



(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 Q3FY2018 as at 31 December 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 31 December 2017
(Expressed in Hong Kong thousand dollars)

| | Three Months Ended 31.12 | | | Nine Months Ended 31.12 | | |
|---------------------------------------|--------------------------|----------|--------|-------------------------|----------|--------|
| | FY2018 | FY2017 | Change | FY2018 | FY2017 | Change |
| | HK\$'000 | HK\$'000 | % | HK\$'000 | HK\$'000 | % |
| Revenue | 18,147 | 19,601 | (7) | 53,180 | 60,491 | (12) |
| Cost of sales | (8,131) | (8,726) | (7) | (22,642) | (26,542) | (15) |
| Gross profit | 10,016 | 10,875 | (8) | 30,538 | 33,949 | (10) |
| Other income/(expenses) | 658 | (105) | 2,580 | 532 | (316) | NM |
| Distribution expenses | (2,814) | (3,515) | 25 | (8,186) | (14,333) | (43) |
| Administrative expenses | (4,406) | (4,459) | (1) | (12,496) | (13,929) | (10) |
| Finance costs | (945) | (307) | 208 | (1,198) | (855) | 40 |
| Profit before income tax | 2,509 | 2,489 | 1 | 9,190 | 4,516 | 103 |
| Income tax expense | (739) | (412) | 79 | (2,198) | (1,204) | 83 |
| Profit for the quarter | 1,770 | 2,077 | (15) | 6,992 | 3,312 | 111 |
| Profit/(loss) attributable to: | | | | | | |
| Equity holders of the Company | 1,770 | 1,222 | 45 | 6,992 | (372) | NM |
| Non-controlling interest | - | 855 | NM | - | 3,684 | NM |
| Profit for the quarter | 1,770 | 2,077 | (15) | 6,992 | 3,312 | 111 |

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 2017
(Expressed in Hong Kong thousand dollars)

| | Three Months Ended 31.12 | | | Nine Months Ended 31.12 | | |
|---|--------------------------|----------|--------|-------------------------|----------|--------|
| | FY2018 | FY2017 | Change | FY2018 | FY2017 | Change |
| | HK\$'000 | HK\$'000 | % | HK\$'000 | HK\$'000 | % |
| Profit for the quarter | 1,770 | 2,077 | (15) | 6,992 | 3,312 | 111 |
| 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 | 149 | (1,894) | NM | 256 | (3,035) | NM |
| Total comprehensive income/(loss) for the quarter | 1,919 | 183 | 949 | 7,248 | 277 | 2,517 |
| Total comprehensive income/(loss) attributable to: | | | | | | |
| Equity holders of the Company | 1,919 | (672) | NM | 7,248 | (3,407) | NM |
| Non-controlling interest | - | 855 | NM | - | 3,684 | NM |
| Total comprehensive income/(loss) for the quarter | 1,919 | 183 | 949 | 7,248 | 277 | 2,517 |

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 31 December 2017
(Expressed in Hong Kong thousand dollars)

