

## NUTRYFARM INTERNATIONAL LIMITED

(Company Registration Number: 32308)

(Incorporated in Bermuda)

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### RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

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The Board of Directors (the “**Board**”) of NutryFarm International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to its announcement (“**Announcement**”) on 14 August 2016 in relation to its financial statement and dividend announcement. In this regard, the Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited on 26 August 2016 (the “**SGX Query**”) as follows:

#### **SGX Query (a)**

It is stated on page 9 of the announced financial results that, “*The Group reported HK\$1.1 million increase of administrative expenses as compared to Q1FY2016 mainly due to HK\$0.9 million increase in research and development expenses.*” Please explain the nature of the research and development expenses and the reason(s) for the increase.

#### **Company’s Response to SGX Query (a)**

The research and development expenses were incurred in relation to the enhancement of current products and the preparation of the release of new products. The increase in administrative expenses arose primarily because of the Company’s plans to launch a greater number of self-manufactured products to expand the Company’s business. These include products which provide nutrition to the joints, heart and liver and products which can be used for slimming purposes.

#### **SGX Query (b)**

Please provide the disclosure as required under Appendix 7.2 paragraph 13 of the Listing Manual, “*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.*”

#### **Company’s Response to SGX Query (b)**

The Company has not obtained a general mandate from shareholders for IPTs.

#### **SGX Query (c)**

The Group recorded trade receivables of approximately HK\$40.4 million as at 30 June 2016 on the back of revenue of approximately HK\$19.5 million for the Q1FY2017. Please provide the Board of Directors’ assessment of the recoverability of the trade receivables and the bases of such an opinion.

#### **Company’s Response to SGX Query (c)**

The Board of Directors (the “**Board**”) has reviewed current transactions with the customers from whom the trade receivables are due. The Board has also compared the amount of trade receivables with the corresponding amount as at 31 March 2016, and notes that there was no significant change in the figures, and that the Company has maintained similar levels for trade receivables in recent years. As at 30 June 2016, the Group had recorded approximately HK\$40.4 million of trade receivables, of which approximately 96.74% was in respect of the Group’s top 6 customers who maintain frequent business, continuous payment and good trade relationships with the Group.

At present, the Board is not aware of any recoverability issues for the trade receivables.

**SQX Query (d)**

Please provide the breakdown of the prepayments, deposits and other receivables financial statement line item.

**Company's Response to SGX Query (d)**

The breakdown of the HK\$79.2 million of prepayments, deposits and other receivables as at 30 June 2016 are as follows:

|  | <b>HK\$ '000</b> |
|--|------------------|
| Prepayment   | 1,510            |
| Deposits   | 680              |
| Advance to third parties*                                | 72,316           |
| Other receivables  | <u>4,661</u>     |
| Sub-total of prepayments, deposits and other receivables | 79,167           |

**Notes**

\*Advance to third parties included the HK\$70,553,000 advance to acquire remaining 45% interest of Nutryfarm Biomedicine International Limited. This acquisition has been approved by Special General Meeting as at 24 June 2016.

**SQX Query (e)**

We note that the Company's financial year-end is 31 March. The heading on page 1 of the announced financial results states, "*Full year financial statement and dividend announcement*". Please clarify as to the correct heading for the announced financial results.

**Company's Response to SGX Query (e)**

The Company clarifies that this heading should instead read as "Quarterly financial statement and dividend announcement".

By Order of the Board

**Paul Gao Xiangnong**

Chief Executive Officer and Executive Director  
29 August 2016