

NUTRYFARM INTERNATIONAL LIMITED
(Company Registration No. 32308)
Incorporated in Bermuda

(1) UPDATES RELATING TO FINANCIAL STATEMENTS ANNOUNCED ON 15 MAY 2022

(2) APPLICATION FOR EXTENSION OF TIME FOR COMPLIANCE WITH RULE 705(2) OF THE LISTING MANUAL

The Board of Directors (the “**Board**”) of NutryFarm International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to update its shareholders on the following matters considered by the Company during the preparation and release of the full year financial results for the financial year ended 30 September 2021 (“**FY2021 results**”) as announced today on 15 May 2022.

A. Update on the Thai Operations Accounting Records and Restatement of Financial Statement for Financial Period 3-months ended 30 June 2021

As announced on 29 November 2021, 13 and 18 February 2022, the Company had applied for extension of time under Rule 705(1) and Rule 705(2) to release its financial results amongst other reasons, due primarily to the Thai Operations Accounting Records (as defined in the 13 February 2022 announcement) being incomplete, unavailable or otherwise not adequately maintained. Whilst the Group has since received some of the Thai Operations Accounting Records from the local Thailand management and Cheng Meng, who is the ex-CEO and ex-Executive Director (Thai Operations) of the Company and the Managing Director of Global Agricapital (Thailand) Co., Ltd (a 100% subsidiary of the Group incorporated in Thailand), the information and data received was still incomplete. Based on the financial information of the durian trading business out of Thailand (the “**Thai Durian Business**”) operated and overseen by Cheng Meng that are provided to the Company, the Group management has not been able to verify nor substantiate certain pertinent information of both suppliers and customers with respect to the transactions and account balances with these parties. Despite several stern warnings and time extensions given by the Group management to Cheng Meng, *inter alia*, to provide the Thai Operations Accounting Records, required information and data that should have been part of the Thai Operations Accounting Records in order to verify and substantiate the veracity of the trading operations as claimed to be genuine by Cheng Meng has not been forthcoming.

Due to the above, the Board is of the view that the financial performance and operations of the Thai Durian Business operated and overseen by Cheng Meng cannot be verified nor substantiated and thus the Group can only recognise the Thai Durian Business transactions for the period from January 2021 to March 2021 for the FY2021 results, where the sales and purchases were fully captured, and that the payments to suppliers and from customers were made directly with the Group. Accordingly, the Group has on 15 May 2022, announced its restated results for the third-quarter 3 months ended 30 June 2021 (“**3Q2021**”) by excluding all the Thai Durian Business-related transactions operated and overseen by Cheng Meng which cannot be verified or substantiated. Similarly, in the preparation of the results announcement for the financial year ended 30 September 2021, all the Thai Durian Business transactions operated and overseen by Cheng Meng which cannot be verified or substantiated from April 2021 to September 2021 has not been included. As a result of excluding the said Thai Durian Business from the FY2021 results, a loss allowance of HK\$18.5 million being advances to suppliers made during 4Q2021 was recognised. The Company is considering various options including but not limited to taking legal actions against Cheng Meng, and will update its shareholders when there are any material developments.

B. Provision of debts due from Wang Xiaoxin (“Wang”) and Beijing Zhonglian Shengtong Internet Technology Co., Ltd (“ZLST”)

In 2017/2018, the Group under the previous management, had advanced RMB77.2 million to Wang pursuant to the acquisition of First Linkage Inc. which subsequently failed and the amount advanced to Wang became refundable. As at 30 June 2021, there was an outstanding amount of HK\$59.2 million due from Wang. As announced on 4 October 2021, the Group had entered into a Repayment Agreement with Wang to refund RMB60 million to the Group over a 3.5-year period commencing from 1 October 2021. At the date of this announcement, Wang has yet to meet any of the due and owing payment milestones with overdue balances according to the Repayment Agreement amounting to an aggregate of RMB15 million, and the full amount of RMB60 million remains outstanding.

Similarly in 2019, the Group under the previous management, purchased RMB35.8 million of internet network equipment from ZLST, a company associated with Wang. As the internet business did not proceed subsequently, as announced on 4 October 2021, the Group entered into an Equipment Refund Agreement for ZLST to take back the equipment and repay the Group RMB33.5 million over a 3.5-year period. On 15 October 2021, ZLST repaid RMB1.5 million being the initial tranche which was due five working days from the date of the Equipment Refund Agreement. However, ZLST has failed to repay RMB8 million that was due on 31 March 2022, being the next tranche that was due. According to the Equipment Refund Agreement, the entire outstanding amount is immediately due and payable as a result of such default. At the date of this announcement, no further repayments have been received from ZLST since 15 October 2021 and the remaining amount of RMB32 million under the Equipment Refund Agreement remains outstanding.

