



THIS QUARTERLY REPORT ANNOUNCEMENT IS MANDATORY AND MADE PURSUANT TO THE REQUIREMENTS OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

(Registration No: EC 32308)

## QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

Financial statements on combined results of NutryFarm International Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the third quarter ended 31 December 2019 (“Q3FY2020”). 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 31 December 2019**  
**(Expressed in Hong Kong thousand dollars)**

	Three Months Ended 31.12			Nine Months Ended 31.12		
	FY2020	FY2019	Change	FY2020	FY2019	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Revenue</b>	13,081	13,985	(6)	32,092	35,859	(11)
Cost of sales	(7,958)	(7,700)	3	(22,437)	(20,717)	8
<b>Gross profit</b>	5,123	6,285	(18)	9,655	15,142	(36)
Other income/(expenses)	174	(3)	NM	1,073	18	NM
Distribution expenses	(1,224)	(1,671)	(27)	(4,408)	(6,293)	73
Administrative expenses	(5,509)	(2,306)	139	(10,892)	(8,724)	25
Finance costs	(1,916)	(870)	120	(5,494)	(2,459)	123
<b>Loss before income tax</b>	(3,352)	1,435	NM	(10,066)	(2,316)	335
Income tax expense	208	(342)	NM	484	(324)	NM
<b>Loss for the period</b>	(3,144)	1,093	NM	(9,582)	(2,640)	263
<b>Loss attributable to:</b>						
Equity holders of the Company	(3,144)	1,093	NM	(9,582)	(2,640)	263
Non-controlling interest	-	-	NM	-	-	NM
<b>Loss for the period</b>	(3,144)	1,093	NM	(9,582)	(2,640)	263

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 31 December 2019**  
**(Expressed in Hong Kong thousand dollars)**

	Three Months Ended 31.12			Nine Months Ended 31.12		
	FY2020	FY2019	Change	FY2020	FY2019	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Loss for the period</b>	(3,144)	1,093	NM	<b>(9,582)</b>	<b>(2,640)</b>	<b>263</b>
<b>Other comprehensive (loss)/income</b> Items that are or may be reclassified subsequently to profit or loss: currency translation differences arising on consolidation, net of tax	(781)	(38)	1,955	(7,712)	(203)	3,699
<b>Total comprehensive (loss)/income for the period</b>	<b>(3,925)</b>	<b>1,055</b>	NM	<b>(17,294)</b>	<b>(2,843)</b>	<b>508</b>
<b>Total comprehensive (loss)/income attributable to:</b>						
Equity holders of the Company	(3,925)	1,055	NM	(17,294)	(2,843)	508
Non-controlling interest	-	-	NM	-	-	NM
<b>Total comprehensive (loss)/income for the period</b>	<b>(3,925)</b>	<b>1,055</b>	NM	<b>(17,294)</b>	<b>(2,843)</b>	<b>508</b>

NM - Not meaningful

1(b)(i) A statement of financial position (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 31 December 2019**  
**(Expressed in Hong Kong thousand dollars)**

	The Group		The Company	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	As at 31/12/2019	As at 31/03/2019	As at 31/12/2019	As at 31/03/2019
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	76,447	76,447
Property, plant and equipment	9,789	10,811	-	-
Other receivables	47,808	25,005	-	-
Land use right	5,356	5,621	-	-
	62,953	41,437	76,447	76,447
<b>Current assets</b>				
Inventories	5,925	12,902	-	-
Trade receivables	14,300	9,492	-	-
Prepayments, deposits and other receivables	115,256	100,714	593	133
Amounts due from subsidiaries	-	-	146,192	150,754
Tax recoverable	170	327	-	-
Cash and cash equivalents	6,229	47,380	123	1,555
	141,880	170,815	146,908	152,442
<b>Current liabilities</b>				
Trade and other payables	25,871	19,107	11,045	9,394
Contract liabilities	1,262	1,262	-	-
Short term loans	37,063	15,105	-	-
Amount due to subsidiaries	-	-	74,759	74,759
	64,196	35,474	85,804	84,153
<b>Net current assets/(liabilities)</b>	77,684	135,341	61,104	68,289
<b>Non-current liabilities</b>				
Long term loans	100,979	119,826	121,510	119,826
	100,979	119,826	121,510	119,826
<b>Net assets</b>	39,658	56,952	16,041	24,910
<b>Equity</b>				
<b>Capital and reserves attributable to equity shareholders of the Company</b>				
Share capital	9,642	9,642	9,642	9,642
Reserves	30,016	47,310	6,399	15,268
<b>Total equity attributable to equity holders of the Company</b>	39,658	56,952	16,041	24,910
<b>Total equity</b>	39,658	56,952	16,041	24,910

