



(Registration No: EC 32308)

**QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT**

Financial statements on combined results of the Group for the year end of Q2FY2017 as at 30 September 2016. These figures have not been audited.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**NUTRYFARM INTERNATIONAL LIMITED**  
**Group Income Statement**  
**For the Quarter Ended 30 September 2016**  
**(Expressed in Hong Kong thousand dollars)**

|                                       | Three Months Ended 30.09 |          |        | Six Months Ended 30.09 |          |        |
|---------------------------------------|--------------------------|----------|--------|------------------------|----------|--------|
|                                       | FY2017                   | FY2016   | Change | FY2017                 | FY2016   | Change |
|                                       | HK\$'000                 | HK\$'000 | %      | HK\$'000               | HK\$'000 | %      |
| <b>Revenue</b>                        | 21,383                   | 22,253   | (4)    | 40,890                 | 46,097   | (11)   |
| Cost of sales                         | (9,291)                  | (9,203)  | 1      | (17,816)               | (18,259) | (2)    |
| <b>Gross profit</b>                   | 12,092                   | 13,050   | (7)    | 23,074                 | 27,838   | (17)   |
| Other expenses                        | (211)                    | 473      | NM     | (211)                  | 251      | NM     |
| Distribution expenses                 | (5,459)                  | (6,541)  | (31)   | (10,818)               | (10,634) | 2      |
| Administrative expenses               | (4,487)                  | (4,428)  | 1      | (9,470)                | (8,351)  | 13     |
| Finance costs                         | (260)                    | (301)    | (14)   | (548)                  | (687)    | (20)   |
| <b>Profit before income tax</b>       | 1,675                    | 2,253    | (26)   | 2,027                  | 8,417    | (76)   |
| Income tax expense                    | (495)                    | (461)    | 7      | (792)                  | (1,575)  | (50)   |
| <b>Profit for the quarter</b>         | 1,180                    | 1,792    | (34)   | 1,235                  | 6,842    | (82)   |
| <b>(Loss)/profit attributable to:</b> |                          |          |        |                        |          |        |
| Equity holders of the Company         | 89                       | 517      | (83)   | (503)                  | 2,825    | NM     |
| Non-controlling interest              | 1,091                    | 1,275    | (14)   | 1,738                  | 4,017    | (57)   |
| <b>Profit for the quarter</b>         | 1,180                    | 1,792    | (34)   | 1,235                  | 6,842    | (82)   |

NM - Not meaningful

1(a) A consolidated comprehensive income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**NUTRYFARM INTERNATIONAL LIMITED**  
**Group Income Statement**  
**For the Quarter Ended 30 September 2016**  
**(Expressed in Hong Kong thousand dollars)**

|  | Three Months Ended 30.09 |          |        | Six Months Ended 30.09 |          |        |
|--|--------------------------|----------|--------|------------------------|----------|--------|
|  | FY2017                   | FY2016   | Change | FY2017                 | FY2016   | Change |
|  | HK\$'000                 | HK\$'000 | %      | HK\$'000               | HK\$'000 | %      |
| <b>Profit for the quarter</b>  | 1,180                    | 1,792    | (34)   | 1,235                  | 6,842    | (82)   |
| <b>Other comprehensive (loss)/income</b>   |                          |          |        |                        |          |        |
| Items that are or may be reclassified subsequently to profit or loss:<br>Currency translation differences arising on consolidation, net of tax | 616                      | (39)     | NM     | (1,141)                | 63       | NM     |
| <b>Total comprehensive (loss)/income for the quarter</b>   | 1,796                    | 1,753    | 2      | 94                     | 6,905    | (99)   |
| <b>Total comprehensive (loss)/income attributable to:</b>  |                          |          |        |                        |          |        |
| Equity holders of the Company  | 705                      | 478      | 47     | (1,644)                | 2,888    | NM     |
| Non-controlling interest   | 1,091                    | 1,275    | (14)   | 1,738                  | 4,017    | (57)   |
| <b>Total comprehensive (loss)/income for the quarter</b>   | 1,796                    | 1,753    | 2      | 94                     | 6,905    | (99)   |

