



(Registration No: EC 32308)

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

Financial statements on combined results of NutriFarm International Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the end of Q2FY2018 as at 30 September 2017. 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 and statement of comprehensive income (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 2017
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.09			Six Months Ended 30.09		
	FY2018	FY2017	Change	FY2018	FY2017	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Revenue	17,941	21,383	(16)	35,033	40,890	(14)
Cost of sales	(7,512)	(9,291)	(19)	(14,511)	(17,816)	(19)
Gross profit	10,429	12,092	(14)	20,522	23,074	(11)
Other expenses	(321)	(211)	353	(126)	-	NM
Distribution expenses	(956)	(5,459)	(20)	(5,372)	(10,818)	(50)
Administrative expenses	(4,377)	(4,487)	(2)	(8,090)	(9,681)	(16)
Finance costs	(22)	(260)	(92)	(253)	(548)	(54)
Profit before income tax	4,753	1,675	184	6,681	2,027	230
Income tax expense	(757)	(495)	53	(1,459)	(792)	84
Profit for the quarter	3,996	1,180	239	5,222	1,235	323
Profit/(loss) attributable to:						
Equity holders of the Company	3,996	89	4,390	5,222	(503)	NM
Non-controlling interest	-	1,091	NM	-	1,738	NM
Profit for the quarter	3,996	1,180	239	5,222	1,235	323

NM - Not meaningful

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

NUTRYFARM INTERNATIONAL LIMITED
Group Comprehensive Income Statement
For the Quarter Ended 30 September 2017
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.09			Six Months Ended 30.09		
	FY2018	FY2017	Change	FY2018	FY2017	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Profit for the quarter	3,996	1,180	239	5,222	1,235	323
Other comprehensive income/(loss)						
Items that are or may be reclassified subsequently to profit or loss:						
Currency translation differences arising on consolidation, net of tax	431	616	(30)	107	(1,141)	NM
Total comprehensive income/(loss) for the quarter	4,427	1,796	146	5,329	94	5,569
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	4,427	705	528	5,329	(1,644)	NM
Non-controlling interest	-	1,091	NM	-	1,738	NM
Total comprehensive income/(loss) for the quarter	4,427	1,796	146	5,329	94	5,569

NM - Not meaningful

1(b)(i) A balance sheet (for the Company 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 2017
(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	As at 30/09/2017	As at 31/03/2017	As at 30/09/2017	As at 31/03/2017
Non-current assets				
Interests in subsidiaries	-	-	129,342	129,342
Property, plant and equipment	38,037	37,641	-	-
Intangible assets	42,290	42,241	-	-
Non-current prepayments	1,453	1,395	-	-
Land use right	4,570	5,677	-	-
	86,350	86,954	129,342	129,342
Current assets				
Inventories	14,686	12,269	-	-
Trade receivables	48,949	37,741	-	-
Prepayments, deposits and other receivables	28,499	11,187	-	126
Amounts due from subsidiaries	-	-	58,772	36,082
Cash and cash equivalents	34,998	25,397	109	120
	127,132	86,594	58,881	36,328
Current liabilities				
Trade and other payables	26,525	23,591	4,210	4,919
Short term loans	15,100	14,502	-	-
Amount due to subsidiary	-	-	76,839	76,839
Tax payable	375	360	-	-
	42,000	38,453	81,049	81,758
Net current assets/(liabilities)	85,132	48,141	(22,168)	(45,430)
Long term liabilities				
Long term payables	25,092	-	25,092	-
	25,092	-	25,092	-
Net assets	146,390	135,095	82,082	83,912
Equity				
Capital and reserves attributable to equity shareholders of the Company				
Share capital	6,428	6,428	6,428	6,428
Reserves	139,962	128,667	75,654	77,484
Total equity attributable to equity holders of the Company	146,390	135,095	82,082	83,912
Total equity	146,390	135,095	82,082	83,912

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

Amount repayable in one year or less, or on demand

As at 30/09/2017 In HK\$'000		As at 31/03/2017 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
15,100	-	14,502	-

Amount repayable after one year

As at 30/09/2017 In HK\$'000		As at 31/03/2017 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
-	25,092	-	-

Details of Collaterals

The borrowings of HK\$15.1 million as at 30 September 2017 was secured by the 34,165 square meters land use right and building of NutryFarm (Chengdu) Biomedicine Limited (“**NFC**”).