**1(b)(ii) Aggregate amount of Group's borrowings and debt securities as at the end of the current financial period reported on (Q3FY2020) with comparative figures as at the end of the immediately preceding financial year**

**Amount repayable in one year or less, or on demand, and whether the said amount is secured or unsecured.**

<b>As at 31/12/2019 In HK\$'000</b>		<b>As at 31/03/2019 In HK\$'000</b>	
Secured	Unsecured	Secured	Unsecured
16,532	20,531	15,105	-

**Amount repayable after one year, and whether the said amount is secured or unsecured.**

<b>As at 31/12/2019 In HK\$'000</b>		<b>As at 31/03/2019 In HK\$'000</b>	
Secured	Unsecured	Secured	Unsecured
-	100,979	-	119,826

Details of Collaterals

In the short term borrowings, HK\$16.5 million as at 31 December 2019 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 31 December 2019**  
**(Expressed in Hong Kong thousand dollars)**

	Three Months Ended 31.12		Nine Months Ended 31.12	
	Q3FY2020 HK\$'000	Q3FY2019 HK\$'000	Q3FY2020 HK\$'000	Q3FY2019 HK\$'000
<b>Cash flows from operating activities</b>				
Loss before tax	(3,352)	1,435	(10,066)	(2,316)
Adjustments for:				
Amortisation of land use rights	230	235	751	724
Amortisation of intangible assets	-	131	-	381
Depreciation of property, plant and equipment	553	1,132	1,022	5,625
Interest income	(149)	(29)	(501)	(92)
Finance costs	3,736	870	5,494	2,459
<b>Operating cash flows before changes in working capital</b>	1,018	3,774	(3,300)	6,781
<b>Changes in operating assets and liabilities</b>				
Inventories	9,229	4,852	6,977	(348)
Trade and other receivables	(9,723)	(4,626)	(19,636)	(15,348)
Trade and other payables	(6,080)	(3,537)	(6,764)	(7,479)
<b>Cash generated/(used in) from operations</b>	(5,556)	463	(22,723)	(16,394)
Income tax paid	678	(324)	484	(324)
Interest paid	(1,231)	(429)	(1,231)	(749)
<b>Net cash flows generated/(used in) from operating activities</b>	(6,109)	(290)	(23,470)	(17,467)
<b>Cash flows from investing activities</b>				
Interest received	270	-	501	-
Purchase of property, plant and equipment	-	(1,124)	(27,786)	(1,124)
Advance to customers and suppliers	-	(6,561)	(2,781)	(10,142)
Refund from a third party for proposed acquisition of a subsidiary/associated company	2,820	-	24,830	-
<b>Net cash used in investing activities</b>	3,090	(7,685)	(5,236)	(11,266)
<b>Cash flows from financing activities</b>				
Interest paid	(2,428)	-	(5,949)	-
Proceeds from third party loan	-	11,240	-	22,480
Drawdown of short term loans	-	-	16,323	-
Repayment of short term loans	-	-	(15,105)	-
<b>Net cash generated from financing activities</b>	(2,428)	11,240	(4,731)	22,480
<b>Net increase in cash and cash equivalents</b>	(5,447)	3,265	(33,437)	(6,253)
Cash and cash equivalents at beginning of the period	12,459	22,727	47,380	36,160
Effect of foreign exchange rate changes	(783)	(353)	(7,714)	(4,268)
Cash and cash equivalents at end of the period	6,229	25,639	6,229	25,639