| | The Group | | The Company | |
|--|---------------------|---------------------|---------------------|---------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | As at 31/12/2017 | As at 31/03/2017 | As at 31/12/2017 | As at 31/03/2017 |
| Non-current assets | | | | |
| Interests in subsidiaries | - | - | 129,342 | 129,342 |
| Property, plant and equipment | 38,049 | 37,641 | - | - |
| Intangible assets | 41,262 | 42,241 | - | - |
| Non-current prepayments | 1,486 | 1,395 | - | - |
| Land use right | 5,406 | 5,677 | - | - |
| | 86,203 | 86,954 | 129,342 | 129,342 |
| Current assets | | | | |
| Inventories | 12,654 | 12,269 | - | - |
| Trade receivables | 56,501 | 37,741 | - | - |
| Prepayments, deposits and other receivables | 66,770 | 11,187 | 54,492 | 126 |
| Amounts due from subsidiaries | - | - | 35,621 | 36,082 |
| Cash and cash equivalents | 29,599 | 25,397 | 109 | 120 |
| | 165,524 | 86,594 | 90,222 | 36,328 |
| Current liabilities | | | | |
| Trade and other payables | 22,820 | 23,591 | 1,260 | 4,919 |
| Short term loans | 15,444 | 14,502 | - | - |
| Amount due to subsidiary | - | - | 76,839 | 76,839 |
| Tax payable | 384 | 360 | - | - |
| | 38,648 | 38,453 | 78,099 | 81,758 |
| Net current assets/(liabilities) | 126,876 | 48,141 | 12,123 | (45,430) |
| Long term liabilities | | | | |
| Long term payables | 42,705 | - | 42,705 | - |
| | 42,705 | - | 42,705 | - |
| Net assets | 170,374 | 135,095 | 98,760 | 83,912 |
| Equity | | | | |
| Capital and reserves attributable to equity shareholders of the Company | | | | |
| Share capital | 9,642 | 6,428 | 9,642 | 6,428 |
| Reserves | 160,732 | 128,667 | 89,118 | 77,484 |
| Total equity attributable to equity holders of the Company | 170,374 | 135,095 | 98,760 | 83,912 |
| Total equity | 170,374 | 135,095 | 98,760 | 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 31/12/2017 | | As at 31/03/2017 | |
|-------------------------|-----------|-------------------------|-----------|
| In HK\$'000 | | In HK\$'000 | |
| Secured | Unsecured | Secured | Unsecured |
| 15,444 | - | 14,502 | - |

Amount repayable after one year

| As at 31/12/2017 | | As at 31/03/2017 | |
|-------------------------|-----------|-------------------------|-----------|
| In HK\$'000 | | In HK\$'000 | |
| Secured | Unsecured | Secured | Unsecured |
| - | 42,705 | - | - |

Details of Collaterals

The borrowings of HK\$15.4 million as at 31 December 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 31 December 2017
(Expressed in Hong Kong thousand dollars)

| | Three Months Ended 31.12 | | Nine Months Ended 31.12 | |
|--|--------------------------|----------|-------------------------|----------|
| | FY2018 | FY2017 | FY2018 | FY2017 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 2,509 | 2,489 | 9,190 | 4,516 |
| Adjustments for: | | | | |
| Interest income | (15) | (52) | (50) | (153) |
| Finance costs | 995 | 83 | 1,048 | 578 |
| Amortisation of land use rights | 554 | 792 | 1,661 | 1,085 |
| Amortisation of intangible assets | - | 820 | - | 2,260 |
| Depreciation of property, plant and equipment | 198 | 685 | 594 | 1,995 |
| Operating cash flows before changes in working capital | 4,241 | 4,817 | 12,443 | 10,281 |
| Changes in operating assets and liabilities | | | | |
| Increase in inventories | (2,802) | (804) | (385) | 2,432 |
| Increase in trade receivables | (2,451) | (1,080) | (13,659) | (2,027) |
| Decrease/(increase) in prepayments, deposits and other receivables | 2,584 | (343) | (920) | 1,342 |
| (Decrease)/increase in trade and other payables | (3,705) | 856 | (771) | (1,511) |
| Cash generated from operations | (2,133) | 3,446 | (3,292) | 10,517 |
| Interests paid | (87) | - | (87) | - |
| Income tax paid | (730) | (518) | (2,174) | (1,199) |
| Net cash flows from operating activities | (2,950) | 2,928 | (5,553) | 9,318 |
| Cash flows from investing activities | | | | |
| Advance to third parties | (19,209) | (531) | (32,802) | (1,766) |
| Purchase property, plant and equipment | (1,002) | - | (1,002) | - |
| Net cash used in investing activities | (20,211) | (531) | (33,804) | (1,766) |
| Cash flows from financing activities | | | | |
| Proceeds from bank loan | - | - | 15,100 | - |
| Repayment of short-term loans | - | (1,489) | (14,502) | (1,489) |
| Proceeds from a third party loan | 17,613 | - | 42,705 | - |
| Net cash generated from/(used in) financing activities | 17,613 | (1,489) | 43,303 | (1,489) |
| Net (decrease)/increase in cash and cash equivalents | (5,548) | 908 | 3,946 | 6,063 |
| Cash and cash equivalents at beginning of the period | 34,998 | 23,084 | 25,397 | 18,572 |
| Effect of foreign exchange rate changes | 149 | (1,155) | 256 | (1,798) |
| Cash and cash equivalents at end of the period | 29,599 | 22,837 | 29,599 | 22,837 |

