risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

The Group has identified the various financial risks, details of which are found on pages 89 to 98 of the Annual Report.

Employee Share Option Scheme ("ESOS")
(Listing Manual Rule 852(1))

The ESOS, being the LottVision Share Option Scheme, is administered by a committee comprising Mr. Xu Hai Min, Mr. Ng Poh Khoon Jimmy and Mr. Neo Chee Beng.

As at the end of FY2020, there were no outstanding share options.

Dealings in Securities
(Listing Manual Rule 1207(19))

The Group has adopted the SGX-ST's Best Practices Guide with respect to dealings in securities by the Directors and its executive officers. Officers of the Company should not deal in the securities of the Company on short-term considerations. Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial period, or one month before the financial period-end, as the case may be, and ending on the date of announcement of the relevant results, or when they are in possession of unpublished price-sensitive information on the Group.

To provide further guidance to employees on dealings in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct is modeled after the Best Practices Guide with some modifications.

Interested Person Transactions
(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Company did not seek a mandate from its shareholders for interested person transactions in FY2020.

CORPORATE SOCIAL RESPONSIBILITY

The Company is aware of the effects of its operations and the role it plays in preserving the environment. The Company intends to encourage a more environmentally responsible culture, including implementing policies for paper recycling, reducing the unnecessary use of paper and reducing electricity consumption.

Directors' Report

We submit herewith this annual report together with the audited financial statements for the financial period from 1 April 2019 to 30 September 2020.

DIRECTORS

The Directors in office as at the date of this report are:

Cheng Meng[1]
Terence Luk Chung Po[2]
Jimmy Ng Poh Khoon
Neo Chee Beng
Xu Hai Min

Note 1: Mr. Cheng Meng has been appointed as Non-Executive Director on 18 November 2020 and has been re-designated as Executive Director and Chief Executive Officer on 6 January 2021.

Note 2: Mr. Terence Luk Chung Po has been appointed as Executive Director on 14 October 2019 and has been re-designated as Non-Executive Director and Non-Executive Chairman on 6 January 2021.

The Directors of the Company, including the Non-Executive Directors, are subject to retirement and re-election at the forthcoming Annual General Meeting in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company, the Directors of the Company who held office at the end of the financial period (including those held by their spouses and infant children) had no interests in shares, debentures, warrants and share options in the Company and related corporations. The Directors' interest in the ordinary shares of the Company as at 21 October 2020 were the same as those at 30 September 2020.

Mr. Cheng Meng held 13,300,000 ordinary shares of the Company as at 31 January 2021.

Except as disclosed above and under the "Incentive Shares" sections of this report, neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Notes 7 and 8 to the financial statements, since the end of the last financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member or with a company in which he has substantial financial interest.

SHARE OPTIONS

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial period.

There were no shares issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial period.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial period.

INCENTIVE SHARES

The LottVision Incentive Share Scheme (the "Incentive Share Scheme") was approved by the shareholders on 29 July 2009.

The Incentive Share Scheme is administered by a Committee currently comprising the following directors:

Neo Chee Beng
Xu Hai Min
Ng Poh Khoon Jimmy

The principal terms of the Incentive Share Scheme are as follows:

(a) **Eligibility**
Under the rules of the Incentive Share Scheme, Executive and Non-Executive Directors and employees of the Group, who are not controlling shareholders of the Company and their associates, are eligible to participate in the Incentive Share Scheme.

(b) **Size and duration**
The aggregate number of shares which may be issued under the Incentive Share Scheme, when added to the number of shares issued and/or issuable in respect of all awards granted thereunder and other shares issued and/or issuable under other share-based incentive scheme of the Company, shall not exceed fifteen per cent (15%) of the issued share capital of the Company on the day preceding in the relevant date of award.

The Incentive Share Scheme shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Incentive Share Scheme is adopted by the Company in general meeting, provided always that the Incentive Share Scheme may continue beyond the above stipulated period with the approval of shareholders in general meeting and of any relevant authorities which may then be required.

(c) **Entitlement to awards**
Awards represent the right of a participant to receive fully-paid shares free of charge upon the participant satisfying the performance conditions (if any). The Committee administering the Incentive Share Scheme selects performance conditions which are consistent with the Company's business goals and which focus on creating value for shareholders. Such performance conditions can include targets relating to the cash flow and net profits of the Group over specified periods.

SHARES GRANTED DURING THE PERIOD

No shares were issued under the Incentive Share Scheme during the financial period ended 30 September 2020.

WARRANTS

There were no warrants granted by the Company during the financial period ended 30 September 2020.

AUDIT COMMITTEE

The Audit Committee at the date of this report comprises three members, who are independent of management within the meaning of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual"):

Ng Poh Khoon Jimmy (Chairman)
Xu Hai Min
Neo Chee Beng

AUDIT COMMITTE (CONTINUED)

The Audit Committee held seven meetings since the last Directors' report. In performing its function, the Audit Committee met with management and the Company's external auditors to discuss and review the following:

i. the audit plan of the external auditors of the Group and the results of their examination;
ii. the Group's financial and operating results and accounting policies;
iii. that no restrictions were being placed by management upon the work of the external auditor;
iv. the Group's transactions with related parties and interested persons; and
v. the independence of the external auditor.

The Audit Committee performed the functions specified in the Listing Manual which included a review of the financial statements of the Group and the Company for the financial period from 1 April 2019 to 30 September 2020 and the auditor's' report thereon.

The Audit Committee is authorised to investigate any matters within its terms of reference, has full access to management and also full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

AUDITOR

The current auditor of the Company, Baker Tilly TFW LLP, was appointed since 27 July 2012. The Audit Committee has recommended to the Board of Directors that Baker Tilly TFW LLP be nominated for re-appointment as the auditor of the Company at the forthcoming Annual General Meeting of the Company. A resolution for the re-appointment of Baker Tilly TFW LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board of Directors

Cheng Meng
Executive Director and
Chief Executive Officer

Terence Luk Chung Po
Non-Execitive Director and
Non-Executive Chairman

Hong Kong, 5 February 2021

Statement by Directors

We, being the directors of the Company, do hereby states that in our opinion:

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 38 to 101 are properly drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Company as at 30 September 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial period from 1 April 2019 to 30 September 2020 in accordance with International Financial Reporting Standards; and

(ii) at the date of this statement, having regard to those factors described in Note 3 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Cheng Meng
Executive Director and
Chief Executive Officer

Terence Luk Chung Po
Non-Executive Director and
Non-Executive Chairman

Hong Kong, 5 February 2021

Independent Auditor's Report
to the Members of NutryFarm International Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of NutryFarm International Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 38 to 101, which comprise the balance sheets of the Group and the Company as at 30 September 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 and the statement of changes in equity of the Company for the financial period from 1 April 2019 to 30 September 2020, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company. 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. Refundable advances for proposed acquisition

   As disclosed in Note 19 to the financial statements, the Group has refundable advances for proposed acquisition amounted to HK$61,976,000 as at 30 September 2020 (31 March 2019: HK$89,757,000).

   The refundable advances were paid to the vendor in connection with the proposed acquisition of 45% of the issued and paid-up shares of First Linkage Inc. ("First Linkage"). The proposed acquisition of First Linkage was terminated on 3 December 2019. Accordingly, the advances paid to the vendor become refundable.

   During the current financial period, the Group has received refunds of HK$26,869,000 from the vendor. The Group is still in the process of recovering the remaining advances of HK$61,976,000 from the vendor. The safeguard and measure implemented by management for recovering the refundable advances for proposed acquisition of First Linkage are disclosed in Note 19 to the financial statements. Management is of the view that the safeguard and measure are adequate and appropriate for the recovery of the remaining advances of HK$61,976,000 and accordingly, no allowance for impairment loss was made as at 30 September 2020.

   We are, however, unable to conclude whether the safeguard and measure implemented by management would enable the full recovery of the remaining advances of HK$61,976,000 from the vendor. Consequently, we are unable to satisfy ourselves as to whether any adjustments might be necessary in respect of the carrying amount of the Group's refundable advances for proposed acquisition as at 30 September 2020.

   This matter was similarly included in the Basis for Qualified Opinion section of our independent auditor's report on the financial statements for the financial year ended 31 March 2019. Our opinion on the current financial period's financial statements of the Group is also modified because of the possible effect of this matter on the comparability of the current financial period's figures and the corresponding figures.

2. Advances to suppliers, third parties and a related party

   As disclosed in Note 19 to the financial statements, the net carrying amounts of the Group's advances to suppliers, third parties and a related party totalled HK$44,587,000 (31 March 2019: HK$9,428,000) after deducting allowance for impairment losses of HK$27,662,000 (31 March 2019: HK$10,233,000). During the financial period ended 30 September 2020, the Group recognised allowance for impairment losses on advances to suppliers and third parties totalling HK$16,829,000 (1.4.2018 to 31.3.2019: HK$10,233,000) in the Group's profit or loss.

   We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves with respect to the advances made to suppliers, third parties and a related party and the appropriateness of allowances for impairment losses made on these balances. Consequently, we are unable to determine whether any adjustments might be necessary in respect of the carrying amounts of the Group's advances to suppliers, third parties and a related party as at 30 September 2020 and the impairment losses as recognised in the Group's profit or loss during the current financial period.

Independent Auditor's Report
to the Members of NutryFarm International Limited

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Advances to suppliers, third parties and a related party (Continued)

   This matter was similarly included in the Basis for Qualified Opinion section of our independent auditor's report on the financial statements for the financial year ended 31 March 2019. Our opinion on the current financial period's financial statements of the Group is also modified because of the possible effect of this matter on the comparability of the current financial period's figures and the corresponding figures.

3. Property, plant and equipment

   As disclosed in Note 13 to the financial statements, the net carrying value of the Group's property, plant and equipment amounted to HK$46,582,000. During the financial period ended 30 September 2020, an impairment loss on property, plant and equipment of HK$8,259,000 was recognised in the Group's profit or loss. The impairment loss is determined based on the proposed disposal consideration of the assets to a company which is ultimately owned by the vendor for the terminated proposed acquisition of First Linkage. Accordingly, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves with respect to the recoverable amount used in the determination of the impairment loss and we are unable to determine whether any adjustments might be necessary in respect of the net carrying value of the Group's property, plant and equipment as at 30 September 2020.

4. Investment in subsidiaries

   As disclosed in Note 11 to the financial statements, the net carrying amount of the Company's investment in subsidiaries amounting to HK$61,132,000 after deducting allowance for impairment losses of HK$73,096,000. During the financial period ended 30 September 2020, an impairment loss on investment in subsidiaries of HK$14,821,000 was recognised in the Company's profit or loss.

   Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves with respect to the recoverable amount of the Company's investment in subsidiaries and the appropriateness of the allowance for impairment losses provided on the Company's investment in subsidiaries. Consequently, we are unable to determine whether any adjustments might be necessary in respect of the net carrying amount of the Company's investment in subsidiaries as at 30 September 2020 and the impairment losses as recognised in the Company's profit or loss during the current financial period.

5. Amounts due from subsidiaries

   As disclosed in Note 11 to the financial statements, the net carrying amount of the Company's amounts due from subsidiaries amounted to HK$138,867,000 after deducting allowance for impairment losses of HK$356,649,000. During the financial period ended 30 September 2020, an impairment loss on amounts due from subsidiaries of HK$911,000 was recognised in the Company's profit or loss.

   Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves with respect to the appropriateness of the allowance for impairment losses provided on the Company's amounts due from subsidiaries. Consequently, we are unable to determine whether any adjustments required to the impairment loss and the net carrying amount of the Company's amounts due from subsidiaries as at 30 September 2020.

6. Appropriateness of the going concern assumption

   As disclosed in Note 3 to the financial statements, the Group and the Company incurred a net loss of HK48,512,000 and HK$37,902,000 respectively during the financial period ended 30 September 2020. As at 30 September 2020, the Company's total liabilities exceeded the total assets by HK$14,061,000. In addition, the COVID-19 pandemic has brought about uncertainties to the Group's operating environment in the People's Republic of China and has impacted the Group's business activities for selling of nutrition, health food and related health products. The Group's distributors had cut down their marketing promotions and the contacts with their customers, which resulted in lower average monthly revenue for the Group. These factors indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and discharge their liabilities in the ordinary course of business.

Independent Auditor's Report
to the Members of NutryFarm International Limited

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

6. Appropriateness of the going concern assumption (Continued)

In the preparation of the financial statements, the Board of Directors believes that the use of going concern assumption is appropriate after taking into consideration of the factors as disclosed in Note 3 to the financial statements. However, as the factors are dependent on certain assumptions and the probability of sustaining the assumptions are inherently uncertain, we are unable to obtain sufficient appropriate audit evidence to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we are unable to determine whether any adjustments in respect of these financial statements for the financial period ended 30 September 2020 are necessary.