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 a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	Share Capital	Share Premium	Contributed Surplus Reserve	Fair Value Reserve	Translation Reserve	Accumulated Losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2019</b>	9,642	315,301	119,560	(45,505)	(6,446)	(335,600)	56,952
Other comprehensive loss for the period, net of tax:							
- Currency translation differences	-	-	-	-	(3,931)	-	(3,931)
Loss for the period	-	-	-	-	-	(3,593)	(3,593)
<b>At 30 June 2019</b>	9,642	315,301	119,560	(45,505)	(10,377)	(339,193)	49,428
Other comprehensive loss for the period, net of tax:							
- Currency translation differences	-	-	-	-	(3,000)	-	(3,000)
Loss for the period	-	-	-	-	-	(2,845)	(2,845)
<b>At 30 September 2019</b>	9,642	315,301	119,560	(45,505)	(13,377)	(342,038)	43,583
Other comprehensive loss for the period, net of tax:							
- Currency translation differences	-	-	-	-	(781)	-	(781)
Loss for the period	-	-	-	-	-	(3,144)	(3,144)
<b>At 31 December 2019</b>	9,642	315,301	119,560	(45,505)	(14,158)	(345,182)	39,658

The Group	Share Capital	Share Premium	Contributed Surplus Reserve	Fair Value Reserve	Translation Reserve	Accumulated Losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2018</b>	9,642	315,301	119,560	(45,505)	2,421	(242,364)	159,055
Other comprehensive income for the period, net of tax:							
- Currency translation differences	-	-	-	-	(7,085)	-	(7,085)
Loss for the period	-	-	-	-	-	(3,497)	(3,497)
<b>At 30 June 2018</b>	9,642	315,301	119,560	(45,505)	(4,664)	(245,861)	148,473
Other comprehensive loss for the year, net of tax:							
- Currency translation differences	-	-	-	(6,166)	-	-	(6,166)
Loss for the period	-	-	-	-	-	(236)	(236)
<b>At 30 September 2018</b>	9,642	315,301	119,560	(51,671)	(4,664)	(246,097)	142,071
Other comprehensive loss for the year, net of tax:							
- Currency translation differences	-	-	-	(167)	-	-	(167)
Loss for the period	-	-	-	-	-	1,093	1,093
<b>At 31 December 2018</b>	9,642	315,301	119,560	(51,838)	(4,664)	(245,004)	142,997

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 a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

The Company	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2019</b>	9,642	315,301	119,560	(4,145)	(415,448)	24,910
Loss for the period	-	-	-	-	(2,335)	(2,335)
<b>At 30 June 2019</b>	9,642	315,301	119,560	(4,145)	(417,783)	22,575
Loss for the period	-	-	-	-	(2,331)	(2,331)
<b>At 30 September 2019</b>	9,642	315,301	119,560	(4,145)	(420,114)	20,244
Loss for the period	-	-	-	-	(4,203)	(4,203)
<b>At 31 December 2019</b>	9,642	315,301	119,560	(4,145)	(424,317)	16,041

The Company	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2018</b>	9,642	315,301	119,560	1,662	(347,210)	98,955
Loss for the period	-	-	-	-	(1,251)	(1,251)
<b>At 30 June 2018</b>	9,642	315,301	119,560	1,662	(348,461)	97,704
Loss for the period	-	-	-	-	(1,674)	(1,674)
<b>At 30 September 2018</b>	9,642	315,301	119,560	1,662	(350,135)	96,030
Loss for the period	-	-	-	-	(369)	(369)
<b>At 31 December 2018</b>	9,642	315,301	119,560	1,662	(350,504)	95,661



**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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.**

There were no changes in the share capital of the Company since the end of the second quarter ended 30 September 2019. The Company has no outstanding convertibles.