NM - Not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

**NUTRYFARM INTERNATIONAL LIMITED**  
**Balance Sheet**  
**as at 30 September 2016**  
**(Expressed in Hong Kong thousand dollars)**

|  | The Group           |                     | The Company         |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | HK\$'000            | HK\$'000            | HK\$'000            | HK\$'000            |
|  | As at<br>30/09/2016 | As at<br>31/03/2016 | As at<br>30/09/2016 | As at<br>31/03/2016 |
| <b>Non-current assets</b>  |                     |                     |                     |                     |
| Interests in subsidiaries  | -                   | -                   | 65,209              | 65,209              |
| Property, plant and equipment  | 41,693              | 42,935              | -                   | -                   |
| Intangible assets  | 45,135              | 46,575              | -                   | -                   |
| Non-current prepayments  | 1,150               | 1,186               | -                   | -                   |
| Land use right   | 5,253               | 6,145               | -                   | -                   |
|  | 93,231              | 96,841              | 65,209              | 65,209              |
| <b>Current assets</b>  |                     |                     |                     |                     |
| Inventories  | 18,819              | 22,055              | -                   | -                   |
| Trade receivables  | 40,016              | 39,069              | -                   | -                   |
| Prepayments, deposits and other receivables                                    | 76,435              | 79,527              | -                   | -                   |
| Amounts due from subsidiaries  | -                   | -                   | 36,082              | 36,082              |
| Cash and cash equivalents  | 23,804              | 18,572              | 251                 | 42                  |
|  | 159,074             | 159,223             | 36,333              | 36,124              |
| <b>Current liabilities</b>   |                     |                     |                     |                     |
| Trade and other payables   | 25,517              | 27,884              | 6,613               | 4,306               |
| Short term loans   | 20,718              | 21,361              | -                   | -                   |
| Amount due to subsidiary   | -                   | -                   | 2,835               | 2,835               |
| Tax payable  | 404                 | 393                 | -                   | -                   |
|  | 46,639              | 49,638              | 9,448               | 7,141               |
| <b>Net current assets/(liabilities)</b>  | 112,435             | 109,585             | 26,885              | 28,983              |
| <b>Non-current liabilities</b>   |                     |                     |                     |                     |
| Dividend payable   | 65,577              | 67,611              | -                   | -                   |
| <b>Net assets</b>  | 140,089             | 138,815             | 92,094              | 94,192              |
| <b>Equity</b>  |                     |                     |                     |                     |
| <b>Capital and reserves attributable to equity shareholders of the Company</b> |                     |                     |                     |                     |
| Share capital  | 6,428               | 6,428               | 6,428               | 6,428               |
| Reserves   | 100,787             | 98,854              | 85,666              | 87,764              |
| <b>Total equity attributable to equity holders of the Company</b>              | 107,215             | 105,282             | 92,094              | 94,192              |
| Non-controlling interest   | 32,874              | 33,533              | -                   | -                   |
| <b>Total equity</b>  | 140,089             | 138,815             | 92,094              | 94,192              |

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

| <b>As at 30/09/2016</b> |           | <b>As at 31/03/2016</b> |           |
|-------------------------|-----------|-------------------------|-----------|
| <b>In HK\$'000</b>      |           | <b>In HK\$'000</b>      |           |
| Secured                 | Unsecured | Secured                 | Unsecured |
| 20,718                  | -         | 21,361                  | -         |

**Amount repayable after one year**

| <b>As at 30/09/2016</b> |           | <b>As at 31/03/2016</b> |           |
|-------------------------|-----------|-------------------------|-----------|
| <b>In HK\$'000</b>      |           | <b>In HK\$'000</b>      |           |
| Secured                 | Unsecured | Secured                 | Unsecured |
| -                       | -         | -                       | -         |