- 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 2017
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.09		Six Months Ended 30.09	
	FY2018 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000	FY2017 HK\$'000
Cash flows from operating activities				
Profit before taxation	4,753	(862)	6,681	2,027
Adjustments for:				
Interest income	126	(42)	(35)	(101)
Finance costs	(178)	207	53	495
Amortisation of land use rights	1,095	152	1,107	293
Amortisation of intangible assets	24	720	-	1,440
Depreciation of property, plant and equipment	(526)	689	396	1,310
Operating cash flows before changes in working capital	5,294	864	8,202	5,464
Changes in operating assets and liabilities				
Increase in inventories	3,435	1,178	2,417	3,236
(Increase)/decrease in trade receivables	(2,735)	412	(11,208)	(947)
(Increase)/decrease in prepayments, deposits and other receivables	(1,369)	4,909	(3,504)	2,405
Increase/(decrease) in trade and other payables	1,975	(1,855)	2,934	(2,367)
Cash generated from operations	6,600	5,508	(1,159)	7,791
Income tax paid	(734)	1,410	(1,444)	(681)
Net cash flows from operating activities	5,866	6,918	(2,603)	7,110
Cash flows from investing activities				
Advance to third parties	(9,593)	(693)	(13,593)	(1,235)
Net cash used in investing activities	(9,593)	(693)	(13,593)	(1,235)
Cash flows from financing activities				
Proceeds from bank loan	15,100	-	15,100	-
Repayment of short-term loans	-	-	(14,502)	-
Proceeds from a third party loan	5,801	-	25,092	-
Net cash generated from/(used in) financing activities	20,901	-	25,690	-
Net (decrease)/increase in cash and cash equivalents	17,174	6,225	9,494	5,875
Cash and cash equivalents at beginning of the period	17,393	16,465	25,397	18,572
Effect of foreign exchange rate changes	431	1,114	107	(643)
Cash and cash equivalents at end of the period	34,998	23,804	34,998	23,804

1(d)(i) A statement (for the Company 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	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	6,428	300,996	119,560	-12,300	(279,589)	135,095	-	135,095
Other comprehensive loss for the period, net of tax:								
- Currency translation differences	-	-	-	3,192	-	3,192	-	3,192
Other comprehensive loss for the period	-	-	-	(324)	-	(324)	-	(324)
Profit for the period	-	-	-	-	1,226	1,226	-	1,226
At 30 June 2017	6,428	300,996	119,560	(9,432)	(278,363)	139,189	-	139,189
Other comprehensive loss for the period, net of tax:								
- Currency translation differences	-	-	-	2,774	-	2,774	-	2,774
Other comprehensive loss for the period	-	-	-	431	-	431	-	431
Profit for the period	-	-	-	-	3,996	3,996	-	3,996
At 30 September 2017	6,428	300,996	119,560	(6,227)	(274,367)	146,390	-	146,390

The Group	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	6,428	300,996	119,560	-4,431	(317,271)	105,282	33,533	138,815
Other comprehensive loss for the period	-	-	-	(1,757)	-	(1,757)	-	(1,757)
Loss for the period	-	-	-	-	(503)	(503)	1,738	1,235
At 30 June 2016	6,428	300,996	119,560	(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	300,996	119,560	(5,572)	(317,685)	103,727	36,362	140,089

The Company	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'001	HK\$'000	HK\$'000
At 1 April 2017	6,428	300,996	119,560	(7,669)	(335,403)	83,912
Loss for the period	-	-	-	-	(971)	(971)
At 30 June 2017	6,428	300,996	119,560	(7,669)	(336,374)	82,941
Loss for the period	-	-	-	-	(859)	(859)
At 30 September 2017	6,428	300,996	119,560	(7,669)	(337,233)	82,082

The Company	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'001	HK\$'000	HK\$'000
At 1 April 2016	6,428	300,996	119,560	(1,225)	(331,567)	94,192
Loss for the period	-	-	-	-	(1,200)	(1,200)
At 30 June 2016	6,428	300,996	119,560	(1,225)	(332,767)	92,992
Loss for the period	-	-	-	-	(898)	(898)
At 30 September 2016	6,428	300,996	119,560	(1,225)	(333,665)	92,094

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 Q2FY2018 and Q2FY2017, share capital of the Group has no change. The Company has no outstanding convertibles.