The Company did not have treasury shares or subsidiary holdings as at 31 December 2019 and 31 December 2018.

**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 31 December 2019 was 96,422,103 (31 March 2019: 96,422,103). As at 31 December 2019 and 31 March 2019, 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 or reviewed.

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

Not applicable.



**3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

**(a) Updates on the efforts taken to resolve each outstanding audit issue**

The financial statements for the financial year ended 31 March 2019 (“FY2019”) were subject to a qualified opinion by the Company’s independent auditors, Baker Tilly TFW LLP, in relation to two issues, (1) the refundable advances paid to Mr. Xiaoxin Wang in connection with the previous proposed acquisition of First Linkage Inc. and (2) advances to suppliers and third parties.

With regards to the refundable advances, HK\$2.8 million had been refunded by Mr. Xiaoxin Wang in Q3FY2020. Mr. Xiaoxin Wang and First Linkage Inc. have also agreed to apply the unrefunded balance of the advances towards the payment of the consideration sum for the proposed acquisition of Xinjiang Zhongtong Internet Science and Technology Development Co., Ltd. (“XJZT”) in the manner announced by the Company on 3 December 2019 subject to the necessary approvals being obtained for the acquisition of XJZT.

With regards to the advances to suppliers and third parties, the Company confirms that there are no known material issues that would adversely affect the ability of the suppliers and third parties to fulfil their obligations under the said advances.

The Company has a tight relationship with these suppliers and third parties and has made all reasonable efforts to ascertain that the nutrition business is still ongoing as usual.

**(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

The Board confirms that the impact of all outstanding audit issues above has been adequately disclosed.

**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.**

There were no changes in the accounting policies and methods of computation.

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

	<b>Q3FY2020</b>	<b>Q3FY2019</b>
	HK cents	HK cents
(a) Based on the weighted average number of ordinary shares on issue; and	(3.26)	1.13
(b) On a fully diluted basis (detailing any adjustments made to the earnings)	(3.26)	1.13

Note 6(a): For Q3FY2020, the calculation of basic loss per share was based on loss attributable to equity holders of the Company of HK\$3,144,000 and the weighted average of 96,422,103 ordinary shares in issue.

For the corresponding period of the immediately preceding financial year ended 31 December 2018 (“Q3FY2019”), [the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$1,093,000 and the weighted average of 96,422,103 ordinary shares in issue.]

Note 6(b): Fully diluted (loss)/profit per share for Q3FY2020 and Q3FY2019 are the same as (loss)/profit per share based on weighted average number of ordinary shares since there was no potential dilutive ordinary shares outstanding during Q3FY2020 and Q3FY2019.

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

The calculation of net asset value per share of the Company was based on the Company's net asset value of HK\$16,041,000 as at 31 December 2019 (at 31 March 2019: HK\$24,910,000) and 96,422,103 ordinary shares in issue as at 31 December 2019 (at 31 March 2019: 96,422,103).

The calculation of net asset value per share of the Group was based on the Group's net asset value of HK\$39,658,000 as at 31 December 2019 (at 31 March 2019: HK\$56,952,000) and 96,422,103 ordinary shares in issue as at 31 December 2019 (at 31 March 2019: 96,422,103).

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**

- a. 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; and
- b. 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 Q3FY2020, the Group recorded revenue of approximately HK\$13.1 million as compared to HK\$14.0 million in Q3FY2019. Majority of the revenue was generated by the Group's subsidiary, NFC. Similar to the previous financial year and previous quarter, NFC is still suffering from the restrictive regulations on

advertisements relating to nutrition products in the People's Republic of China ("PRC") as well as the special inspection on marketing strategies in respect of nutrition products conducted by the PRC authorities. Since January 2019, the China State Administration for Market Regulation ("SAMP") indicated that it would maintain the restrictive approach towards nutrition products and this has affected the number of advertisements allowed to be published by NFC and its customers. In this tough year, some main customers also minimized the sales team *and* faced a challenging period despite having incurred much more marketing expenses.