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that 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 ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities respectively. No such adjustments have been made to the financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

The directors' responsibilities include 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 consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of 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 Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA 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 ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Lim Kok Heng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

5 February 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial period from 1 April 2019 to 30 September 2020

	Note	Group 1.4.2019 to 30.9.2020 HK$'000	Group 1.4.2018 to 31.3.2019 HK$'000
Revenue	4	**61,568**	44,042
Cost of sales		**(39,692)**	(26,121)
Gross profit		**21,876**	17,921
Other income/(expenses)			
- Interest income		**406**	355
- Others	5	**1,447**	4,028
- Net impairment losses on financial assets	28(b)	**(9,629)**	(9,277)
Distribution expenses		**(6,858)**	(7,718)
Administrative expenses		**(40,840)**	(88,903)
Finance costs	6	**(14,796)**	(7,749)
Loss before tax	7	**(48,394)**	(91,343)
Tax expense	9	**(118)**	(1,893)
Loss for the financial period/year		**(48,512)**	(93,236)
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(1,085)**	(8,867)
Other comprehensive loss for the financial period/year, net of tax		**(1,085)**	(8,867)
Total comprehensive loss for the financial period/year		**(49,597)**	(102,103)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
Basic and Diluted	10	**(50.31)**	(96.70)

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

Balance Sheets

At 30 September 2020

	Note	Group		Company	
		30.9.2020	31.3.2019	30.9.2020	31.3.2019
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Investment in subsidiaries	11	**–**	–	**61,132**	76,447
Financial assets at fair value through other comprehensive income	12	**–**	–	**–**	–
Property, plant and equipment	13	**46,582**	10,811	**–**	–
Intangible assets	14	**567**	–	**–**	–
Other receivables	19	**1,153**	25,005	**–**	–
Land use rights	15	**–**	5,621	**–**	–
Deferred tax assets	16	**–**	–	**–**	–
		48,302	41,437	**61,132**	76,447
Current assets					
Inventories	17	**8,008**	12,902	**–**	–
Trade receivables	18	**7,371**	9,492	**–**	–
Other receivables	19	**112,442**	100,714	**133**	133
Amounts due from subsidiaries	11	**–**	–	**138,867**	150,754
Tax recoverable		**–**	327	**–**	–
Cash and bank balances		**8,689**	47,380	**256**	1,555
		136,510	170,815	**139,256**	152,442
Current liabilities					
Trade and other payables	20	**36,817**	19,107	**20,061**	9,394
Contract liabilities	21	**2,027**	1,262	**–**	–
Borrowings	22	**55,068**	15,105	**39,972**	–
Amounts due to subsidiaries	11	**–**	–	**70,871**	74,759
		93,912	35,474	**130,904**	84,153
Net current assets		**42,598**	135,341	**8,352**	68,289
Non-current liabilities					
Borrowings	22	**83,545**	119,826	**83,545**	119,826
Net assets/(liabilities)		**7,355**	56,952	**(14,061)**	24,910
Equity					
Share capital	25	**9,642**	9,642	**9,642**	9,642
Other reserves	26	**381,825**	382,910	**429,647**	430,716
Accumulated losses		**(384,112)**	(335,600)	**(453,350)**	(415,448)
Total equity/(deficit)		**7,355**	56,952	**(14,061)**	24,910

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

Consolidated Statement of Changes in Equity

For the financial period from 1 April 2019 to 30 September 2020

	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve HK$'000	Fair value reserve HK$'000	Currency translation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Group							
Balance at 1 April 2018	9,642	315,301	119,560	(45,505)	2,421	(242,364)	159,055
Loss for the financial year	–	–	–	–	–	(93,236)	(93,236)
Other comprehensive loss for the financial year, net of tax:							
- Currency translation differences arising on consolidation	–	–	–	–	(8,867)	–	(8,867)
Total comprehensive loss for the financial year, net of tax	–	–	–	–	(8,867)	(93,236)	(102,103)
Balance at 31 March 2019	9,642	315,301	119,560	(45,505)	(6,446)	(335,600)	56,952
Loss for the financial period	–	–	–	–	–	(48,512)	(48,512)
Other comprehensive loss for the financial period, net of tax:							
- Currency translation differences arising on consolidation	–	–	–	–	(1,085)	–	(1,085)
Total comprehensive loss for the financial period, net of tax	–	–	–	–	(1,085)	(48,512)	(49,597)
Balance at 30 September 2020	**9,642**	**315,301**	**119,560**	**(45,505)**	**(7,531)**	**(384,112)**	**7,355**

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

Statement of Changes in Equity

For the financial period from 1 April 2019 to 30 September 2020

	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve HK$'000	Currency translation reserve HK$'000	Accumulated losses HK$'000	Total equity/ (deficit) HK$'000
Company						
Balance at 1 April 2018	9,642	315,301	119,560	1,662	(347,210)	98,955
Loss for the financial year	–	–	–	–	(68,238)	(68,238)
Other comprehensive loss for the financial year, net of tax:						
- Currency translation differences arising from translation into the presentation currency	–	–	–	(5,807)	–	(5,807)
Total comprehensive loss for the financial year	–	–	–	(5,807)	(68,238)	(74,045)
Balance at 31 March 2019	9,642	315,301	119,560	(4,145)	(415,448)	24,910
Loss for the financial period	–	–	–	–	(37,902)	(37,902)
Other comprehensive loss for the financial period, net of tax:						
- Currency translation differences arising from translation into the presentation currency	–	–	–	(1,069)	–	(1,069)
Total comprehensive loss for the financial period	–	–	–	(1,069)	(37,902)	(38,971)
Balance at 30 September 2020	**9,642**	**315,301**	**119,560**	**(5,214)**	**(453,350)**	**(14,061)**

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

Group

Consolidated Statement of Cash Flows

For the financial period from 1 April 2019 to 30 September 2020

	Note	1.4.2019 to 30.9.2020 HK$'000	(Restated) 1.4.2018 to 31.3.2019 HK$'000
Cash flows from operating activities			
Loss before tax		**(48,394)**	(91,343)
Adjustments for:			
Amortisation of land use rights	15	**–**	134
Amortisation of intangible assets	14	**14**	199
Loss on disposal of property, plant and equipment		**1**	–
Depreciation of property, plant and equipment	13	**3,819**	3,356
Net impairment losses on financial assets		**9,629**	9,277
Impairment losses on property, plant and equipment	13	**8,259**	22,096
Impairment losses on intangible assets	14	**–**	43,687
Impairment losses on advances to supplier	7	**6,108**	5,005
Interest income		**(406)**	(355)
Interest expense	6	**14,796**	7,749
Inventories written down, net	7	**2,460**	1,073
Unrealised foreign exchange loss		**1,643**	1,331
Gain on modification on the terms of loans from third parties	5	**–**	(2,351)
Operating cash flows before changes in working capital		**(2,071)**	(142)
Changes in operating assets and liabilities:			
Inventories		**2,251**	(1,406)
Trade and other receivables		**(11,083)**	20,023
Trade and other payables		**18,840**	(5,418)
Currency translation adjustments		**(4,786)**	(3,075)
Cash generated from operations		**3,151**	9,982
Tax refund/(paid)		**195**	(410)
Net cash generated from operating activities		**3,346**	9,572
Cash flows from investing activities			
Interest received		**406**	355
Purchases of property, plant and equipment		**(16,861)**	(460)
Proceed from disposal of property, plant and equipment		**144**	–
Advances refund/(paid) for proposed acquisition		**26,869**	(32,000)
(Advances to)/repayment from third parties		**(32,549)**	5,192
Advances to a related party		**(7,474)**	(1,152)
Prepayment paid for the intangible assets – patents		**(280)**	–
Deposits paid for acquisition of property, plant and equipment		**–**	(23,552)
Net cash used in investing activities		**(29,745)**	(51,617)

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

Consolidated Statement of Cash Flows

For the financial period from 1 April 2019 to 30 September 2020

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Cash flows from financing activities		
Interest paid	**(11,782)**	(3,776)
Drawdown of bank loans	**31,094**	14,993
Proceeds from Director of the Company	**–**	685
Repayment of bank loans	**(31,094)**	(14,993)
Repayment of lease liability	**(512)**	–
Repayment to Director of the Company	**–**	(685)
Proceeds from loans from third parties	**–**	56,959
Net cash (used in)/generated from financing activities	**(12,294)**	53,183
Net (decrease)/increase in cash and cash equivalents	**(38,693)**	11,138
Cash and cash equivalents at beginning of the financial period/year	**47,380**	36,160
Effect of foreign exchange rates changes	**2**	82
Cash and cash equivalents at end of the financial period/year	**8,689**	47,380

Cash and cash equivalents comprise cash and bank balances as presented on the balance sheets.

During the current financial period, the Group modified the movements in advances to third parties and related party from operating cash flows to investing cash flows to reflect more appropriately the nature of the transactions. Comparative amounts in the consolidated statement of cash flows for the financial year ended 31 March 2019 were reclassified for consistency as follows:

	As previously report HK$'000	Amount reclassified HK$'000	As restated HK$'000
Net cash generated operating activities	13,612	(4,040)	9,572
Net cash used in investing activities	(55,657)	4,040	(51,617)

This reclassification did not have any effect on the consolidated statement of profit or loss and other comprehensive income, balance sheets or net loss for the previous financial year.

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 CORPORATE INFORMATION

NutryFarm International Limited (the "Company") is a company incorporated in Bermuda with limited liability under the Bermuda Companies Act 1981 and has its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company's principal office in Hong Kong is located at Room 1916, 19/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 11.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are presented in Hong Kong Dollar ("HK$") and all financial information presented in Hong Kong Dollar are rounded to the nearest thousand (HK$'000) except when otherwise indicated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and bank balances, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2.2 Adoption of new and revised International Financial Reporting Standards and interpretations of the International Financial Reporting Standards Interpretations Committee

(a) New and amended standards adopted by the Group

In the current financial period, the Group has adopted all the new and revised IFRS issued by the IASB and interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC Interpretations") that are relevant to its operations and effective for the current financial period. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC Interpretations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and revised International Financial Reporting Standards and interpretations of the International Financial Reporting Standards Interpretations Committee (Continued)

(a) New and amended standards adopted by the Group (Continued)

The adoption of these new and revised IFRS and IFRIC Interpretations did not have any material effect on the financial results or position of the Group and the Company except as disclosed below:

IFRS 16 Leases

When the Group is the lessee

IFRS 16 replaces the existing IAS 17: Leases for financial periods beginning 1 January 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short-term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability.

On adoption of IFRS 16, the Group recognised lease liability in relation to leases which had previously been classified as "Operating Leases" under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. The lessee's incremental borrowing rate applied to the lease liability on 1 April 2019 was 5.00% per annum.

	Group
	2020
	HK$'000
Operating lease commitments disclosed as at 31 March 2019 (Note 30[a])	302
Less: Discounted using the lessee's incremental borrowing rate	(25)
Add: Adjustments as a result of a different treatment of extension options	353
Less: Short-term leases recognised on a straight-line basis as an expense	(29)
Lease liability recognised as at 1 April 2019 (Note 22)	601

The associated right-of-use asset was measured at the amount equal to the lease liability on adoption. Arising from the adoption of IFRS 16, right-of-use asset and lease liability of HK$601,000 were recognised on the consolidated balance sheet on 1 April 2019. In addition, land use rights were also reclassified to buildings under property, plant and equipment (Note 13).

(b) New standards, amendments and interpretations to existing standards that are issued, revised or amended but are not yet effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial period ended 30 September 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition

Sale of goods

The Group transfers control and recognises a sale when goods are delivered to their customers. Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. A contract liability is recognised when there is advance consideration from customers. For protective reasons, a portion of the contract consideration is received upfront, and the remaining consideration is received from customers when goods are delivered to the customers. As such, no financing component has been recognised as the payment terms are for reasons other than financing.

Interest income

Interest income is recognised using the effective interest method.

2.4 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's balance sheet, investment in subsidiaries is accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.6(a). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Basis of consolidation (Continued)

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interests and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific IFRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

Consolidation of the subsidiaries in the People's Republic of China ("PRC") are based on the subsidiaries' financial statements prepared in accordance with IFRS. Profits reflected in the financial statements prepared in accordance with IFRS may differ from those reflected in the PRC statutory financial statements of the subsidiaries, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

2.6 Intangible assets

(a) *Goodwill*

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(b) *Other intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. These intangible assets are recognised separately from goodwill and are initially measured at their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the expenditure is charged to profit or loss in the financial period in which the expenditure is incurred.

Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful lives. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least at each balance sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible asset with a finite useful life is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost of disposal and the value in use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

The estimated useful lives are as follows:

Software	5 years
Patent	10 years
Customer relationship	5 years

2.7 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment initially recognised includes its purchase price, and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 assets.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

Construction in progress is stated at cost less impairment losses. The cost comprises direct costs of materials and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight-line basis to write off the depreciable amount of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Leasehold land and buildings	2 to 50 years
Plant and machinery	10 years
Leasehold improvements	5 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	3 to 4 years
Networking hardware and software	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2.8 Land use rights

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Land use rights are amortised on a straight-line basis over the remaining years of rights allocated to use the land of 50 years.