Not Applicable

Details of collaterals

The borrowings of HK\$20.7 million as at 30 September 2016 is secured by the 34,165 square meters land use right and building of NutryFarm (Chengdu) Biomedicine Limited ("NFC"), a 55% interest held subsidiary.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**NUTRYFARM INTERNATIONAL LIMITED**  
**Group Cash Flow Statement**  
**For the Quarter Ended 30 September 2016**  
**(Expressed in Hong Kong thousand dollars)**

|  | Three Months Ended 30.09 |                    | Six Months Ended 30.09 |                    |
|--|--------------------------|--------------------|------------------------|--------------------|
|  | FY2017<br>HK\$'000       | FY2016<br>HK\$'000 | FY2017<br>HK\$'000     | FY2016<br>HK\$'000 |
| <b>Cash flows from operating activities</b>                        |                          |                    |                        |                    |
| Profit before taxation   | (862)                    | 2,253              | 2,027                  | 8,417              |
| Adjustments for:   |                          |                    |                        |                    |
| Interest income  | (42)                     | -                  | (101)                  | -                  |
| Finance costs  | 207                      | -                  | 495                    | -                  |
| Amortisation of land use rights                                    | 152                      | 240                | 293                    | 590                |
| Amortisation of intangible assets                                  | 720                      | 1,679              | 1,440                  | 2,293              |
| Depreciation of property, plant and equipment                      | 689                      | -                  | 1,310                  | -                  |
| <b>Operating cash flows before changes in working capital</b>      | <b>864</b>               | <b>4,172</b>       | <b>5,464</b>           | <b>11,300</b>      |
| <b>Changes in operating assets and liabilities</b>                 |                          |                    |                        |                    |
| Decrease in inventories  | 1,178                    | 1,999              | 3,236                  | 1,740              |
| Decrease/(increase) in trade receivables                           | 412                      | (2,521)            | (947)                  | (1,802)            |
| Decrease/(Increase) in prepayments, deposits and other receivables | 4,909                    | 2,945              | 2,405                  | (811)              |
| Decrease in trade and other payables                               | (1,855)                  | (9,523)            | (2,367)                | (7,999)            |
| <b>Cash generated from operations</b>                              | <b>5,508</b>             | <b>(2,928)</b>     | <b>7,791</b>           | <b>2,428</b>       |
| Income tax paid  | 1,410                    | 738                | (681)                  | (762)              |
| <b>Net cash flows from operating activities</b>                    | <b>6,918</b>             | <b>(2,190)</b>     | <b>7,110</b>           | <b>1,666</b>       |
| <b>Cash flows from investing activities</b>                        |                          |                    |                        |                    |
| Advance to customers and suppliers                                 | (693)                    | -                  | (1,235)                | (6,479)            |
| <b>Net cash used in investing activities</b>                       | <b>(693)</b>             | <b>-</b>           | <b>(1,235)</b>         | <b>(6,479)</b>     |
| <b>Cash flows from financing activities</b>                        |                          |                    |                        |                    |
| Proceeds from issuance of new shares                               | -                        | -                  | -                      | 36,371             |
| Repayment of short-term loans                                      | -                        | (547)              | -                      | (3,550)            |
| <b>Net cash generated from/(used in) financing activities</b>      | <b>-</b>                 | <b>(547)</b>       | <b>-</b>               | <b>32,821</b>      |
| <b>Net (decrease)/increase in cash and cash equivalents</b>        | <b>6,225</b>             | <b>(2,737)</b>     | <b>5,875</b>           | <b>28,008</b>      |
| Cash and cash equivalents at beginning of the quarter              | 16,465                   | 69,928             | 18,572                 | 39,081             |
| Effect of foreign exchange rate changes                            | 1,114                    | (163)              | (643)                  | (61)               |
| Cash and cash equivalents at end of the quarter                    | <b>23,804</b>            | <b>67,028</b>      | <b>23,804</b>          | <b>67,028</b>      |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with comparative statement for the corresponding period of the immediately preceding financial year.