#### Other Income

The Group recorded HK\$174,000 of other income in Q3FY2020 which represents the subsidy income by NFC.

#### Operating expenses

In Q3FY2020, the Group reported distribution expenses of approximately HK\$1.2 million as compared to HK\$1.7 million in Q3FY2019; and administrative expenses of approximately HK\$5.5 million in Q3FY2020 as compared to approximately HK\$2.3 million in Q3FY2019.

There is no material difference in the distribution expenses in Q3FY2020 and Q3FY2019. The Group recorded HK\$3.2 million increase of administrative expenses in Q3FY2020 as compared to Q3FY2019 due to the increase of travel, research and development expenses by which the Company is trying to support its revenue..

#### Finance costs

The Group recorded HK\$1.9 million in finance costs in Q3FY2020. It mainly represents the interest paid for the Group's third party loan and NFC's bank loan in the PRC.

#### Income tax expense

The Group recorded HK\$208,000 deferred tax assets in Q3FY2020 for NFC operating losses in Q3FY2020.

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

Overall, the Group recorded a net loss attributable to shareholders of approximately HK\$3.1 million in Q3FY2020 as compared to a net profit of approximately HK\$1.1 million in Q3FY2019.

### **Balance sheet**

#### *Non-current assets*

#### Other receivables

The Group recorded HK\$47.8 million of other receivables as at 31 December 2019. It mainly represents the prepayment to acquire hardware and software of internet business.

#### Land use right

The Group recorded HK\$5.4 million for land use right as at 31 December 2019. This is held by NFC for its factory and office areas.

#### *Current assets*

##### Inventories

The Group recorded HK\$5.9 million inventories as at 31 December 2019. This mainly represents the finished goods, working in progress and raw materials held by NFC. There is a decrease of HK\$7.0 million as compared to HK\$12.9 million as at 31 March 2019.

##### Trade receivables

The Group recorded HK\$14.3 million trade receivables as at 31 December 2019, which mainly attributed from NFC. Compared to HK\$9.5 million in trade receivables as at 31 March 2019, the HK\$4.8 million increase is mainly from the main customers of NFC due to the drop of revenue and the challenging market for nutritional products in the PRC.

##### Prepayments, deposits and other receivables

The Group recorded HK\$115.3 million prepayments, deposits and other receivables as at 31 December 2019. It mainly comprises the advance previously paid by the Company to Mr. Xiaoxin Wang in connection with the previous proposed acquisition of First Linkage Inc.

#### *Current liabilities*

##### Trade and other payables

Trade and other payables amounted to HK\$25.9 million as at 31 December 2019, which is an increase of HK\$6.8 million from HK\$19.1 million as at 31 March 2019. It is mainly due to the increase in purchase of raw materials for nutritional products manufacturing.

##### Short term loans

The bank loans of an aggregate sum of HK\$37.1 million as at 31 December 2019 includes HK\$18.8 million third party loans for which the maturity dates are during the period from 31 December 2019 to 31 December 2020 as well as HK\$2.0 million accrued interest, and HK\$16.3 million bank loan secured by NFC's land use right.

#### *Non-current liabilities*

##### Long term loans

The Group recorded HK\$101.0 million in long term payables as at 31 December 2019. It represents the Company's receipt of a third party loan from investors with an annual interest rate of 3.5% and 7.4% for three years to four years as at 31 December 2019.

## **Cash Flow Statement**

The Group recorded a net cash outflow of HK\$6.1 million from operating activities in Q3FY2020 as compared to a net cash outflow of HK\$290,000 in Q3FY2019. The difference is mainly due to the decrease of working capital in Q3FY2020.