The amortisation period and amortisation method are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.9 Impairment of non-financial assets excluding goodwill

At each balance sheet date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Leases

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

When a Group entity is the lessee:

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a Group entity is the lessee:

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted leases, the Group recognised 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.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liabilities are presented within “borrowings” in the balance sheets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 **Leases (Continued)**)

The accounting policy for leases after 1 April 2019 is as follows (Continued):

When a Group entity is the lessee (Continued):

Lease liabilities (Continued)

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date, initial direct cost, less any lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use assets, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within “property, plant and equipment” in the balance sheets.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 **Income taxes**

Income tax on the profit or loss for the financial period/year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current financial period/year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred tax liability is provided on all taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the financial year when the asset is recognised or the liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

2.13 **Financial assets**

(i) *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.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

(ii) *Classification and measurement*

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in the following measurement categories:
- Amortised cost; and
- Fair value through other comprehensive income ("FVOCI").

The classification is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 **Financial assets (Continued)**

(iii) Subsequent measurement

a. *Debt instruments*

Debt instruments include cash and bank balances, trade receivables, other receivables (excluding prepayments, advances to suppliers and advances for proposed acquisition) and amounts due from subsidiaries. The subsequent measurement category depends on the Group's business model for managing the asset and cash flow characteristics of the asset.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

b. *Equity investments*

The Group subsequently measures all its equity instruments at their fair values.

The Group has designated all of its equity investments that are not held for trading as FVOCI at initial recognition. Gains and losses arising from changes in fair value of these equity investments classified as FVOCI are presented as "fair value gains/losses" in other comprehensive income and accumulated in fair value reserve and will never be reclassified to profit or loss. On disposal of an equity investment, the difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income. Fair value reserve relating to the disposed asset would be transferred to accumulated losses upon disposal. Dividends from equity investments are recognised in profit or loss and presented in "other income". Equity investments classified as FVOCI are not subject to impairment assessment.

(iv) Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. 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 impairment methodology applied depends on whether there has been a significant increase in credit risk. 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 required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each balance sheet date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 **Financial assets (Continued)**

(iv) Impairment (Continued)

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

(v) *Offset*

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 **Cash and cash equivalents in the consolidated statement of cash flows**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with financial institutions which are subject to insignificant risk of change in value and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged bank deposits.

2.15 **Financial liabilities**

Financial liabilities include “trade and other payables”, “borrowings” and “amounts due to subsidiaries”. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

2.16 **Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.17 **Provisions for other liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management’s best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the asset is substantially completed for its intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

2.19 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.20 Foreign currencies

(a) Functional and presentation 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 (the "functional currency"). The Company's functional currency is Renminbi due to its financial reliance on the operation of its subsidiaries in the People's Republic of China. In view the Company's principal office is located in Hong Kong, the financial statements of the Group and the Company are presented in Hong Kong Dollar.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the balance sheet date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 **Foreign currencies (Continued)**

(c) Translation of Group entities' financial statements (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

2.21 **Dividends**

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

2.22 **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

2.23 **Segment reporting**

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 other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date.

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

i) Going concern assumption

During the financial period ended 30 September 2020, the Group and the Company incurred a net loss of HK48,512,000 and HK$37,902,000 respectively. As at 30 September 2020, the Company's total liabilities exceeded the total assets by HK$14,061,000. In addition, the COVID-19 pandemic has brought about uncertainties to the Group's operating environment in the People's Republic of China and has impacted the Group's business activities for selling of nutrition, health food and related health products. The Group's distributors had cut down their marketing promotions and the contacts with their customers, which resulted in lower average monthly revenue for the Group. These factors indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and discharge their liabilities in the ordinary course of business.

The Board of Directors of the Company is of the view that the going concern assumption is appropriate for the preparation of these financial statements after taking into consideration:

(a) As disclosed in Note 22 to the financial statements, on 29 January 2021, the Company has entered into two agreements with NS and COIV ("Loan Transfer Agreements") whereas NS has transferred an aggregated principal amount of SGD7,400,000 (HK$42,450,000) third party loan to COIV. Accordingly, NS has waived the Company from all liabilities in relation to the subject loans and the Company shall become liable to repay principal and interests of the subject loans to COIV. As stated in the Loan Transfer Agreements, COIV has agreed to extend the respective maturity dates of these loans by 1 to 2 years and as such the renewed maturity dates of all these loans will only fall due on or after 19 April 2022. In addition, the Company has entered another agreement with COIV on 1 February 2021 ("Loan Extension Agreement) whereas COIV has agreed to extend the maturity dates of a loan amounting to SGD2,000,000 (HK$11,474,000) from 7 November 2021 to 7 November 2022.

(b) As disclosed in Note 33 to the financial statements, the Company has completed a share placement to issue 19,000,000 ordinary shares on 17 November 2020 and has successfully raised total gross proceeds of SGD760,000. The proceeds will be used to support the Company's working capital. Subject to obtaining relevant approval of a new shares issue general mandate from shareholders in the forthcoming Annual General Meeting, the Company will seriously consider raising additional funds for working capital purposes via issue of new shares under favorable market condition.

(c) As disclosed in Note 33 to the financial statements, the Company has released several announcements from 22 December 2020 to 29 January 2021 whereby the Company has incorporated a wholly-owned subsidiary, Global Agricapital Holdings Pte. Ltd. in Singapore which is principally engaged in the value-added processing and trading of fresh fruits and durians in particular. Global Agricapital Holdings Pte. Ltd. has so far entered into 3 binding agreements and 1 non-binding framework agreement to sell fresh durians to PRC importers. The total sales quantities are over 1,480 containers to be delivered during the period from January 2021 to December 2021. The revenue and margin contribution to be generated from this new business will strongly improve the Group's operating cash flows and enhance the Group's profitability.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the Group's accounting policies (Continued)

i) *Going concern assumption (Continued))*

If 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 ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities respectively. No such adjustments have been made to these financial statements.

ii) *Functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices of the significant subsidiaries are mainly denominated and settled in Renminbi. In addition, the Company's functional currency is determined to be Renminbi due to its financial reliance on the operation of its subsidiaries in the People's Republic of China. Therefore, management concluded that the functional currency of the Company is Renminbi.

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.

i) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each balance sheet date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit and a suitable discount rate, in order to determine the present value of those cash flows.

The net carrying values of the Group's property, plant and equipment and intangible assets are disclosed in Note 13 and Note 14 respectively. Further details of the key assumptions applied in the impairment assessment of the Group's property, plant and equipment and intangible assets are disclosed in Note 13 and Note 14 respectively. Changes in assumptions made and discount rate applied could affect the carrying values of these assets.

ii) *Calculation of loss allowance*

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions with consideration on the impact of COVID-19 pandemic and how these conditions will affect the Group's ECL assessment. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

ii) *Calculation of loss allowance (Continued)*

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.

As the calculation of loss allowance on trade receivables, other receivables and amounts due from subsidiaries are subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade receivables, other receivables and amounts due from subsidiaries. With the recent COVID-19 pandemic resulting in economic uncertainties and weakened financial positions in the trading sector, the estimates on ECL have included expected effects that the pandemic might have on the recoverability of the Group's and the Company's receivables. Details of ECL measurement and the carrying amounts of trade receivables, other receivables and amounts due from subsidiaries at balance sheet date are disclosed in Notes 28(b), 18, 19 and 11 respectively.

iii) *Investment in subsidiaries*

Determining whether investment in subsidiaries are impaired requires an estimation of the value-in-use of those investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from these investments and an appropriate discount rate in order to calculate the present value of the future cash flows. The value-in-use calculation requires the use of considerable judgments, estimates and assumptions. Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amount of investment in subsidiaries.

Based on management's assessment, an impairment loss of HK$14,821,000 (1.4.2018 to 31.3.2019: HK$58,275,000) was recognised in the Company's profit or loss for the financial period ended 30 September 2020 to write down the cost of investment to their recoverable amounts. The net carrying amount of the Company's investment in subsidiaries at the balance sheet date is disclosed in Note 11.

4 REVENUE AND SEGMENT REPORTING

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Sale of nutrition, health food and related health products	**61,568**	44,042

All sales are recognised at a point in time.

(a) Segment results, assets and liabilities

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The Group has presented the following three reportable segments.

Internet management: The provision of technical support services relating to internet and web-TV business.

Investment holding: The management of the Group's investments, financial instruments and other treasury operations.

Nutrition, health food and related health products: Manufacturing and trading of nutrition, health food and related health products.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets include all current and non-current assets except for deferred tax assets and tax recoverable. Segment liabilities include all liabilities with the exception of corporate liabilities which consists of borrowings and tax payable.

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

- The Group's senior executive management assesses the performance of the operating segments based on a measure of earnings before interest and income tax.

There were no inter-segments trade transactions during the financial period/year ended 30 September 2020 and 31 March 2019.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the financial period/year ended 30 September 2020 and 31 March 2019 is set out below:

	Internet management HK$'000	Investment holding HK$'000	Nutrition, health food and related health products HK$'000	Total HK$'000
30 September 2020				
Reportable segment revenue from external customers	–	–	61,568	**61,568**
Segment results	(9,536)	(10,655)	(13,813)	**(34,004)**
Interest income				**406**
Finance costs				**(14,796)**
Loss before tax				**(48,394)**
Tax expense				**(118)**
Loss for the financial period				**(48,512)**
Assets				
Segment assets	37,900	62,587	84,325	**184,812**
Unallocated assets				**–**
				184,812
Liabilities				
Segment liabilities	3,719	24,470	10,655	**38,844**
Unallocated liabilities				**138,613**
				177,457
Other segment information				
Depreciation and amortisation	77	524	3,232	**3,833**
Net impairment losses on financial assets	1,081	–	8,548	**9,629**
Impairment losses on advances to supplier	–	–	6,108	**6,108**
Impairment losses on property, plant and equipment	8,259	–	–	**8,259**
Inventories written down, net	–	–	2,460	**2,460**
Capital expenditure	39,728	–	1,244	**40,972**

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

	Internet management HK$'000	Investment holding HK$'000	Nutrition, health food and related health products HK$'000	Total HK$'000
31 March 2019				
Reportable segment revenue from external customers	–	–	44,042	44,042
Segment results	(434)	(3,695)	(79,820)	(83,949)
Interest income				355
Finance costs				(7,749)
Loss before tax				(91,343)
Tax expense				(1,893)
Loss for the financial year				(93,236)
Assets				
Segment assets	26,923	92,676	92,326	211,925
Unallocated assets				327
				212,252
Liabilities				
Segment liabilities	3,462	13,305	3,602	20,369
Unallocated liabilities				134,931
				155,300
Other segment information				
Depreciation and amortisation	(192)	7	3,874	3,689
Net impairment losses on financial assets	–	–	9,277	9,277
Impairment losses on advances to supplier	–	–	5,005	5,005
Impairment losses on property, plant and equipment	–	–	22,096	22,096
Impairment losses on intangible assets	–	–	43,687	43,687
Inventories written down, net	–	–	1,073	1,073
Capital expenditure	–	1	459	460

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Geographic information

The Group's operations are substantially located in the PRC and substantially all of the Group's non-current assets are located in the PRC. The Group's revenue from external customers is generated from the PRC.

(c) Information about major customers

Revenue of approximately HK$16,927,000 (1.4.2018 to 31.3.2019: HK$21,351,000) is derived from 1 (2019: 3) major external customers who individually contributed ten percent or more of the Group's revenue (attributable to nutrition, health food and related health products segment) and are tabled below:

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Customer 1	**16,927**	9,438
Customer 2	**849** *	6,009
Customer 3	**841** *	5,904

* Only for comparative disclosure purposes

5 OTHER INCOME

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Foreign exchange gain, net	**–**	464
Gain on modification on the terms of loans from third parties	**–**	2,351
Government subsidies	**869**	823
Others	**578**	390
	1,447	4,028

6 FINANCE COSTS

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Interest expense on bank loans	**1,399**	830
Interest expense on loans from third parties	**13,372**	6,919
Interest expense on lease liabilities	**25**	–
	14,796	7,749

7 LOSS BEFORE TAX

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Loss before tax is arrived at after charging:		
Advertising and promotion fees	**3,443**	3,057
Auditors' remuneration paid/payable to:		
- auditor of the Company	**562**	400
- other auditors*	**1,000**	700
Fees for non-audit services paid/payable to:		
- auditor of the Company	**–**	93
- other auditors*	**146**	70
Impairment losses on advances to supplier	**6,108**	5,005
Amortisation of intangible assets	**14**	199
Amortisation of land use rights	**–**	134
Depreciation of property, plant and equipment	**3,819**	3,356
Impairment losses on intangible assets	**–**	43,687
Impairment losses on property, plant and equipment	**8,259**	22,096
Inventories written down, net	**2,460**	1,073
Legal and professional fees	**3,024**	2,476
Loss on disposal of property, plant and equipment	**1**	–
Rental expenses	**98**	593
Research and development expenses	**3,816**	2,971
Staff costs (Note 8)	**13,805**	12,341
Travelling expenses	**837**	1,154

* Includes independent member firms of the Baker Tilly International network.

8 STAFF COSTS

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Key management personnel		
Directors of the Company:		
- Directors' fees	**724**	459
- Directors' remuneration and related costs	**1,450**	181
	2,174	640
Directors of subsidiary:		
- Directors' remuneration and related costs	**405**	666
- Defined contribution benefits	**25**	32
	430	698
Others:		
- Salaries	**1,260**	840
	1,260	840
Other personnel		
- Salaries and related costs	**9,160**	9,053
- Defined contribution benefits	**781**	1,110
	9,941	10,163
	13,805	12,341
Staff costs recognised in line items of profit or loss:		
- Cost of sales	**3,018**	2,896
- Administrative expenses	**9,833**	7,560
- Distribution expenses	**954**	1,885
	13,805	12,341

9 TAX EXPENSE

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Tax expense attributable to profit/loss is made up of:		
- Current income tax provision	**–**	–
Deferred tax (Note 16)	**–**	1,818
Under provision of current income tax in respect of previous financial years	**118**	75
	118	1,893

(a) Pursuant to the rules and regulations of Bermuda and British Virgin Islands ("BVI"), the companies incorporated in Bermuda and BVI are not subject to any income tax in Bermuda and BVI.

Nutryfarm (Chengdu) Biomedicine Limited ("NFC") a PRC subsidiary enjoys preferential income tax rate of 15% (31.3.2019: 15%) as it is regarded as high-tech enterprise.

The statutory income tax rate applicable to other PRC subsidiaries is 25% (31.3.2019: 25%) and Hong Kong subsidiaries is 16.50% (31.3.2019: 16.50%).

(b) The tax expense on the results of the financial period/year differs from the amount of income tax determined by applying the domestic rates applicable to profit/loss in the countries where the Group entities operate due to the following factors:

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Loss before tax	**(48,394)**	(91,343)
Notional tax expense on profit/loss before tax, calculated at the rates applicable in the tax jurisdictions concerned	**(4,530)**	(5,745)
Income not subject to tax	**(443)**	(352)
Expenses not deductible for tax purpose	**2,371**	94
Deferred tax assets not recognised	**2,604**	7,821
Under provision of current income tax in respect of previous financial years	**118**	75
Others	**(2)**	–
	118	1,893

9 TAX EXPENSE (CONTINUED)

As at 30 September 2020, the Group has not recognised deferred tax assets in respect of tax losses of HK$57,081,000 (31.3.2019: HK$56,310,000) and other deductible temporary differences of HK$63,785,000 (31.3.2019: HK$49,129,000) as it is uncertain that future taxable profits will be available against which the Group can utilise the benefits. The tax losses have no expiry date except for an amount of HK$4,260,000 (31.3.2019: HK$3,774,000) that can be carried forward up to five years (i.e. calendar year 2020 to 2025 (31.3.2019: calendar year 2019 to 2024)) from the year of loss against future taxable profits/income of the PRC subsidiaries in which the tax losses arose, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in the PRC. During the financial period, the Group's unabsorbed tax losses brought forward amounting to HK$681,000 (1.4.2018 to 31.3.2019: HK$Nil) has expired.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised is HK$Nil (31.3.2019: HK$1,449,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Loss for the financial period/year attributable to equity holders of the Company (HK$'000)	**(48,512)**	(93,236)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	**96,422**	96,422
Basic loss per share (cents per share)	**(50.31)**	(96.70)

(b) Diluted loss per share

Diluted loss per share is same as basic loss per share as there were no potential dilutive ordinary shares for the financial period/year ended 30 September 2020 and 31 March 2019.

11 SUBSIDIARIES

	Company	
	30.9.2020	31.3.2019
	HK$'000	HK$'000
Investment in subsidiaries		
Unquoted equity shares, at cost	**134,228**	134,722
Less: Allowance for impairment losses	**(73,096)**	(58,275)
Net carrying amount	**61,132**	76,447

Movement in allowance for impairment losses during the financial period/year:

	Company	
	1.4.2019 to 30.9.2020	1.4.2018 to 31.3.2019
	HK$'000	HK$'000
At beginning of the financial period/year	**58,275**	–
Allowance made	**14,821**	58,275
At end of the financial period/year	**73,096**	58,275

	Company	
	30.9.2020	31.3.2019
	HK$'000	HK$'000
Amounts due from subsidiaries		
Gross amounts	**495,516**	506,492
Less: Allowance for impairment losses	**(356,649)**	(355,738)
Net carrying amount	**138,867**	150,754

Movement in allowance for impairment losses during the financial period/year:

	Company	
	1.4.2019 to 30.9.2020	1.4.2018 to 31.3.2019
	HK$'000	HK$'000
At beginning of the financial period/year	**355,738**	353,918
Allowance made	**911**	1,820
At end of the financial period/year	**356,649**	355,738
Amounts due to subsidiaries	**70,871**	74,759

The amounts due from/to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

11 SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries held by the Company are as follows:

Name of subsidiary	Country of incorporation	Particulars of issued and paid up capital	Principal activities	Effective equity interest held 30.9.2020 %	Effective equity interest held 31.3.2019 %
Held by the Company					
Nutryfarm Biomedicine International Limited (i)	BVI	10,000 ordinary shares of US$1	Investment holding	**100**	100
LottVision Holdings Limited (i)	BVI	1 ordinary share of US$1	Investment holding	**100**	100
Held by subsidiaries					
LottVision Gtech Management Limited (i)	BVI	1 ordinary share of US$1	Investment holding	**100**	100
LottVision (Hong Kong) Limited (iii)	Hong Kong	1 ordinary share of HK$1	Investment holding	**100**	100
LottVision Investments Holdings Limited (i)	BVI	1 ordinary share of US$1	Investment holding	**100**	100
LottVision Internet Management Limited (i)	BVI	100 ordinary shares of US$1	Development and sale of digital video surveillance products and solutions	**100**	100
WiVision Network Digital Video Technology (Beijing) Co., Limited (“WiVision”) (v)	The PRC	Registered capital of HK$15,000,000	Provision of internet related support services	**100**	100
Nutryfarm (Chengdu) Biomedicine Limited (iv)	The PRC	Registered capital of US$1,500,000	Research and development, production of health food, sale of self-produced products and provision of related technical services	**100**	100

Notes:

(i) The financial statements of these entities are not required to be audited under the laws of the BVI, the country of incorporation.

(ii) Audited by Baker Tilly TFW LLP, Singapore for subsidiaries mentioned in (i) for the purpose of preparation of the consolidated financial statements of the Group.

(iii) Audited by Baker Tilly Hong Kong Limited.

(iv) Audited by Baker Tilly Hong Kong Limited for the purpose of preparation of the consolidated financial statements of the Group.

(v) Audited by Baker Tilly TFW LLP, Singapore for the purpose of preparation of the consolidated financial statements of the Group.

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited - Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

11 SUBSIDIARIES (CONTINUED)

(b) Significant restrictions

Cash and cash equivalents of HK$8,315,000 (31.3.2019: HK$42,010,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

(c) Company level - Impairment review of investment in subsidiaries

During the financial period, management performed an impairment test for the investment in Nutryfarm Biomedicine International Limited and its subsidiary ("NFB Group") as NFB Group had been making net losses during the current and prior financial period/year. An impairment loss of HK$14,821,000 (1.4.2018 to 31.3.2019: HK$58,275,000) was recognised in the Company's profit or loss for the financial period ended 30 September 2020 to write down the cost of investment of NFB Group to its recoverable amount of HK$61,132,000 (31.3.2019: HK$76,447,000). The recoverable amount of the investment in NFB Group has been determined based on a value-in-use calculation. Details of key assumptions used in value-in-use calculation are disclosed in Note 13(ii).

The key assumptions used in the value-in-use calculations are those regarding the budgeted revenue growth rate, budgeted gross margin, terminal year growth rate and discount rate. The sensitivity analysis on the changes in these key assumptions on the recoverable amount of the cost of investment in NFB Group are as follows:

	Estimated recoverable amount	**(Decrease)/ increase in impairment charge**
	HK$'000	**HK$'000**
30 September 2020		
Budgeted revenue growth rate		
- 1% point higher	**64,527**	**(3,395)**
- 1% point lower	**57,848**	**3,284**
Budgeted gross margin		
- 1% point higher	**62,307**	**(1,175)**
- 1% point lower	**60,114**	**1,018**
Terminal year growth rate		
- 1% point higher	**64,015**	**(2,883)**
- 1% point lower	**58,656**	**2,476**
Discount rate		
- 1% point higher	**57,818**	**3,314**
- 1% point lower	**64,446**	**(3,314)**

11 SUBSIDIARIES (CONTINUED)

(c) Company level - Impairment review of investment in subsidiaries (Continued)

	Estimated recoverable amount	(Decrease)/ increase in impairment charge
	HK$'000	HK$'000
31 March 2019		
Budgeted revenue growth rate		
- 1% point higher	80,554	(4,107)
- 1% point lower	72,474	3,973
Budgeted gross margin		
- 1% point higher	80,076	(3,629)
- 1% point lower	72,818	3,629
Terminal year growth rate		
- 1% point higher	76,829	(382)
- 1% point lower	76,115	332
Discount rate		
- 1% point higher	73,636	2,811
- 1% point lower	79,719	(3,272)

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group	
	30.9.2020	31.3.2019
	HK$'000	HK$'000
Equity investments designated at FVOCI		
Unquoted equity shares	–	–

Unquoted equity shares represent interest in a company in PRC which is engaged in online entertainment, amusement and media services provider. These investments in equity shares are not held for trading. Accordingly, management has elected to designate these investments in equity shares at fair value through other comprehensive income. It is the Group's strategy to hold these investments for long term purposes.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicle HK$'000	Networking hardware and software HK$'000	Total HK$'000
Group – 30 September 2020							
Cost							
At 1 April 2019	41,134	11,560	483	3,096	2,745	–	59,018
Recognition of right-of-use assets on initial application of IFRS 16	601	–	–	–	–	–	601
Reclassified from land-use-rights (Note 15)	6,511	–	–	–	–	–	6,511
At 1 April 2019, restated	48,246	11,560	483	3,096	2,745	–	66,130
Additions	63	410	–	212	–	39,728	40,413
Disposal	–	–	–	–	(399)	–	(399)
Currency translation differences	(301)	(57)	–	(9)	(26)	1,570	1,177
At 30 September 2020	**48,008**	**11,913**	**483**	**3,299**	**2,320**	**41,298**	**107,321**
Accumulated depreciation and impairment losses							
At 1 April 2019	30,567	11,560	483	3,085	2,512	–	48,207
Reclassified from land-use-rights (Note 15)	890	–	–	–	–	–	890
At 1 April 2019, restated	31,457	11,560	483	3,085	2,512	–	49,097
Depreciation charge	3,648	40	–	53	78	–	3,819
Disposal	–	–	–	–	(254)	–	(254)
Impairment losses	–	–	–	–	–	8,259	8,259
Currency translation differences	(79)	(72)	–	(15)	(16)	–	(182)
At 30 September 2020	**35,026**	**11,528**	**483**	**3,123**	**2,320**	**8,259**	**60,739**
Representing:							
Accumulated depreciation	18,275	6,684	483	2,767	2,175	–	30,384
Accumulated impairment losses	16,751	4,844	–	356	145	8,259	30,355
	35,026	**11,528**	**483**	**3,123**	**2,320**	**8,259**	**60,739**
Net carrying value							
30 September 2020	**12,982**	**385**	**–**	**176**	**–**	**33,039**	**46,582**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicle HK$'000	Construction in progress HK$'000	Total HK$'000
Group – 31 March 2019							
Cost							
At 1 April 2018	43,069	12,097	1,738	4,525	3,168	97	64,694
Additions	278	92	–	90	–	–	460
Written off	–	–	(1,189)	(1,399)	(317)	–	(2,905)
Reclassifications	–	–	–	93	–	(93)	–
Currency translation differences	(2,213)	(629)	(66)	(213)	(106)	(4)	(3,231)
At 31 March 2019	41,134	11,560	483	3,096	2,745	–	59,018
Accumulated depreciation and impairment losses							
At 1 April 2018	12,231	5,917	1,738	4,497	2,545	–	26,928
Depreciation charge	2,212	1,094	–	(170)	220	–	3,356
Impairment losses	16,751	4,844	–	356	145	–	22,096
Written off	–	–	(1,189)	(1,399)	(317)	–	(2,905)
Currency translation differences	(627)	(295)	(66)	(199)	(81)	–	(1,268)
At 31 March 2019	30,567	11,560	483	3,085	2,512	–	48,207
Representing:							
Accumulated depreciation	13,816	6,716	483	2,729	2,367	–	26,111
Accumulated impairment losses	16,751	4,844	–	356	145	–	22,096
	30,567	11,560	483	3,085	2,512	–	48,207
Net carrying value							
31 March 2019	10,567	–	–	11	233	–	10,811

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) At 30 September 2020, buildings of the Group with net carrying value of HK$2,293,000 (31.3.2019: HK$5,068,000) are secured for short-term bank loans (Note 22).

(ii) During the financial period, the Group continues to operate at a net loss. As this indicates that the Group's property, plant and equipment and intangible assets (Note 14) may be impaired, an assessment of the recoverable amount of the Group's property, plant and equipment and intangible assets was performed.

The Group's property, plant and equipment are mainly attributed to NFB Group of HK$13,453,000 and WiVision of HK$33,038,000.

NFB Group

Management considered NFB Group as a cash-generating units ("CGU") that generate cash flows from nutrition, health food and related health products segment that are largely independent cash flows from other segments. The recoverable amount is determined based on a value-in-use calculation.

For the financial year ended 31 March 2019, an impairment loss on property, plant and equipment, goodwill arising on business combination and other intangible assets of HK$22,096,000, HK$42,778,000 [Note 14(a)] and HK$909,000 [Note 14(b)] respectively were recognised in the Group's profit or loss under "administrative expenses" line items to write down these non-financial assets in relation to NFB Group to their recoverable amount as at 31 March 2019.

For the financial period ended 30 September 2020, no additional or reversal of impairment loss is recognised as the management assessed that recoverable amount of HK$13,549,000 is approximately the carrying amount of the NFB Group's non-financial assets as at 30 September 2020.

<u>*Key assumptions used in value-in-use calculation*</u>

The recoverable amount of the CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the budgeted revenue growth rate, budgeted gross margin, terminal year growth rate and discount rate. Management estimates discount rate using pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU. The budgeted revenue growth rate is based on past performances and management's assessment of future trends and developments in the market. Budgeted gross margin is based on past performances.

The Group's value-in-use calculations as at 30 September 2020 used cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period using estimated average annual growth rate of 6% (31.3.2019: 6%) and budgeted gross margin of 36% (31.3.2019: 41%) for the next 5 years. Cash flows beyond the five-year period were extrapolated using an estimated terminal value growth rate of 2% (31.3.2019: 2%). This rate does not exceed the average long-term growth rate for the relevant markets. The budgeted revenue for the first year is HK$43,508,000 (31.3.2019: HK$46,684,000). The pre-tax rate used to discount the forecast cash flows is 16% (31.3.2019: 16%).

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) *Sensitivity to changes in assumptions*

The sensitivity analysis on the changes in these key assumptions on the recoverable amount of the NFB Group's property, plant and equipment are as follows:

	Estimated recoverable amount HK$'000	(Decrease)/ increase in impairment charge HK$'000
30 September 2020		
Budgeted revenue growth rate		
- 1% point higher	**16,947**	**(3,398)**
- 1% point lower	**10,269**	**3,280**
Budgeted gross margin		
- 1% point higher	**14,727**	**(1,178)**
- 1% point lower	**12,534**	**1,015**
Terminal year growth rate		
- 1% point higher	**16,436**	**(2,887)**
- 1% point lower	**11,077**	**2,472**
Discount rate		
- 1% point higher	**10,238**	**3,311**
- 1% point lower	**16,867**	**(3,318)**
31 March 2019		
Budgeted revenue growth rate		
- 1% point higher	18,930	(4,107)
- 1% point lower	10,850	3,973
Budgeted gross margin		
- 1% point higher	18,452	(3,629)
- 1% point lower	11,194	3,629
Terminal year growth rate		
- 1% point higher	15,205	(382)
- 1% point lower	14,491	332
Discount rate		
- 1% point higher	12,012	2,811
- 1% point lower	18,095	(3,272)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) ***WiVision***

On 15 April 2020, WiVision has signed contracts with Beijing Zhonglian Shengtong Internet Technology Co., Ltd. ("Zhonglian Shengtong") to acquire networking hardware and software for a total consideration (including value-added tax) of RMB66,400,000 (HK$77,150,000) as disclosed in Note 19. During the current financial period, WiVision had acquired networking hardware and software (excluding value-aded tax) amounted to HK$39,728,000 (RMB35,774,000) from Zhonglian Shengtong.

On 21 January 2021, WiVision entered into a termination agreement with Zhonglian Shengtong to terminate the agreement to acquire remaining networking hardware and software. WiVision and Zhonglian Shengtong agreed to waive all the remaining obligations in the purchase agreement on the remaining purchase commitment (including value-added tax) of RMB25,945,000 (HK$29,951,000) (Note 30 (b)). On the same date, WiVision entered into a memorandum agreement with First Linkage Hong Kong Limited ("FLHK") to dispose the acquired networking hardware and software to FLHK for a proposed consideration (excluding value-added tax) of RMB28,620,000 (HK$33,039,000). The ultimate beneficial owner of FLHK is Mr. Xiaoxin Wang.

The recoverable amount of WiVision's property, plant and equipment is determined at RMB28,620,000 (HK$33,039,000) based on the proposed disposal consideration with FLHK. As a result, an impairment loss of HK$8,259,000 on the WiVision's property, plant and equipment was recognised in the Group's profit or loss under "administrative expenses" line items for the financial period ended 30 September 2020 to write down to their recoverable amount as at 30 September 2020.

(iii) At 30 September 2020, including in buildings is the land use rights of the Group with net carrying value of HK$5,391,000 (31.3.2019: HK$5,621,000) which are secured for short-term bank loans (Note 22).

Location	**Description and tenure**	**Gross land area (sqm)**	**Gross built-in area (sqm)**	**Use of property**
彭州市业开发区 PY2010-12-2457 (Pharmaceutical Park, Industrial Development Zone, Pengzhou, Chengdu, Sichuan Province)	Valid for a period of 50 years from respective dates of grant and will be expiring in 2060	34,165.33	9,175.07	Industrial

Land use rights represent the rights to use a piece of land which is located in the PRC, and is valid for a period of 50 years from respective dates of grant and will be expiring in 2060.

14 INTANGIBLE ASSETS

	Group	
	30.9.2020 HK$'000	31.3.2019 HK$'000
Goodwill arising on business combination	**–**	–
Other intangible assets	**567**	–
	567	–

14 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on business combination

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Cost		
At beginning of the financial period/year	**42,778**	45,152
Currency translation differences	**–**	(2,374)
At end of the financial period/year	**42,778**	42,778
Accumulated impairment losses		
At beginning of the financial period/year	**42,778**	–
Impairment charge (Note 7)	**–**	42,778
At end of the financial period/year	**42,778**	42,778
Net carrying amount at end of the financial period/year	**–**	–

Impairment test for goodwill

Goodwill arose from acquisition of NFB Group is allocated to the CGU that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to a CGU, being nutrition, health food and related health products segment. An impairment loss of HK$42,778,000 was recognised in the Group's profit or loss under "administrative expenses" line items for the financial year ended 31 March 2019 to write down goodwill to its recoverable amount of HK$Nil.

Key assumptions used in value-in-use calculation

The recoverable amount of the CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the budgeted revenue growth rate, budgeted gross margin, terminal year growth rate and discount rate. Management estimates discount rate using pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU. The budgeted revenue growth rate is based on past performances and management's assessment of future trends and developments in the market. Budgeted gross margin is based on past performances.

The Group's value-in-use calculations as at 31 March 2019 used cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period using estimated average annual growth rate of 6% and budgeted gross margin of 41% for the next 5 years. Cash flows beyond the five-year period were extrapolated using an estimated terminal value growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets. The budgeted revenue for the first year is HK$46,684,000. The pre-tax rate used to discount the forecast cash flows is 16%.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use, management believes that reasonably possible changes in any of the above key assumptions would not cause the recoverable amount to be increased significantly that lower the impairment charge as recognised in the Group's profit or loss during the financial year ended 31 March 2019.

14 INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

	Software HK$'000	Patent HK$'000	Customer relationship HK$'000	Total HK$'000
Group				
Cost				
At 1 April 2018	2,455	1,978	16,756	21,189
Written off	(2,455)	–	–	(2,455)
Currency translation differences	–	(104)	–	(104)
At 31 March 2019	–	1,874	16,756	18,630
Additions	–	559	–	559
Currency translation differences	–	10	–	10
At 30 September 2020	**–**	**2,443**	**16,756**	**19,199**
Accumulated amortisation and impairment losses				
At 1 April 2018	2,455	806	16,756	20,017
Amortisation charge	–	199	–	199
Impairment losses	–	909	–	909
Written off	(2,455)	–	–	(2,455)
Currency translation differences	–	(40)	–	(40)
At 31 March 2019	–	1,874	16,756	18,630
Amortisation charge	–	14	–	14
Currency translation differences	–	(12)	–	(12)
At 30 September 2020	**–**	**1,876**	**16,756**	**18,632**
Representing:				
Accumulated amortisation	–	967	16,756	17,723
Accumulated impairment losses	–	909	–	909
	–	**1,876**	**16,756**	**18,632**
Net carrying value				
At 30 September 2020	**–**	**567**	**–**	**567**
At 31 March 2019	–	–	–	–

The amortisation charge for the financial period/year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

Customer relationship arose from acquisition of NFB Group during the financial year ended 31 March 2013.

During the financial year ended 31 March 2019, an impairment loss on patent of HK$909,000 was recognised in the Group's profit or loss [Note 13(ii)].

15 LAND USE RIGHTS

	Group HK$'000
Cost	
At 1 April 2018	6,842
Currency translation differences	(331)
At 31 March 2019	6,511
Reclassified as right-of-use assets (Note 13)	(6,511)
At 30 September 2020	–
Accumulated amortisation	
At 1 April 2018	794
Amortisation charge	134
Currency translation differences	(38)
At 31 March 2019	890
Reclassified as right-of-use assets (Note 13)	(890)
At 30 September 2020	–
Net carrying value	
At 30 September 2020	–
At 31 March 2019	5,621

	Group 31.3.2019 HK$'000
Amount to be amortised:	
- Not later than one financial year	135
- Between two and five financial years	542
- Later than five financial years	4,944
	5,621

Land use rights were reclassified to buildings under property, plant and equipment (Note 13) on 1 April 2019 arising from adoption of IFRS 16.

16 DEFERRED TAX ASSETS

The movements in the deferred tax assets comprising of other deductible temporary differences are as follows:

	Group	
	1.4.2019 to 30.9.2020 HK$'000	1.4.2018 to 31.3.2019 HK$'000
Balance at beginning of the financial period/year	**–**	1,933
Tax charged to profit or loss (Note 9)	**–**	(1,818)
Currency translation differences	**–**	(115)
Balance at end of the financial period/year	**–**	–

17 INVENTORIES

	Group	
	30.9.2020 HK$'000	31.3.2019 HK$'000
Raw materials	**5,177**	6,030
Work in progress	**234**	271
Finished goods	**2,597**	6,601
	8,008	12,902

During the financial period/year, raw materials, consumables and changes in finished goods and work in progress included as cost of sales amounted to HK$35,562,000 (1.4.2018 to 31.03.2019: HK$18,760,000).

18 TRADE RECEIVABLES

	Group	
	30.9.2020 HK$'000	31.3.2019 HK$'000
Trade receivables		
- Third parties	**18,636**	25,025
- Related party	**3,693**	1,788
	22,329	26,813
Less: Allowance for impairment losses		
- Third parties	**(13,289)**	(17,321)
- Related party	**(1,669)**	–
	7,371	9,492

19 OTHER RECEIVABLES

	Group		Company	
	30.9.2020	31.3.2019	**30.9.2020**	31.3.2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Prepayment to third party vendors [a]	**1,153**	1,453	**–**	–
Deposits paid for acquisition of property, plant and equipment [d]	**–**	23,552	**–**	–
	1,153	25,005	**–**	–
Current				
Deposits	**179**	122	**–**	–
Prepayments	**739**	709	**125**	125
Advances to suppliers	**16,214**	5,138	**–**	–
Advances to third parties [b]	**47,111**	13,361	**–**	–
Advances for proposed acquisition [c]	**61,976**	89,757	**–**	–
Advances to a related party [Note 28(a)] [b]	**8,924**	1,162	**–**	–
Other receivables	**6,042**	698	**8**	8
	141,185	110,947	**133**	133
Less: Allowance for impairment losses				
Advances to suppliers	**(11,322)**	(5,005)	**–**	–
Advances to third parties	**(16,340)**	(5,228)	**–**	–
Other receivables	**(1,081)**	–	**–**	–
	112,442	100,714	**133**	133

Movement in allowance for impairment losses on advances to suppliers during the financial period/year:

	Group	
	1.4.2019 to 30.9.2020	1.4.2018 to 31.3.2019
	HK$'000	HK$'000
At beginning of the financial period/year	**5,005**	–
Allowance made	**6,108**	5,005
Currency translation differences	**209**	–
At end of the financial period/year	**11,322**	5,005

[a] Prepayment to third party vendors of HK$1,153,000 (31.3.2019: HK$1,453,000) relate to amounts paid to third party vendors for purchase of intangible assets - patent.

[b] Advances to third parties and a related party are unsecured, interest-free and repayable on demand except for an amount of HK$30,771,000 (31.3.2019: HK$9,295,000) included in advances to third parties and advances to a related party of HK$8,924,000 (31.3.2019: HK$1,162,000) which are repayable on fixed maturity dates, within the next financial year.

19 OTHER RECEIVABLES (CONTINUED)

(c) The Group, through LottVision Internet Management Limited ("LottVision Internet Management"), an indirect wholly-owned subsidiary, entered into a deed of sale and purchase and a shareholders' agreement with Mr. Xiaoxin Wang (the "Vendor") on 15 March 2019 in connection with the proposed acquisition of an aggregate of 4,500 fully issued and paid-up ordinary shares of First Linkage Inc. ("First Linkage") of US$1.00 each, representing 45% of the issued and paid-up shares of First Linkage. The aggregate consideration for the proposed acquisition of First Linkage is RMB90,000,000, subject to a profit guarantee and retained sum of RMB22,500,000.

On 3 December 2019, the proposed acquisition of First Linkage was terminated. Accordingly, the advances paid to the Vendor become refundable.

During the current financial period, the Group has received refunds of HK$26,869,000 (RMB23,563,000) from the Vendor. As at 30 September 2020, the refundable advances paid to the Vendor for proposed acquisition of First Linkage amounted to HK$61,976,000 (RMB53,687,000). The Group is still in the process of recovering the remaining advances of HK$61,976,000 (RMB53,687,000) from the Vendor.

Management has implemented the following safeguard and measure for recovering the remaining refundable advances for proposed acquisition of First Linkage of HK$61,976,000:

Mr. Xu Haimin, a non-executive and non-independent director of the Company has been appointed as the legal representative and director of Beijing Shengyuantong Technology Development Co., Ltd., ("Shengyuantong"), Beijing Zhonglian Shengtong Internet Technology Co., Ltd. ("Zhonglian Shengtong") and Xinjiang Zhongtong Internet Science and Technology Development Co., Ltd. ("Xinjiang Zhongtong"). The ultimate beneficial owner of Shengyuantong, Zhonglian Shengtong and Xinjiang Zhongtong is the Vendor.

Management is of the view that the above-mentioned safeguard and measure are adequate and appropriate for recovering the remaining advances of HK$61,976,000.

(d) On 15 April 2020, the Group through WiVision, an indirect wholly-owned subsidiary, has signed contracts with Zhonglian Shengtong, an indirect wholly-owned subsidiary of First Linkage, to acquire networking hardware and software for a total consideration (including value-added tax) of RMB66,400,000 (HK$77,150,000). During the current financial period, the Group utilised the deposit paid in prior year of RMB20,270,000 (HK$23,552,000) to purchase the networking hardware and software (excluding value-aded tax) amounted to HK$39,728,000 (RMB35,774,000) from Zhonglian Shengtong, with the remaining of HK$16,176,000 (RMB15,504,000) by cash consideration.

20 TRADE AND OTHER PAYABLES

	Group		Company	
	30.9.2020	31.3.2019	**30.9.2020**	31.3.2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**7,810**	1,676	**–**	–
Other payables and accruals	**19,056**	7,602	**13,747**	3,202
Accrued interest expense	**3,654**	3,939	**3,654**	3,939
Directors' fees payable	**1,477**	1,070	**1,477**	1,070
Amount due to former Director of the Company	**2,640**	–	**1,183**	–
Amount due to Director of the Company	**–**	2,640	**–**	1,183
Amount due to a related party	**770**	770	**–**	–
Advances received from a third party	**1,410**	1,410	**–**	–
	36,817	19,107	**20,061**	9,394

The amount due to former Director/Director of the Company, amount due to a related party and advances received from a third party are unsecured, interest-free and repayable on demand.

Related party refers to Group's key management personnel.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Accrued interest expense	**Amount due to former Director/ Director of the Company**	**Amount due to Director of a subsidiary**	**Amount due to a related party**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Balance at 1 April 2018	2,152	2,640	770	–	5,562
Changes from financing cash flows:					
- Proceeds	–	685	–	–	685
- Repayments	(2,946)	(685)	–	–	(3,631)
Non-cash changes:					
- Interest expense	4,733	–	–	–	4,733
- Reclassifications	–	–	(770)	770	–
Balance at 31 March 2019	3,939	2,640	–	770	7,349
Changes from financing cash flows:					
- Repayments	(10,358)	–	–	–	(10,358)
Non-cash changes:					
- Interest expense	10,073	–	–	–	10,073
Balance at 30 September 2020	**3,654**	**2,640**	**–**	**770**	**7,064**

21 CONTRACT LIABILITIES

Contract liabilities relate to advance consideration received from customers. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract liabilities from contracts with customers.

	Group		
	30.9.2020	31.3.2019	1.4.2018
	HK$'000	HK$'000	HK$'000
Trade receivables from contracts with customers	**22,329**	26,813	38,594
Contract liabilities	**2,027**	1,262	1,462

Contract liabilities has increased significantly due to more contracts in which the Group billed and received consideration ahead of sales of goods.

22 BORROWINGS

	Group		Company	
	30.9.2020	31.3.2019	**30.9.2020**	31.3.2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Loans from third parties	**83,545**	119,826	**83,545**	119,826
Current				
Bank loans	**15,007**	15,105	**–**	–
Lease liabilities	**89**	–	**–**	–
Loans from third parties	**39,972**	–	**39,972**	–
	55,068	15,105	**39,972**	–
Total borrowings	**138,613**	134,931	**123,517**	119,826

Loans from third parties (i.e. New Star Education Limited ("NS") and Corpbond IV Ltd. ("COIV") (*formerly known as Furong Corpbond II Ltd*)) are unsecured, bear interests ranging from 3.74% to 9.45% (31.3.2019: 4.98% to 9.45%) per annum and are repayable on fixed maturity dates, within 1 to 3 (31.3.2019: 2 to 4) next financial years. At 30 September 2020, the maturity dates range from 18 April 2021 to 13 November 2022. On 29 January 2021, the Company has entered into two agreements with NS and COIV ("Loan Transfer Agreements") whereas NS has transferred an aggregated principal amount of SGD7,400,000 (HK$42,450,000) third party loan to COIV. Accordingly, NS has waived the Company from all liabilities in relation to the subject loans and the Company shall become liable to repay principal and interests of the subject loans to COIV. As stated in the Loan Transfer Agreements, COIV has agreed to extend the respective maturity dates of these loans by 1 to 2 years and as such the renewed maturity dates of all these loans will only fall due on or after 19 April 2022. In addition, the Company has entered another agreement with COIV on 1 February 2021 ("Loan Extension Agreement") whereas COIV has agreed to extend the maturity dates of a loan amounting to SGD2,000,000 (HK$11,474,000) from 7 November 2021 to 7 November 2022.

The bank loans bear interest at 6.23% (31.3.2019: 5.71%) per annum.

At the balance sheet date, the bank loans of the Group are secured by:

(i) the Group's buildings and right-of-use assets/land use rights with net carrying value of HK$2,293,000 (31.3.2019: HK$5,068,000) and HK$5,391,000 (31.3.2019: HK$5,621,000) (Note 13); and

(ii) the personal guarantees provided by two Directors of a subsidiary.

22 BORROWINGS (CONTINUED)

The carrying amounts of the current borrowings approximate their fair values at the end of the reporting period.

Based on discounted cash flows using market lending rate for similar borrowings which the management expects would be available to the Group at the balance sheet date, the fair values of the non-current loans from third parties at the balance sheet date approximate their carrying value as there are no significant changes in the interest rates available to the Group at the balance sheet date. This fair value measurement for disclosure purposes is categorised in Level 3 of the fair value hierarchy.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Loans from third parties HK$'000	Bank loans HK$'000	Lease liability HK$'000	Total HK$'000
Group				
Balance at 1 April 2019	119,826	15,105	–	134,931
Adoption of IFRS 16	–	–	601	601
Changes from financing cash flows:				
- Proceeds	–	31,094	–	31,094
- Repayments	–	(31,094)	(512)	(31,606)
- Interest paid	–	(1,399)	(25)	(1,424)
Non-cash changes:				
- Interest expense	3,299	1,399	25	4,723
Effect of changes in foreign exchange rates	392	(98)	–	294
Balance at 30 September 2020	**123,517**	**15,007**	**89**	**138,613**

	Loans from third parties HK$'000	Bank loans HK$'000	Total HK$'000
Group			
Balance at 1 April 2018	65,032	15,943	80,975
Changes from financing cash flows:			
- Proceeds	56,959	14,993	71,952
- Repayments	–	(14,993)	(14,993)
- Interest paid	–	(830)	(830)
Non-cash changes:			
- Interest expense	2,186	830	3,016
- Gain on modification on the terms of loans from third parties	(2,351)	–	(2,351)
Effect of changes in foreign exchange rates	(2,000)	(838)	(2,838)
Balance at 31 March 2019	119,826	15,105	134,931

23 LEASES

The Group leases land and buildings from non-related party. The leases typically run for an initial period of 1 to 50 years, with an option to renew the lease upon expiry when all terms are renegotiated.

The maturity analysis of the lease liability is disclosed in Note 28(b).

Information about leases for which the Group is a lessee is presented below:

Amounts recognised in balance sheet

	Group	
	30.9.2020	1.4.2019
	HK$'000	HK$'000
Carrying amount of right-of-use assets included under property, plant and equipment		
Leasehold land and buildings	**5,477**	6,222

Amounts recognised in profit or loss

	Group
	1.4.2019 to 30.9.2020
Depreciation charge	**705**
Interest expense on lease liability	**25**
Lease expense	**98**

Total cash flows for lease amounted to HK$635,000.

24 EQUITY COMPENSATION BENEFITS

LottVision Incentive Share Scheme

Pursuant to a resolution of shareholders on 29 July 2009, an employee incentive scheme (the "LottVision Incentive Share Scheme") was adopted for a term of 10 years. The purpose of this scheme is to provide incentives to employees of the Group and Executive and Non-Executive Directors to excel in their performance as well as to enhance their loyalty and dedication to the Group.

The LottVision Incentive Share Scheme is administered by the Remuneration Committee or such other committee comprising the Directors appointed by the Board of Directors (the "Incentive Committee"). Under the LottVision Incentive Share Scheme, the Incentive Committee may grant awards of shares in the Company to the employees of the Group and Executive and Non-Executive Directors, who are not the controlling shareholders of the Company or their associates, as the Incentive Committee may select, in its absolute discretion, which shall take into account the rank, job performance, level of responsibility, year of services and such other criteria as the Incentive Committee may consider appropriate. The selected employees are not required to pay for the grant of award of the shares.

The total number of shares issued and to be issued in respect of the awards granted under the LottVision Incentive Share Scheme and in respect of the options under the LottVision Share Option Scheme shall not, in aggregate, exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

During the financial period/year ended 30 September 2020 and 31 March 2019, no award of shares were granted.

25 SHARE CAPITAL

Authorised and issued share capital

	Group and Company			
	30.9.2020		31.3.2019	
	Number of shares	**Par value HK$'000**	Number of shares	Par value HK$'000
Authorised:				
Ordinary shares of HK$0.10 (31.3.2019: HK$0.10)				
Balance at beginning and end of the financial period/year	**1,750,000,000**	**175,000**	1,750,000,000	175,000
Issued:				
Balance at beginning and end of the financial period/year	**96,422,103**	**9,642**	96,422,103	9,642

The holders of ordinary shares are entitled to receive dividends as and when declared by Company. All ordinary shares carry one vote per share without restriction.

26 OTHER RESERVES

	Group		Company	
	30.9.2020 HK$'000	31.3.2019 HK$'000	**30.9.2020 HK$'000**	31.3.2019 HK$'000
Other reserves comprise:				
Share premium	**315,301**	315,301	**315,301**	315,301
Contributed surplus reserve	**119,560**	119,560	**119,560**	119,560
Currency translation reserve	**(7,531)**	(6,446)	**(5,214)**	(4,145)
Fair value reserve	**(45,505)**	(45,505)	**–**	–
	381,825	382,910	**429,647**	430,716

(i) Share premium

The application of the share premium is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Contributed surplus reserve

On 17 June 2015, the reduction in par value of the issued consolidated shares from HK$2.80 each to HK$0.10 each did not result in any return of capital to shareholders. The credit amount arising from the issued share capital reduction was transferred to contributed surplus reserve.

26 OTHER RESERVES (CONTINUED)

(iii) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.20.

(iv) Distributability of reserve

As at 30 September 2020, the Company does not have reserves available for distribution to equity holders of the Company (31.3.2019: Nil), except for contributed surplus reserve. The Directors may apply any credit balance in the contributed surplus reserve of the Company in accordance with the Bye-Laws and the Bermuda Companies Act for future distributions and other usage, as permitted by the relevant Bermuda laws and regulations at the time the contributed surplus reserve is used and also subject to, amongst others, the availability of sufficient cash flow.

(v) Fair value reserve

The reserve represents changes in the fair value of equity shares classified as financial assets at fair value through other comprehensive income.