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 |
| Issuance of shares | 3,214 | 15,334 | - | - | - | 18,548 | - | 18,548 |
| Other comprehensive loss for the period, net of tax: | | | | | | | | |
| - Currency translation differences | - | - | - | 3,517 | - | 3,517 | - | 3,517 |
| Other comprehensive loss for the period | - | - | - | 149 | - | 149 | - | 149 |
| Profit for the period | - | - | - | - | 1,770 | 1,770 | - | 1,770 |
| At 31 December 2017 | 9,642 | 316,330 | 119,560 | (2,561) | (272,597) | 170,374 | - | 170,374 |

| 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 period | - | - | - | - | 99 | 99 | 1,091 | 1,190 |
| At 30 September 2016 | 6,428 | 300,996 | 119,560 | (5,572) | (317,675) | 103,737 | 36,362 | 140,099 |
| Other comprehensive loss for the quarter, net of tax: | | | | | | | | |
| - Currency translation differences | - | - | - | (1,894) | - | (1,894) | - | (1,894) |
| Profit for the period | - | - | - | - | 131 | 131 | 955 | 986 |
| At 31 December 2016 | 6,428 | 300,996 | 119,560 | (7,466) | (317,544) | 101,974 | 37,217 | 139,191 |

| 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 |
| Issuance of shares | 3,214 | 15,334 | - | - | - | 18,548 |
| Loss for the period | - | - | - | - | (1,870) | (1,870) |
| At 31 December 2017 | 9,642 | 316,330 | 119,560 | (7,669) | (339,103) | 98,760 |

| 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 |
| Loss for the quarter | - | - | - | - | (1,201) | (1,201) |
| At 31 December 2016 | 6,428 | 300,996 | 119,560 | (1,225) | (334,866) | 90,893 |

- 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 Q3FY2018, the Company completed Rights Issue as at 31 December 2017. The share capital of the Company increased HKD3,214,000. The Company has no outstanding convertibles.

During Q3FY2017, 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 31 December 2017 was 96,422,103 (31 March 2017: 64,281,402). As at 31 March 2017 and 31 December 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.

| | Q3FY2018 | Q3FY2017 |
|---|----------|----------|
| | HK cents | HK cents |
| (a) Based on the weighted average number of ordinary shares in issue; and | 2.73 | 2.00 |
| (b) On a fully diluted basis | 2.73 | 2.00 |

Note 6(a): For Q3FY2018, the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$1,770,000 and the weighted average of 64,757,561 ordinary shares in issue.

For Q3FY2017, the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$1,222,000 and the weighted average of 64,281,402 ordinary shares in issue.

Note 6(b): Fully diluted profit/(loss) per share for Q3FY2018 and Q3FY2017 are the same as profit per share based on weighted average number of ordinary shares since there was no potential dilutive ordinary shares outstanding during Q3FY2018 and Q3FY2017.

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 31/12/2017 HK\$ | As at 31/03/2017 HK\$ |
|---|--------------------------|--------------------------|
| <u>The Company</u> | | |
| Net asset value per ordinary share based on existing issued share capital | 1.02 | 1.56 |
| <u>The Group</u> | | |
| Net asset value per ordinary share based on existing issued share capital | 1.77 | 2.36 |

The calculation of net asset value per share of the Company is based on the Company's net asset value of HK\$80,212,000 (at 31 March 2017: HK\$83,912,000) and 96,422,103 ordinary shares in issue at 31 December 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\$170,374,000 (at 31 March 2017: HK\$135,095,000) and 96,422,103 ordinary shares in issue at 31 December 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 Q3FY2018, the Group recorded revenue of approximately HK\$18.1 million comparing with HK\$19.6 million in Q3FY2017. