

NUTRYFARM INTERNATIONAL LIMITED
(Company Registration Number: 32308)
(Incorporated in Bermuda)
(the “**Company**” or “**NutryFarm**”)

**DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR IN THE AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

Pursuant to Rule 704(5) of the Listing Rules of the Singapore Exchange Securities Trading Limited, the Board of Directors (the “**Board**”) of the Company, and together with its subsidiaries (the “**Group**”), wishes to announce that its independent auditor, Baker Tilly TFW LLP, has issued a disclaimer opinion (“**Disclaimer of Opinion**”) in the independent auditor’s report dated 5 February 2021 (“**Independent Auditor’s Report**”) in respect of the audited consolidated financial statements of the Group for the financial period ended 30 September 2020 (the “**Financial Statements**”).

An extract of the Independent Auditors’ Report is attached to this announcement for information. The Independent Auditors’ Report and a complete set of the Financial Statements will be released on SGXNET on 10 February 2021. Shareholders of the Company are advised to read this announcement in conjunction with the FY2020 Annual Report.

Note 1 of Basis for Disclaimer of Opinion - Refundable advances for proposed acquisition

As disclosed in Note 19 to the Financial Statements, the Group has refundable advances from the terminated proposed acquisition of First Linkage Inc. (“**First Linkage**”) 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 terminated proposed acquisition of 45% of the issued and paid-up shares of 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 financial period ended 30 September 2020, the Group has received refunds of HK\$26,869,000 from the vendor. Another HK\$980,000 has been subsequently settled by the vendor in January 2021. Accordingly, 31.02% of the balance as at previous financial year ended 31 March 2019 has been refunded up to the date of this announcement. The Group is still in the process of recovering the remaining advances from the vendor. The safeguard and measure implemented by management to recover the refundable advances paid in connection with the terminated proposed acquisition of First Linkage are disclosed in Note 19 to the Financial Statements. The Board 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.

Note 2 of Basis for Disclaimer of Opinion – 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.

As at 31 January 2021, a total of HK\$25,070,000 has been subsequently settled by the suppliers, third parties and a related party which was 56.23% of HK\$44,587,000 outstanding as at 30 September 2020. The Group continues to have on-going business with these suppliers, third parties and the related party. The Board is of the view that the impairment has been properly and sufficiently recognized and the amount of net carrying amounts of the Group’s advances was fairly presented.

Note 3 of Basis for Disclaimer of Opinion – 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 was 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. Considering the refund history by the vendor, the Board is of the view that the amounts of property, plant and equipment has been fairly presented.

Note 4 of Basis for Disclaimer of Opinion – Investment in subsidiaries

As disclosed in Note 11 to the Financial Statements, the net carrying amount of the Company's investment in subsidiaries amounted 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. This investment in subsidiaries was only presented at the Company's level and had been eliminated at the Group level. It had no impact on the Group's consolidated balance sheet and statement of profit or loss. Because of Note 2 of the basis for disclaimer of opinion, the independent auditor issued this note in the basis for disclaimer of opinion. The Board is of the view that the investment in subsidiaries is fairly presented.

Note 5 of Basis for Disclaimer of Opinion – 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. Similar to Note 4, the amounts due from subsidiaries were only reflected at the Company level and had been eliminated at the Group level. It had no financial impact on the Group's consolidated balance sheet and statement of profit or loss. Because of Note 1 of the basis for disclaimer of opinion, the independent auditor issued this note in the basis for disclaimer opinion. The Board is of the view that the amounts due from subsidiaries are fairly presented.

Note 6 of Basis for Disclaimer of Opinion – Appropriateness of the going concern assumption

In relation to the Disclaimer of Opinion, the Board is of the opinion that the continuing use of the going concern assumptions in the preparation of the Financial Statements is appropriate having regard to the following:

- 1) On 21 September 2020, the Company announced a share placement to issue 19,000,000 ordinary shares and raised gross proceeds of SGD760,000. The share placement was completed on 17 November 2020.
- 2) On 22 December 2020, the Company incorporated a wholly-owned subsidiary, Global Agricapital Holdings Pte. Ltd. ("**GAH**") with an initial issued and paid-up share capital of SGD450,000 divided into 450,000 ordinary shares. GAH's principal business includes wholesale of fruits and vegetables (including fresh and frozen), and other canning and preserving of fruits and fruit juices.
- 3) On 28 December 2020, the Company announced that GAH has 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.
- 4) On 8 January 2021, the Company announced that GAH has 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.
- 5) On 18 January 2021, the Company announced that GAH has 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.

- 6) On 29 January 2021, the Company announced that GAH has 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.

With reference to the above-mentioned preliminary agreements entered into between GAH and the various major PRC importers of fresh fruits and durians, the Board is of the view that the fruit business and nutrition business combined could generate reasonably sufficient profit contribution as well as positive operating cash flow to the Group and enable the Group to operate as a going concern.

Should the Group and the Company be unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal 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 normal 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 reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to the Financial Statements. The Board is of the opinion that sufficient information has been disclosed for the trading of the Company’s securities to continue in an orderly manner and confirmed that all material disclosures have been promptly provided for the trading of the Company’s shares to continue.

Shareholders of the Company are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Cheng Meng

Chief Executive Officer and Executive Director

10 February 2021

ANNEX A - Extract of the Independent Auditor's Report

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 paidup 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.

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.

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.