27 RELATED PARTY TRANSACTIONS

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial period/year on terms agreed by the parties concerned:

	Group	
	1.4.2019 to 30.9.2020	1.4.2018 to 31.3.2019
	HK$'000	HK$'000
With a director of the Company		
Advances from	**–**	685
With related parties		
Sales to	**2,391**	765
Advances to	**7,474**	1,152
Service income	**240**	390
Allowance for impairment losses	**1,669**	–

Other related parties comprise mainly companies which are controlled by a director of the subsidiary.

(b) Key management personnel remuneration

Key management personnel are Directors and those person having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly. Remuneration for key management personnel, including amounts paid to the Company's Directors are disclosed in Note 8.

The amounts do not include compensation of any of the key management personnel and Directors who received compensation from related corporations outside the Group in their capacity as Directors and/or Executives of those related corporations.

28 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the balance sheet date are as follows:

	Group		Company	
	30.9.2020	31.3.2019	**30.9.2020**	31.3.2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at amortised costs	**122,871**	156,744	**139,131**	152,317
Financial liabilities				
Financial liabilities at amortised cost	**175,430**	154,038	**214,449**	203,979

(b) Financial risk management

The Group's financial assets comprised mainly trade receivables, other receivables and cash and bank balances. The Group's financial liabilities comprised trade and other payables and borrowings.

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Group's financial performance as described below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's and the Company's credit risk is primarily attributable to trade receivables, other receivables and deposits with banks.

Management has a credit policy in place over trade receivables and other receivables and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and advance to business partners. Trade receivables are due on the date of billing. With respect to advances to third parties, the repayment terms are set out in each fund advance agreement and normally are repayable within one year. The Group does not obtain collaterals from both customers and business partners.

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) **Financial risk management (Continued)**

Credit risk (Continued)

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) **Financial risk management (Continued)**

Credit risk (Continued)

Significant increase in credit risk (Continued)

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial asset has a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

Definition of default

The Group considers information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group as constituting an event of default for internal credit risk management purposes. Based on historical experience, it indicates that receivables that meet the criteria are generally not recoverable.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial period/year except for reassessments made of the current COVID-19 pandemic effects on the historical default rates of each past due category of its trade receivables.

Maximum exposure and concentration assumptions

At the balance sheet date, approximately 95% (31.3.2019: 94%) of the Group's trade receivables were due from 5 (31.3.2019: 5) major customers located in PRC.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the balance sheets.

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Credit risk (Continued)

Movements in credit loss allowance are as follows:

	Trade receivables HK$'000	Other receivables HK$'000	Total HK$'000
Balance at 1 April 2018, under IAS 39 and IFRS 9	13,949	–	13,949
Loss allowance measured:			
Lifetime ECL			
- simplified approach	220	–	220
- credit-impaired	3,829	5,228	9,057
Currency translation differences	(677)	–	(677)
Balance at 1 April 2019	17,321	5,228	22,549
Loss allowance measured/(reversed):			
Lifetime ECL			
- simplified approach	1,418	–	1,418
- credit-impaired	(3,591)	11,802	8,211
Currency translation differences	(190)	391	201
Balance at 30 September 2020	**14,958**	**17,421**	**32,379**

	Amounts due from subsidiaries HK$'000
Company	
Balance at 1 April 2018, under IAS 39 and IFRS 9	353,918
Loss allowance measured:	
Lifetime ECL	
- credit-impaired	1,820
Balance at 31 March 2019	355,738
Loss allowance measured:	
Lifetime ECL	
- credit-impaired	911
Balance at 30 September 2020	356,649

Credit risk exposure in relation to financial assets at amortised cost (other than trade receivables and other receivables) as at 31 March 2019 and 30 September 2020 is insignificant, and accordingly no credit loss allowance is recognised as at 31 March 2019 and 30 September 2020.

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Credit risk (Continued)

Trade receivables

The Group's credit risk exposure in relation to trade receivables using simplified approach under IFRS 9 as at 31 March 2019 and 30 September 2020 is set out in the provision matrix below:

	Past due					
	0 to 6 months HK$'000	**6 to12 months HK$'000**	**12 to 24 months HK$'000**	**More than 2 months HK$'000**	**Credit-impaired HK$'000**	**Total HK$'000**
Group						
30 September 2020						
Expected loss rate	0%	41%	100%	100%	95%	
Gross receivables	5,970	1,203	1,397	1,093	12,666	22,329
Loss allowance	–	(495)	(1,397)	(1,093)	(11,973)	(14,958)
Net carrying amount	**5,970**	**708**	**–**	**–**	**693**	**7,371**
31 March 2019						
Expected loss rate	0%	0%	100%	100%	100%	
Gross receivables	9,010	482	397	1,122	15,802	26,813
Loss allowance	–	–	(397)	(1,122)	(15,802)	(17,321)
Net carrying amount	9,010	482	–	–	–	9,492

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group categorises its trade receivables by its past due status and segregates debtors regarded as credit-impaired where one or more credit impairment events have occurred. The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions with consideration of the impact of COVID-19 pandemic on the ability of the customers to settle the receivables.

In addition, the Group reviews each debtor for evidence of credit impairment. For those credit-impaired debtors, the Group has recognised 100% loss allowance on those outstanding balances not collected at the date of these financial statements.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Credit risk (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include cash and bank balances, other receivables (excluding prepayments, advances to suppliers and advances for proposed acquisition) and amounts due from subsidiaries.

The table below details the credit quality of the Group's financial assets (other than trade receivables):

	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
30 September 2020				
Other receivables	12-month ECL	**71,740**	**–**	**71,740**
	Lifetime ECL	**52,492**	**(17,421)**	**35,071**
Cash and bank balances	N.A. Exposure Limited	**8,689**	**–**	**8,689**
31 March 2019				
Other receivables	12-month ECL	91,739	–	91,739
	Lifetime ECL	13,361	(5,228)	8,133
Cash and bank balances	N.A. Exposure Limited	47,380	–	47,380

The table below details the credit quality of the Company's financial assets:

	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
30 September 2020				
Amounts due from subsidiaries	Lifetime ECL	**495,516**	**(356,649)**	**138,867**
Other receivables	N.A. Exposure Limited	**8**	**–**	**8**
Cash and bank balances	N.A. Exposure Limited	**256**	**–**	**256**
31 March 2019				
Amounts due from subsidiaries	Lifetime ECL	506,492	(355,738)	150,754
Other receivables	N.A. Exposure Limited	8	–	8
Cash and bank balances	N.A. Exposure Limited	1,555	–	1,555

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) **Financial risk management (Continued)**

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's Board of Directors when the borrowings exceed certain predetermined levels of authority.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company are required to pay:

	30.9.2020				31.3.2019			
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**1 to 5 years**	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	1 to 5 years
Group								
Trade and other payables	**36,817**	**36,817**	**36,817**	**–**	19,107	19,107	19,107	–
Bank loans	**15,007**	**15,748**	**15,748**	**–**	15,105	15,362	15,362	–
Loans from third parties	**123,517**	**141,550**	**49,255**	**92,295**	119,826	150,629	6,787	143,842
Lease liability	**89**	**90**	**90**	**–**	–	–	–	–
	175,430	**194,205**	**101,910**	**92,295**	154,038	185,098	41,256	143,842
Company								
Trade and other payables	**20,061**	**20,061**	**20,061**	**–**	9,394	9,394	9,394	–
Amounts due to subsidiaries	**70,871**	**70,871**	**70,871**		74,759	74,759	74,759	–
Loans from third parties	**123,517**	**141,550**	**49,255**	**92,295**	119,826	150,629	6,787	143,842
	214,449	**232,482**	**140,187**	**92,295**	203,979	234,782	90,940	143,842

Foreign currency risk

The Group operates in the PRC and Hong Kong.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as Hong Kong dollar ("HKD"), Singapore dollar ("SGD"), United States dollar ("USD") and Renminbi ("RMB"). Currency risk arises when transactions are denominated in foreign currencies. This risk is mitigated to certain extent by the natural hedge between sales receipts and purchases, and operating expenses disbursement.

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) **Financial risk management (Continued)**

Foreign currency risk (Continued)

The Group's and the Company's currency exposure based on the information provided to key management is as follows:

Denominated in:

	HKD HK$'000	SGD HK$'000	USD HK$'000	RMB HK$'000
Group				
30.9.2020				
Cash and bank balances	**38**	**235**	**785**	**–**
Other receivables	**–**	**–**	**–**	**61,976**
Trade and other payables	**(16,558)**	**(6,894)**	**(1,017)**	**–**
Borrowings	**–**	**(108,909)**	**(14,592)**	**–**
Net financial (liabilities)/assets denominated in foreign currencies		**(115,568)**	**(14,824)**	**61,976**
31.3.2019				
Cash and bank balances	2,489	170	–	–
Other receivables	–	–	–	89,757
Trade and other payables	(11,771)	(1,534)	–	–
Borrowings	–	(105,707)	(14,119)	–
Net financial (liabilities)/assets denominated in foreign currencies	(9,282)	(107,071)	(14,119)	89,757
Company				
30.9.2020				
Cash and bank balances	**21**	**235**	**16**	**–**
Amounts due from subsidiaries	**96,191**	**–**	**–**	**–**
Trade and other payables	**(12,150)**	**(6,894)**	**(1,017)**	**–**
Borrowings	**–**	**(108,909)**	**(14,592)**	**–**
Net financial assets/(liabilities) denominated in foreign currencies	**84,062**	**(115,568)**	**(15,593)**	**–**
31.3.2019				
Cash and bank balances	1,385	170	–	–
Amounts due from subsidiaries	108,861	–	–	–
Trade and other payables	(7,859)	(1,534)	–	–
Amounts due to subsidiaries	(927)	–	–	–
Borrowings	–	(105,707)	(14,119)	–
Net financial assets/(liabilities) denominated in foreign currencies	101,460	(107,071)	(14,119)	–

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Foreign currency risk (Continued)

If foreign currencies change against the respective functional currencies of the Group's entities by 5% (31.3.2019: 5%) with all other variables including tax rate being held constant, the effect arising from the net monetary assets/(liabilities) position will be as follows:

	Increase/(decrease) in loss after tax	
	30.9.2020	31.3.2019
	HK$'000	HK$'000
Group		
HKD against RMB		
- strengthened	**826**	464
- weakened	**(826)**	(464)
SGD against RMB		
- strengthened	**5,778**	5,354
- weakened	**(5,778)**	(5,354)
USD against RMB		
- strengthened	**741**	706
- weakened	**(741)**	(706)
RMB against HKD		
- strengthened	**(3,099)**	(4,488)
- weakened	**3,099**	4,488
Company		
HKD against RMB		
- strengthened	**(4,203)**	(5,073)
- weakened	**4,203**	5,073
SGD against RMB		
- strengthened	**5,778**	5,354
- weakened	**(5,778)**	(5,354)
USD against RMB		
- strengthened	**780**	706
- weakened	**(780)**	(706)

28 FINANCIAL INSTRUMENTS (CONTINUED)

(b) **Financial risk management (Continued)**

Interest rate risk

The Group's and the Company's exposure to the risk of changes in interest rates arises mainly from their bank loans and loans from third parties. Borrowings at fixed rates expose the Group and the Company to fair value interest rate risk (ie. the risk that the value of a financial instrument will fluctuate due to changes in market rates). The Group's and the Company's policy is to obtain most favourable interest rate available in the market. The Group and the Company do not utilise derivative to mitigate its interest rate risk.

If the interest rates increase/decrease by 50 (2019: 50) basis points with all other variables including tax rate being held constant, the loss after tax of the Group and the Company will be higher/lower by HK$681,000 (2019: HK$393,000) and HK$618,000 (2019: HK$325,000) respectively as a result of higher/lower interest expenses on borrowings.

29 FAIR VALUES OF ASSETS AND LIABILITIES

(a) ***Fair value hierarchy***

The table below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

(i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices); and
(iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) ***Fair value of the current financial assets and liabilities***

The current financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

(c) ***Determination of fair values***

(i) *Non-current loans from third parties*

The basis of determining fair value for disclosure at the balance sheet date is disclosed in Note 22.

(ii) *Unquoted equity shares*

The fair value of the unquoted equity shares was determined to be Nil as the investee remained dormant during the current financial year.

30 COMMITMENTS

(a) Operating lease commitments

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease upon expiry when all terms are renegotiated. No contingent rents are payable.

As at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	Group 31.3.2019 HK$'000
Not later than one financial year	302
Between two and five financial years	–
	302

(b) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the consolidated financial statements are as follows:

	Group	
	30.9.2020 HK$'000	31.3.2019 HK$'000
Approved and contracted for purchases of		
- intangible assets	**570**	574
- networking hardware and software (Note 13)	**29,951**	–

31 CAPITAL MANAGEMENT

The Board of Directors (the "Board") policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board monitors the return on capital, which the Group defines as net profit for the financial year divided by total shareholders' equity, excluding non-controlling interests. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group defines "capital" as including all components of equity.