As Wang and ZLST have defaulted on their payment milestones respectively, the management is of the opinion that the recovery prospects of the debts under both the Repayment Agreement and the Equipment Refund Agreement has declined significantly. As such, the Group has recognised loss allowances for the outstanding amounts due and owing from Wang (amounting to RMB60 million or HK\$59.2 million) and ZLST (amounting to RMB32 million or HK\$31.5 million) respectively, and the full amount of loss allowance amounting to RMB92 million (equivalent to HK\$90.7 million) has been made in the FY2021 results. The Board is in discussion with PRC lawyers on its next course of action and will update the shareholders on any material developments.

C. Update on Corpbond Letter of Demand

With reference to the announcements on 20 January 2022 and 5 April 2022, the Company has been in ongoing discussions with Corpbond to restructure the loans into convertible bonds with a new maturity date beyond 2022. Based on the discussions with Corpbond up until 5 April 2022, the Company had not expected to receive the Letters of Demand from Corpbond.

Since the receipt of the Letters of Demand, the Company has been actively seeking clarifications through its appointed lawyers regarding discrepancies in the Letters of Demand, including but not limited to the calculation of interest. Notwithstanding, and amidst the fluid and changing circumstances surrounding the negotiations with and clarifications sought from Corpbond, the Company has been trying to assess its ability to repay the alleged sums at such short notice by the stipulated dates.

The Company has also attempted to clarify with Corpbond on its intentions regarding the loan restructuring and its proposed terms to the loan restructuring. Whilst the Company had not received any replies and clarifications from Corpbond over the circumstances leading to the issuance of Letters of Demand (which was unexpected given the Company’s understanding of the progress of discussions with Corpbond at the material time on the loan restructuring), negotiations and discussions are ongoing with Corpbond nonetheless.

At the date of this announcement, the Company is still in discussions with Corpbond. While the stipulated dates in the Letters of Demand have lapsed, the Company is not aware if any further proceedings have commenced against the Company as the parties are in the midst of discussions to reach a potential private settlement. The Company will provide updates on any material developments and outcome if any, on the discussions with Corpbond.

As at 30 September 2021 and at the date of this announcement, the aggregate amounts (including both principal and accrued interests) owing to Corpbond is HK\$138.86 million and HK\$140.73 million respectively.

D. Appropriateness of the going concern assumption

The Company had on 30 April 2022 and 11 May 2022 announced the issuance of up to S\$25 million in convertible bonds (the “**Convertible Bond Agreements**”) of which S\$21 million has been secured in commitments.

The Company is in discussion with various other parties and is confident of placing out the remaining amounts. Subject to the satisfaction of the terms and conditions (including obtaining the requisite approvals from shareholders and SGX) and successful issuance and completion of the Convertible Bond Agreements, the Company will have adequate funds to repay all the loans taken from Corpbond.

As such, subject to reaching an amicable outcome on the ongoing negotiations with Corpbond and with respect to the Letters of Demand received from Corpbond, the Company will be able to continue as a going concern. Notwithstanding, the Company’s operations are continuing. As a prudent measure, the Company had applied for a voluntary suspension on 11 April 2022 and will seek a resumption of trading from the SGX-ST when it reaches a satisfactory agreement with Corpbond.

Shareholders are to note that at this time, there is no guarantee that the outcome of ongoing negotiations with Corpbond will be satisfactory, that the terms and conditions of the Convertible Bond Agreements will be satisfied, and/or that the Company will be able to obtain the requisite approvals from shareholders and SGX for the issuance of the Convertible.

As at 30 September 2021, after accounting for the loss allowances relating to (i) the advances to suppliers as a result of excluding the Thai Durian Business aforementioned in paragraph A amounting to HK\$18.5 million; and (ii) receivables from Wang and ZLST aforementioned in paragraph B amounting to HK\$90.7 million, the Group has net current liabilities of HK\$35.9 million and a net deficit of HK\$59.8 million. Had the loss allowances not been recognised, the Group would have net current assets of HK\$54.8 million and a net equity of HK\$30.9 million. Notwithstanding the net current liabilities and net deficit after accounting for the loss allowances, the Group’s operations are continuing, particularly for the Nutrition business. With respect to the Thai Durian Business, the Group’s current Executive Directors have made preparations with known suppliers and customers for the upcoming durian season and will operate through its Singapore subsidiary entity.

Trading in the Company’s securities on the SGX-ST has been voluntarily suspended by the Company on 11 April 2022. The Company will make further updates when there are any material developments.

E. Release of financial results for the first quarter 3-months ended 31 December 2021 (“1Q2022”) and first half-year 6-months ended 31 March 2022 (“1H2022”)

As the Group has spent significant time and resources in the preparation of the FY2021 results (including but not limited to verifications, discussions, deliberations, etc.), the Group has not released its 1Q2022 and 1H2022 financial results. The Group will endeavour to release the financial results for these periods on or before 31 May 2022.

As the financial results for 1H2022 would have been due on 15 May 2022 pursuant to Rules 705(2), the Company will be seeking extension to SGX for the release of the 1H2022 results. The Company will provide further updates on the outcome of the applications to the SGX-ST in due course.

By Order of the Board

Wu Yong Qiang
Executive Chairman

15 May 2022