NUTRYFARM INTERNATIONAL LIMITED
(Company Registration Number: 32308)
(Incorporated in Bermuda)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Board of Directors (the "**Board**") of NutryFarm International Limited (the "**Company**"), and together with its subsidiaries, refers to its announcement dated 14 June 2019 (the "**Announcement**") on the responses to queries from the Singapore Exchange Securities Trading Limited ("**SGX**") in relation to the Company's announcement dated 29 May 2019 on the unaudited quarterly financial statement and dividend announcement for the financial year ended 31 March 2019. In this regard, the Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited on 9 July 2019 (the "**SGX Queries**" and each an "**SGX Query**") as follows:

<u>SGX Query (a)</u>

It is stated in the Company's response to SGX Query (b)(5), "*After the internal discussion, the Board has approved the projected discounted cash flow method to evaluate PPE, intangible assets and goodwill as well as the result of such impairment related to PPE, intangible assets and goodwill.*"

Please provide the Board's opinion on the reasonableness of utilizing the projected discounted cash flow method to determine the value of impairments for (i) property, plant and equipment; (ii) intangible assets; and (iii) goodwill.

<u>Company's Response to SGX Query (a)</u>

According to International Accounting Standard ("**IAS**") 36 – Impairment of Assets which applies to PPE, intangible assets and goodwill, value in use is one of the methods to evaluate the possible impairment. Value in use is the present value of the future cash flows expected to be derived from an assets or cash-generating unit. In addition, the Company will continue to operate its nutrition and health food products business. Accordingly the present value of future cash flows would be appropriate and suitable to evaluate the possible impairment. Therefore, the Board is of the view that adopting discounted cash flow method is reasonable regarding IAS 36.

<u>SGX Query (b)</u>

It is stated in the Company's response to SGX Query (b)(6)(b), "*The receivables are mainly from the major customers of NFC and other receivables are from both major customers and other third parties. NFC has continuous business with those major customers.*" It is stated in the Company's response to SGX Query (b)(6)(e), *"Although NFC has been taking action to collect the trade and other receivables (as set out above), considering that the repayment record of such customers in relation to the receivables, considering that the recoverability of respective receivables are remote, and also to reflect the correct financial position of the Company, the Company decided to make impairment loss provision for receivables in the financial statements*."

In view that NFC has continuous business with those major customers where the recoverability of respective receivables are remote, please clarify the steps taken by the Company to ensure timely receipt of trade and other receivables going forward.

<u>Company's Response to SGX Query (b)</u>

The Company kept positive communication with the counterparties, understood the counterparties' business, and maintain constant negotiations about the refund. In addition, the Company has appointed two people from the sales team to follow up the outstanding receivables and report to the Company the status on timely basis. Accordingly, the Company has been performing and continues to perform what it can to push for the collection of the receivables. If necessary the Company would also consult with our local legal counsel to find out any alternative ways to resolve this matter through law.

SGX Query (c)

It is stated in the Company's response of SGX Query (b)(6)(f), "*After discussion on those issues, the Board approved the adoption of the expected credit loss method to evaluate the impairment loss for receivables. Following such evaluation, the Board approved the impairment loss provision in current financial year to fairly present the consolidated financial position of the Group*".

(1) Please clarify how the Company determines the expected credit loss?
(2) Please provide the Board's opinion on the reasonableness of utilising the credit loss method to determine the value of impairment for trade and other receivables.

Company's Response to SGX Query (c)(1)

The Company 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, 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.

Company's Response to SGX Query (c)(2)

Regarding International Financial Reporting Standard ("**IFRS**") 9 which was effective from 1 January 2018, it requires entities to recognise expected credit losses for all financial assets carried at amortised cost. In addition, the Company has adopted the IFRS continuously. Therefore, the Board believes that following IFRS 9, it is reasonable to utilise the expected credit losses method to determine the value of impairment for trade and other receivables.

BY ORDER OF THE BOARD

Paul Gao Xiangnong
Chief Executive Officer and Executive Director
12 July 2019