Consistent with the capital management practices of the Group, the Group's capital structure is monitored on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debts are defined as the total debts (which includes trade and other payables and borrowings), less cash and bank balances.

31 CAPITAL MANAGEMENT (CONTINUED)

The adjusted net debt-to-capital ratio as at 30 September 2020 and 31 March 2019 are as follows:

	Group	
	30.9.2020	31.3.2019
	HK$'000	HK$'000
Borrowings	**138,613**	134,931
Trade and other payables	**36,817**	19,107
Less: cash and bank balances	**(8,689)**	(47,380)
Adjusted net debts	**166,741**	106,658
Total capital	**7,355**	56,952
Adjusted net debt-to-capital ratio	**> 100%**	> 100%

The Group's overall capital management strategy remain unchanged from the financial year ended 31 March 2019.

32 COMPARATIVE FIGURES

The financial statements for the financial period ended 30 September 2020 cover the financial period from 1 April 2019 to 30 September 2020 whereas financial statements for the financial year ended 31 March 2019 cover the financial year from 1 April 2018 to 31 March 2019. As such, the consolidated statement of comprehensive income, consolidated statement of cash flows, statements of changes in equity and related notes for current financial period and previous financial year are not comparable. The Company announced the change of financial year end on 13 March 2020. The change of financial year end is mainly due to the business disruptions in the People's Republic of China in connection with the COVID-19 outbreak and the necessity to take into account the health and safety of the staff of the Group.

33 EVENTS AFTER THE BALANCE SHEET DATE

(a) On 22 September 2020, the Company announced a share placement to issue 19,000,000 ordinary shares and raised SGD760,000 proceeds. The share placement was completed on 17 November 2020.

(b) On 22 December 2020, the Company incorporated a wholly-owned subsidiary, Global Agricapital Holdings Pte. Ltd. ("GAH") with a registered capital of SGD450,000. GAH's core business includes wholesale of fruits and vegetables (including fresh and frozen), and other canning and preserving of fruits and fruit juices.

On 28 December 2020, the Company announced GAH entered into a non-binding framework agreement with Anhui Import and Export Co., Ltd. ("AHIE"). AHIE will purchase 500 containers fresh durians from GAH per year.

On 8 January 2021, the Company announced GAH entered into a binding import purchase agreement with Moonda (Beijing) Agriculture Science and Technology Co., Ltd. ("Moonda"). Moonda will purchase 200 containers of fresh durians from GAH between 5 January 2021 and 30 April 2021. The total purchase price will be approximately RMB130,000,000.

33 EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

(b) On 18 January 2021, the Company announced GAH entered into a binding import purchase agreement with Shanghai Yuqu Trading Co., Ltd ("SHYT"). SHYT will purchase 180 containers of fresh durians from GAH between 20 February 2021 and 21 May 2021. The total purchase price will be approximately RMB117,000,000.

On 29 January 2021, the Company announced GAH entered into a binding import purchase agreement with China Railway Production Control (Chengdu) Industrial Co., Ltd ("CRPC"). CRPC shall purchase over 600 containers of Golden Pillow Durians from GAH from 29 January 2021 to 31 December 2021.

(c) On 21 January 2021, the Group through its indirect wholly-owned subsidiary, WiVision entered into a termination agreement with Zhonglian Shengtong to terminate the agreement to acquire remaining networking hardware and software. WiVision and Zhonglian Shengtong agreed to waive all the remaining obligations in the purchase agreement on the remaining purchase commitments of RMB25,945,000.

On the same date, WiVision entered into a memorandum agreement with First Linkage Hong Kong Limited ("FLHK") to dispose the acquired networking hardware and software to FLHK for a proposed consideration (including value-added tax) of RMB32,364,000 (HK$37,361,000).

34 AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial period from 1 April 2019 to 30 September 2020 were authorised for issue in accordance with a resolution of the Board of Directors dated 5 February 2021.

Statistics of Shareholdings

As at 15 January 2021

Authorised share capital: HK$175,000,000
Issued and fully paid up HK$9,642,210
Class of shares: ordinary
Voting rights: One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	291	6.36	14,048	0.01
100 - 1,000	2,582	56.40	1,133,678	0.98
1,001 - 10,000	1,362	29.75	4,557,690	3.95
10,001 - 1,000,000	332	7.25	18,998,663	16.46
1,000,001 AND ABOVE	11	0.24	90,718,024	78.60
TOTAL	**4,578**	**100.00**	**115,422,103**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JIA LIJIE	24,187,500	20.96
2	WANG QI	21,345,000	18.49
3	CHENG MENG	13,300,000	11.52
4	PHILLIP SECURITIES PTE LTD	5,943,578	5.15
5	ALEX LOO LIAT WAH	5,700,000	4.94
6	DBS NOMINEES (PRIVATE) LIMITED	5,193,971	4.50
7	UOB KAY HIAN PRIVATE LIMITED	4,295,337	3.72
8	IFAST FINANCIAL PTE. LTD.	4,260,950	3.69
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,189,417	3.63
10	OCBC SECURITIES PRIVATE LIMITED	1,276,171	1.11
11	LIM HEAN NERNG	1,026,100	0.89
12	TAN KIM TJIO @ TAN KIM CHOW	865,600	0.75
13	TAN ENG CHUA EDWIN	613,232	0.53
14	LIM & TAN SECURITIES PTE LTD	612,225	0.53
15	CHEN HONGGENG	608,100	0.53
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	564,982	0.49
17	NEO KOK CHING	550,000	0.48
18	PHUAH KIN HUAT	547,100	0.47
19	LIM CHIN HOE	530,000	0.46
20	LIM HAY MEE	500,000	0.43
	TOTAL	**96,109,263**	**83.27**

Statistics of Shareholdings

As at 15 January 2021

Substantial Shareholders (as recorded in the Register of Substaintial Shareholders) as at 15 January 2021.

	Direct interest number of shares	**%**	**Deemed interest number of shares**	**%**	**Total number of shares**	**%**
Cheng Meng	13,300,000	11.52	-	-	13,300,000	11.52

As at 15 January 2021, approximately 88.48% of the shareholding in the Company was held in the hands of the public (on the basis of the information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2020 Annual General Meeting of NUTRYFARM INTERNATIONAL LIMITED (the "**Company**") will be held via electronic means on Friday, 26 February 2021 at 9.00 a.m. (Singapore time) and any adjournment thereof (the "**Annual General Meeting**") for the following purposes:

AS ORDINARY BUSINESS

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

1. To receive and adopt the Directors' report and audited financial statements of the Company for the financial period ended 30 September 2020 together with the auditor's report thereon.
(Resolution 1)

2. To re-elect Mr. Cheng Meng, an Executive Director retiring pursuant to Bye-law 104 of the Bye-Laws of the Company and who, being eligible, has offered himself for re-election.
(Resolution 2)

3. To re-elect Mr. Terence Luk Chung Po, a Non-Executive Director retiring pursuant to Bye-law 104 of the Bye-Laws of the Company and who, being eligible, has offered himself for re-election.
(Resolution 3)

4. To approve the payment of Directors' fees of S$120,000 for the financial period ended 30 September 2020.
(Resolution 4)

5. To re-appoint Baker Tilly TFW LLP as the Company's auditor, to hold office until the close of the next annual general meeting of the Company, at a fee to be agreed between the Directors of the Company and Baker Tilly TFW LLP.
(Resolution 5)

6. 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 resolutions as Ordinary Resolutions, with or without any modifications:

1. General authority to the Directors of the Company to allot and issue Shares

That, pursuant to the Bye-Laws of the Company and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to issue:

(i) ordinary shares in the capital of the Company ("**Shares**");

(ii) convertible securities;

(iii) additional convertible securities issued pursuant to adjustments; or

(iv) Shares arising from the conversion of the securities in (ii) and (iii) above,

(whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the directors of the Company during the continuance of this authority or thereafter) at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit (notwithstanding that such issue of Shares pursuant to the offer, agreement or option or the conversion of the convertible securities may occur after the expiration of the authority contained in this Resolution),

provided always that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), provided further

that the aggregate number of Shares to be issued other than on a pro-rata basis to members of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings);

(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 percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) (where applicable) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the SGX-ST Listing Manual; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise and the Bye-Laws of the Company for the time being; and

(4) unless revoked or varied by the Company in a general meeting of the Company, the authority conferred by this Resolution 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 of the Company is required by law to be held, whichever is the earlier. (See Explanatory Note (i))
(Resolution 6)

8. Authority to the directors of the Company to allot and issue Shares and grant options under the LottVision Incentive Share Scheme and the LottVision Share Option Scheme

<u>That the directors of the Company be and are hereby authorised to offer and grant:</u>

(a) awards in accordance with the provisions of the LottVision Incentive Share Scheme and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the awards under the LottVision Incentive Share Scheme; and

(b) options under the LottVision Share Option Scheme, and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the exercise of options granted under the LottVision Share Option Scheme,

provided always that the aggregate number of Shares, (i) to be allotted and issued pursuant to the LottVision Incentive Share Scheme; (ii) to be allotted and issued pursuant to exercise of options granted under the LottVision Share Option Scheme; and / or (iii) to be allotted and issued under any other share based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) from time to time. For the avoidance of doubt, shareholders' pre-emptive right under Bye-law 10 of the Bye-Laws of the Company does not apply. (See Explanatory Note (ii))
(Resolution 7)

By Order of the Board

Peng XU
Company Secretary

Adrian CHAN
Deputy Secretary

5 February 2021

Explanatory Notes:

(i) Resolution 6 is to authorise the directors of the Company from the date of the Annual General Meeting until the next annual general meeting of the Company to allot and issue Shares (including Shares arising pursuant to convertible securities) in the Company up to an amount not exceeding fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company, of which the total number of Shares (including Shares arising pursuant to convertible securities) issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.

(ii) Resolution 7, if passed, will empower the directors of the Company, to allot and issue Shares pursuant to the vesting of the awards under the LottVision Incentive Share Scheme, and to grant options and to allot and issue Shares upon the exercise of such options under the LottVision Share Option Scheme. The authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next annual general meeting of the Company or the expiration of the period within which the annual general meeting of the Company is required by law to be held, whichever is the earlier. This authority is in addition to the general authority to allot and issue Shares sought under Resolution 6.

Important notes:

1. Pre-Registration: The AGM is being convened, and will be held, by way of electronic means 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. Alternative arrangements relating to, among others, attendance, submission of questions in advance and or/voting by proxy at the AGM are set out in this notice of AGM. This notice of AGM may be accessed at the URLs https://www.sgx.com/securities/company-announcements.

   Members will not be able to attend the AGM physically. Members who wish to participate at the AGM may watch the AGM proceedings via a live audio-visual webcast or live audio-only stream ("Live Webcast"). To do so, members must pre-register their details including full name (as per CDP/Script-based records), identification number (e.g. NRIC/ Passport Number/FIN), shareholding type(s) (e.g. CDP/Script-based), email address and contact number (to enable the Company and/or its agents and service providers to authenticate their status as member) before 2.00 p.m. on Saturday, 20 February 2021 ("Registration Deadline") for the Company to verify their status as members.

   Verified members will receive an email by 3.00 p.m. on Thursday, 25 February 2021 containing instructions to access the Live Webcast. Members must not forward the link or their log-in details to third persons who are not members or who are not entitled to attend the AGM proceedings.

   Members who do not receive an email by 3.00 p.m. on Thursday, 25 February 2021 but have registered before the Registration Deadline should contact the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. by email at srs.teamc@boardroomlimited.com or call the general telephone number at +65 6536 5355 during office hours.

2. Submission of Questions: The Company will not be addressing any questions raised by the members during the Meeting. Members who have any substantial and relevant questions in relation to any agenda item of this notice must submit their questions in writing to the Company in advance 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, 24 February 2021, 9.00a.m.

   The Company will endeavour to upload the Company's responses to substantial and relevant questions from members on the SGXNet website by Friday 26 February, 2021.

3. Submission of Proxy Forms: Relevant Proxy Form(s) 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 Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at srs.teamc@boardroomlimited.com.

in either case, by the Registration Deadline, 24 February 2021, 9.00a.m.

The Company will endeavour to upload the Company's responses to substantial and relevant questions from members on the SGXNet website by Friday 26 February, 2021.

4. A Depositor who is not an individual can only be represented at the Annual General Meeting if its nominee is/are appointed as CDP's proxy/proxies. To appoint its nominee/nominees as proxy/proxies of CDP and to enable its nominee/nominees to attend and vote at the Annual General Meeting, such Depositor should complete, execute and deposit the Depositor Proxy Form in accordance with the instructions at the Annual General Meeting.

5. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its corporate representative at the Annual General Meeting.

6. To be valid, the Shareholder Proxy Form or the Depositor Proxy Form, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Service Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or at any adjournment thereof. Detailed instructions can be found on the Shareholder Proxy Form and Depositor Proxy Form.

7. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Shareholder of the Company (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General 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 Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Shareholder 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 Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.