The Company did not have treasury shares or subsidiary holdings as at 30 September 2017 and 30 September 2016.

- 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 2017 was 64,281,402 (31 March 2017: 64,281,402). As at 31 March 2017 and 30 September 2017, there were no treasury shares outstanding.

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

Not applicable.

- 1d(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 Company'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.

	Q2FY2018	Q2FY2017
	HK cents	HK cents
(a) Based on the weighted average number of ordinary shares in issue; and	8.12	(1.00)
(b) On a fully diluted basis	8.12	(1.00)

Note 6(a): For Q2FY2018, the calculation of basic loss per share was based on profit attributable to equity holders of the Company of HK\$3,996,000 and the weighted average of 64,281,402 ordinary shares in issue.

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

Note 6(b): Fully diluted profit/(loss) per share for Q2FY2018 and Q2FY2017 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 Q2FY2018 and Q2FY2017.

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

	As at 30/09/2017 HK\$	As at 31/03/2017 HK\$
<u>The Company</u>		
Net asset value per ordinary share based on existing issued share capital	1.28	1.56
<u>The Group</u>		
Net asset value per ordinary share based on existing issued share capital	2.28	2.36

The calculation of net asset value per share of the Company is based on the Company's net asset value of HK\$82,082,000 (at 31 March 2017: HK\$83,912,000) and 64,281,402 ordinary shares in issue at 30 September 2017 (at 31 March 2017: 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\$146,390,000 (at 31 March 2017: HK\$135,095,000) and 64,281,402 ordinary shares in issue at 30 September 2017 (at 31 March 2017: 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 during the current financial period reported on.**

Income statement

Revenue

In Q2FY2018, the Group recorded revenue of approximately HK\$17.9 million comparing with HK\$21.4 million in Q2FY2017. Majority of the revenue was generated by the Group's subsidiary NFC. 16% decrease of revenue is because of the drop of marketing activities. In addition, the sales of self-manufactured products increased so that the gross margin increased from 56.5% to 58.1%.

Operating expenses

In Q2FY2018, the Group reported distribution expenses of approximately HK\$1.0 million as compared to HK\$5.5 million in Q2FY2017; administrative expenses of approximately HK\$4.4 million in Q2FY2018 as compared to approximately HK\$4.5 million in Q2FY2017.

HK\$4.5 million decrease of distribution expenses in Q2FY2018 comparing Q2FY2017 is mainly due to the

decrease of advertisement expenses. In Q2FY2018, the Group has no material fluctuation of administrative expenses as compared to Q2FY2017.

Finance costs

The Group recorded HK\$22,000 finance cost in Q2FY2018. It mainly represents the interest paid for the Group's bank loan.

Income tax expense

The Group recorded HK\$0.8 million of income tax expense in Q2FY2018, which represents the income tax charged to NFC due to the operating profit generated in the People's Republic of China.

Net profit/ (loss) attributable to shareholders

Overall, the Group recorded a net profit attributable to shareholders of approximately HK\$4.0 million in Q2FY2018 compared to a net profit of approximately HK\$89,000 in Q2FY2017.

Balance sheet

Intangible assets

Intangible assets as at 30 September 2017 amounted to HK\$42.3 million, which has not materially fluctuated compared to the figure as at 31 March 2017.

Intangible assets of HK\$42.3 million as at 30 September 2017 included goodwill arising from the acquisition of NFC (through the acquisition of NFB) and intangible assets related to customer relationship, software and technology held by the Group.