The Group recorded HK\$3.1 million of cash inflow from investing activities in Q3FY2020 as compared to HK\$7.7 million of cash outflow in Q3FY2019. The increase of cash inflow in Q3FY2020 mainly represented HK\$2.8 million refund from Mr. Xiaoxin Wang for the advance paid by the Company in connection with the previous proposed acquisition of First Linkage Inc.

The Group recorded HK\$2.4 million cash outflow from financing activities in Q3FY2020. It represents the interests paid to third party loan.

As at 31 December 2019, the Group remained in a cash balance position of HK\$6.2 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 significant trends and 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 Q3FY2020, the Group's wholly-owned subsidiary, NFC, recorded HK\$13.1 million in revenue which is a 6% decrease as compared to HK\$14.0 million in Q3FY2019. Majority of the Group's revenue was generated by NFC. Similar to previous quarter, the SAMP issued stringent rules to regulate nutrition products which resulted in NFC and its customers having only minimal advertisement in Q3FY2020 as well. Although NFC has tried to diversify its marketing strategies by including the local media, NFC still faces challenges arising from the depressed market for nutritional products in the PRC. Notwithstanding that NFC has started to manufacture and sell more food and supplement products including compressed candy, vitamin, and food for enhancing immunization continuously, NFC's revenue had not turned around in Q3FY2020.

The main customers continue to contribute over 50% of revenue to NFC. NFC has been maintaining stable cooperation with these customers by offering special prices and providing marketing and promotional support. However, these main customers suffered the challenges and were affected by the rules and regulations as well. The offering of the special prices did not have any positive effects. In the meantime, NFC is still trying to cooperate with the local media including newspapers, magazines and local TV to seek possible cooperation for advertisements, but it does not seem to be having a positive reaction

so far.

In Q3FY2020, NFC continued to import products of mixed drinks of Lutein ester and blueberry and crispy oatmeal. So far, the profit margin of the imported products is low and the sales of the imported products have not materially contributed to the revenue yet. In the future, NFC would like to increase the volume of imported products from North America as planned. At the same time, NFC would also maintain its current products including flaxseed oil and grape seed oil, and increase its inventories for meal replacement powder for blood sugar control and mixed drinks of chia and blueberry.

Due to the COVID-19 virus outbreak sometime in late December 2019, NFC's factory temporarily ceased the manufacturing of goods until the Chinese New Year holidays in 2020 were over. As at 13 February 2020, there are approximately 60,000 reported cases and more than 1,000 deaths in China. At the time of this announcement, staff other than those employed in the production department are working from home, and will continue to do so.

NFC's main customers are likewise facing similar business disruptions which has led to much uncertainty in the industry. Unless the situation improves, the Company believes that the Company's performance may be significantly and adversely affected. However, due to limited resources and the unpredictability of the situation, the Company is unable to estimate the amount of losses that may be suffered for the next reporting period and over a period of time.

The Company expects to be able to have more clarity by the end of the next reporting period and will disclose all relevant information in the next financial results announcement. Meanwhile, the Company is taking all necessary measures to minimize losses where possible.

**11. If a decision regarding dividend has been made:—**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended); and**

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

**(b) (i) Amount per share ..... cents**

Not applicable.

**(ii) Previous corresponding period ..... cents**

Not applicable.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable.**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividend has been declared or recommended during the period under review. No dividend has been declared or recommended during the period under review. As at Q3FY2020, the Group recorded accumulated losses of HK\$343,531,000. Therefore, the Group is focusing on enhancing the Group's profitability and would consider the declaration of a dividend when the Group achieves enough profits.

**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 confirmation pursuant to Rule 705(5). (Not required for announcement on full year results):**

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

**15. Confirmation that the Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under 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

**Luk Chung Po, Terence**

**Chief Executive Officer and Executive Director**

**14 February 2020**