| The Group  | Share Capital | Share Premium | Translation Reserve | Accumulated Losses | Total    | Non-controlling Interest | Total equity |
|--|---------------|---------------|---------------------|--------------------|----------|--------------------------|--------------|
|  | HK\$'000      | HK\$'000      | HK\$'000            | HK\$'000           | HK\$'000 | HK\$'000                 | HK\$'000     |
| At 1 April 2016                                    | 6,428         | 420,656       | (4,431)             | (317,271)          | 105,282  | 33,633                   | 138,815      |
| Other comprehensive loss for the year, net of tax: |               |               |                     |                    |          |                          |              |
| - Currency translation differences                 | -             | -             | (1,757)             | -                  | (1,757)  | -                        | (1,757)      |
| Loss for the quarter                               | -             | -             | -                   | (503)              | (503)    | 1,738                    | 1,235        |
| At 30 June 2016                                    | 6,428         | 420,656       | (6,188)             | (317,774)          | 103,022  | 35,271                   | 138,293      |
| Other comprehensive loss for the year, net of tax: |               |               |                     |                    |          |                          |              |
| - Currency translation differences                 | -             | -             | 616                 | -                  | 616      | -                        | 616          |
| Profit for the quarter                             | -             | -             | -                   | 89                 | 89       | 1,091                    | 1,180        |
| At 30 September 2016                               | 6,428         | 420,656       | (5,572)             | (317,685)          | 103,727  | 36,362                   | 140,089      |

| The Group   | Share Capital | Share Premium | Translation Reserve | Accumulated Losses | Total    | Non-controlling Interest | Total equity |
|---|---------------|---------------|---------------------|--------------------|----------|--------------------------|--------------|
|   | HK\$'000      | HK\$'000      | HK\$'000            | HK\$'000           | HK\$'000 | HK\$'000                 | HK\$'000     |
| At 1 April 2015                                       | 123,988       | 268,107       | 2,034               | (314,940)          | 79,189   | 30,760                   | 109,949      |
| Share consolidation                                   | (119,560)     | 119,560       | -                   | -                  | -        | -                        | -            |
| Issuance of shares                                    | 2,000         | 34,371        | -                   | -                  | 36,371   | -                        | 36,371       |
| Other comprehensive loss for the quarter, net of tax: |               |               |                     |                    |          |                          |              |
| - Currency translation differences                    | -             | -             | (1,190)             | -                  | (1,190)  | -                        | (1,190)      |
| Profit for the quarter                                | -             | -             | -                   | 2,308              | 2,308    | 2,742                    | 5,050        |
| At 30 June 2015                                       | 6,428         | 422,038       | 844                 | (312,632)          | 116,678  | 33,502                   | 150,180      |
| Currency translation difference                       | -             | -             | 175                 | -                  | 175      | -                        | 175          |
| Other comprehensive income/(loss) for the quarter     | -             | -             | (282)               | -                  | (282)    | -                        | (282)        |
| Profit for the quarter                                | -             | -             | -                   | 478                | 478      | 1,275                    | 1,753        |
| At 30 September 2015                                  | 6,428         | 422,038       | 737                 | (312,154)          | 117,049  | 34,777                   | 151,826      |

| The Company          | Share Capital | Share Premium | Accumulated Losses | Total    |
|----------------------|---------------|---------------|--------------------|----------|
|                      | HK\$'000      | HK\$'000      | HK\$'000           | HK\$'000 |
| At 1 April 2016      | 6,428         | 419,331       | (331,567)          | 94,192   |
| Loss for the quarter | -             | -             | (1,200)            | (1,200)  |
| At 30 June 2016      | 6,428         | 419,331       | (332,767)          | 92,992   |
| Loss for the quarter | -             | -             | (898)              | (898)    |
| At 30 September 2016 | 6,428         | 419,331       | (333,665)          | 92,094   |

| The Company          | Share Capital | Share Premium | Accumulated Losses | Total    |
|----------------------|---------------|---------------|--------------------|----------|
|                      | HK\$'000      | HK\$'000      | HK\$'000           | HK\$'000 |
| At 1 April 2015      | 123,988       | 268,107       | (326,766)          | 65,330   |
| Share consolidation  | (119,560)     | 119,560       | -                  | -        |
| Issuance of shares   | 2,000         | 34,371        | -                  | 36,371   |
| Loss for the quarter | -             | -             | (682)              | (682)    |
| At 30 June 2015      | 6,428         | 422,038       | (327,447)          | 101,019  |
| Loss for the quarter | -             | -             | (681)              | (681)    |
| At 30 September 2015 | 6,428         | 422,038       | (328,128)          | 100,338  |

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisitions or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of treasury shares, if any, against the number of issued shares excluding treasury shares of the company, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During Q2FY2017 and Q2FY2016, share capital of the Group has no change. The Company has no outstanding convertibles.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 September 2016 was 64,281,402 (31 March 2016: 64,281,402). As at 31 March 2016 and 30 September 2016, there were no treasury shares outstanding.

- 1d(iv) A statement showing all sales, transfers, disposals, cancellation, and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.**

The figures have not been audited nor reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The same accounting policies and methods of computation as our last audited annual financial statements have been applied.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Company has no changes in the accounting policies and methods of computation.

6. **Earnings/ (loss) per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

|   | <b>Q2FY2017</b> | <b>Q2FY2016</b> |
|---|-----------------|-----------------|
|   | HK cents        | HK cents        |
| (a) Based on the weighted average number of ordinary shares in issue; | (1.00)          | 0.94            |
| (b) On a fully diluted basis  | (1.00)          | 0.94            |

Note 6(a): For Q2FY2017, the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$89,000 and the weighted average of 64,281,402 ordinary shares in issue.

For Q2FY2016, the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$517,000 and the weighted average of 54,948,069 ordinary shares in issue.

Note 6(b): Fully diluted profit/(loss) per share for Q2FY2017 and Q2FY2016 are the same as profit/(loss) per share based on weighted average number of ordinary shares since there was no potential dilutive ordinary shares outstanding during Q2FY2017 and Q2FY2016.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

|   | <b>As at 30/09/2016</b> | <b>As at 31/03/2016</b> |
|---|-------------------------|-------------------------|
|   | HK\$                    | HK\$                    |
| <b><u>The Company</u></b>   |                         |                         |
| Net asset value per ordinary share based on existing issued share capital | 1.43                    | 1.56                    |
| <b><u>The Group</u></b>   |                         |                         |
| Net asset value per ordinary share based on existing issued share capital | 1.67                    | 2.36                    |

The calculation of net asset value per share of the Company is based on the Company's net asset value of positive HK\$92,094,000 (at 31 March 2016: HK\$94,192,000) and 64,281,402 ordinary shares in issue at 30 September 2016 (at 31 March 2016: 64,281,402).

The calculation of net asset value per share of the Group is based on the Group's net asset value of HK\$140,089,000 (at 31 March 2016: HK\$138,815,000) and 64,281,402 ordinary shares in issue at 30 September 2016 (at 31 March 2016: 64,281,402).



8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group.**

#### **Income statement**

##### Revenue

In Q2FY2017, the Group recorded revenue of approximately HK\$21.4 million comparing with HK\$22.3 million in Q2FY2016. Majority of the revenue was generated by the Group's 55% interest in NFC. Gross margin of the Group maintained as 56.5% comparing 58.6% for Q2FY2016. It has no material fluctuation of revenue and gross margin of the Group between Q2FY2017 and Q2FY2016.

##### Operating expenses

In Q2FY2017, the Group reported distribution expenses of approximately HK\$5.5 million as compared to HK\$6.5 million in Q2FY2016; administrative expenses of approximately HK\$4.5 million in Q2FY2017 as compared to approximately HK\$4.4 million in Q2FY2016.

The HK\$1.0 million decrease of distribution expenses in Q2FY2017 is mainly because the decrease of advertisement and marketing expenses. The Group's administrative expenses have no material fluctuation comparing with Q2FY2016.

##### Finance costs

The Group recorded HK\$0.3 million finance cost in Q2FY2017. It mainly represents the interest paid for the Group's bank loan.

##### Income tax expense

The Group recorded HK\$0.5 million of income tax expense in Q2FY2017, which represents the income tax charged to NFC due to the operating profit generated in the PRC.

##### Net profit/ (loss) attributable to shareholders

Overall, the Group recorded a net profit attributable to shareholders of approximately HK\$89,000 in Q2FY2017 compared to a net profit of approximately HK\$0.5 million in Q2FY2016.

#### **Balance sheet**

##### Intangible assets

Intangible assets decreased by HK\$1.5 million from HK\$46.6 million as at 31 March 2016 to HK\$45.1 million as at 30 September 2016. The decrease of HK\$1.5 million is due to amortisation of intangible assets charged in Q2FY2017.

Intangible assets of HK\$45.1 million as at 30 September 2016 included HK\$42.2 million of goodwill arising from the acquisition of NFC and HK\$2.9 million intangible assets related to customer relationship, software and technology held by the Group.

#### Non-current prepayments

The Group recorded HK\$1.2 million non-current prepayments as at 30 September 2016. This mainly represents the prepayment to acquire new licenses to launch more products by NFC.

#### Land use right

The Group recorded HK\$5.3 million for land use right as at 30 September 2016. This is held by NFC for its factory and office areas.

#### Inventories

The Group recorded HK\$18.8 million inventories as at 30 September 2016, which is HK\$3.2 million decrease comparing HK\$22.1 million as at 31 March 2016. This mainly represents the finished goods, working in progress and raw materials held by NFC.

#### Trade receivables

The Group recorded HK\$40.0 million trade receivables as at 30 September 2016, which mainly attributed from NFC. It has no significant fluctuation comparing with HK\$39.1 million as at 31 March 2016.

#### Prepayments, deposits and other receivables

The Group recorded HK\$76.4 million prepayments, deposits and other receivables as at 30 September 2016, which has no significant fluctuation comparing with HK\$79.5 million as at 31 March 2016. It mainly represents the prepayment to acquire 45% remaining interests of NFC.

#### Trade and other payables

Trade and other payables are amounted to HK\$25.5 million as at 30 September 2016 as compared to HK\$27.9 million as at 31 March 2016. The HK\$2.4 million decrease is mainly due to the settlement to the Group's suppliers.

#### Short term loans

The Group recorded HK\$20.7 million short term loans as at 30 September 2016. This loan is secured by land use right and office areas held by NFC.

#### Dividend payable

HK\$65.6 million dividend payable as at 30 September 2016 represents the payable to the vendor of NFC for the accumulated profits of NFC. The payable will not be settled within 10 years from the acquisition date. The Special General Meeting of the Company was held on 24 June 2016 to approve the Company to acquire remaining 45% interest of NFC. According to the Sales and Purchase Agreement, this dividend

payable will be waived under this transaction. Since the transaction has not been completed yet, the Company recorded this dividend in Q2FY2017.

### **Cash Flow Statement**

The Group recorded a net cash inflow of HK\$6.9 million from operating activities in Q2FY2017 as compared to a net cash outflow of HK\$2.2 million in Q2FY2016 mainly due to collection of trade and other receivables and decrease of inventory level.

The Group recorded a net cash outflow of HK\$0.7 million from investing activities in Q2FY2017. It is mainly due to HK\$0.7 million advance to a business partner incurred in Q2FY2017.

The Group recorded no cash flow from financing activities in Q2FY2017 as compared to a net cash outflow of HK\$0.5 million in Q2FY2016 for the repayment of bank loan.

As at 30 September 2016, the Group remained in a cash balance position of HK\$23.8 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Affected by authorities' new rules and regulations on nutrition advertisement, the Group's 55% interest subsidiary-NFC's revenue in Q2FY2017 remained no significant fluctuation comparing Q2FY2016. NFC is still in the process of changing marketing strategy. Since NFC can't use celebrities in the advertisement, which is the most effective strategy so far, NFC attempted to release its promotion in local distribution channels including local newspapers and magazines, organizing social activities to decrease the impact.

Now NFC will maintain the e-commerce business channel. Furthermore NFC will continuously concentrate on sales of core products related to joint, heart, liver and slim nutrition. To diversify products, NFC is also going to seek overseas business partner for weight reducing products.

**11. Dividend**

**(a) Current financial period reported on.**

Any dividend declared for the current financial period reported on?

None.

**(b) Corresponding period of the immediately preceding financial year.**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared or recommended during the period under review.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

To the best of the knowledge of the Directors, nothing has come to the attention of the Board which may render these financial results to be false or misleading.

**14. Negative assurance confirmation on interim financial results under Rule 705(5):**

I, Gao Xiang Nong Paul, being director of the Company do hereby confirm on behalf of the Board of Directors that to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the financial statements to be false or misleading in any material aspect.

**15. Confirmation pursuant to Rule 720(1)**

NutryFarm International Limited confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

**16. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company has not obtained a general mandate from shareholders for interested person transactions.

By Order of the Board

**Gao Xiang Nong, Paul**

**Executive director**

**10 November 2016**