Non-current prepayments

The Group recorded HK\$1.5 million non-current prepayments as at 30 September 2017. This mainly represents the prepayment to acquire new licenses to launch more products by NFC.

Land use right

The Group recorded HK\$4.6 million for land use right as at 30 September 2017. This is held by NFC for its factory and office areas.

Inventories

The Group recorded HK\$14.7 million inventories as at 30 September 2017. This mainly represents the finished goods, working in progress and raw materials held by NFC and it has no significant movement comparing 31 March 2017.

Trade receivables

The Group recorded HK\$48.9 million trade receivables as at 30 September 2017, which mainly attributed from NFC. This is an increase of HK\$11.2 million compared to HK\$37.7 million as at 31 March 2017. The

increases of trade receivables are mainly from main customers due to some of the main customers extended their credit terms. Those main customers are still contributing positive revenue to the Group and maintain regular payment record as well.

Prepayments, deposits and other receivables

The Group recorded HK\$28.5 million prepayments, deposits and other receivables as at 30 September 2017, which is a HK\$17.3 million increase compared to HK\$11.2 million as at 31 March 2017. The increase is mainly due to: 1) HK\$3.5 million prepayment to expand nutrition business in east-south part of China under traditional distribution channel, and 2) HK\$13.8 million advance to business partners to support their marketing and promotion activities.

Trade and other payables

Trade and other payables amounted to HK\$26.5 million as at 30 September 2017 has HK\$2.9 million increase as compared to HK\$23.6 million as at 31 March 2017. The increase mainly represented the payable for the purchase of inventories as at 30 September 2017.

Short term loans

The bank loan of an aggregate sum of HK\$15.1 million as at 30 September 2017, which was secured by NFC's land use right.

Long term payable

The Group recorded HK\$25.1 million long term payables as at 30 September 2017. It represents the Company's receipt of an aggregate of HK\$25.1 million third party loan from investors with an annual interest rate of 3.7% and 7.4% for three years during FY2018.

Cash Flow Statement

The Group recorded a net cash inflow of HK\$5.9 million from operating activities in Q2FY2018 as compared to a net cash inflow of HK\$6.9 million in Q2FY2017. The HK\$1.0 million drop of cash flow from operating activities is mainly due to the increase of trade receivables related to NFC's main customers.

The Group recorded a net cash outflow of HK\$9.6 million from investing activities in Q2FY2018 as compared to HK0.7 million cash outflow from investing activities in Q2FY2017. It mainly represented advance to support NFC major customers marketing activities, promotions and business expansion.

The Group recorded HK\$20.9 million net cash inflow from financing activities in Q2FY2018 as compared to no cash flow in Q2FY2017. In Q2FY2018, the Group received third party loans of an aggregate of HK\$5.8 million and HK\$15.1 million of bank loans of NFC.

As at 30 September 2017, the Group remained in a cash balance position of HK\$35.0 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.**

In Q2FY2018, NFC achieved HK\$17.9 million revenue which is a 16% decrease from that in Q2FY2017. The products of NFC are continuously focusing on *heart, brain, blood vessels, joint and weight loss products which are mostly self-manufactured by NFC*. In this quarter, NFC launched five new products related to immunization with higher gross margin. As the result, the gross margin of the Company in Q2FY2018 is 58.1%, which is 1.6% higher than Q2FY2017.

The main customers contributed over 60% revenue to NFC and NFC maintained the stable cooperation with those customers as well by including special prices and marketing and promotion support. Further to this, NFC continuously increase new customers by the E-commerce model. NFC also attempted new strategies such as membership sales, etc. NFC is increasingly relying on the local media including newspapers, magazines and local TV, as well as the internet promotion from last quarter.

NFC will maintain its strong products. From this quarter, NFC will release some new products for beauty and weight-loss which will be one of the main products in the future. NFC will adjust its products focus accordingly based on feedback from customers.

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/recommended, 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.

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

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

Gao Xiang Nong Paul and Xu Haimin, being directors of the Company do hereby confirm on behalf of the Board of Directors that to the best of the knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim 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.

By Order of the Board

Gao Xiang Nong, Paul

Executive director

13 November 2017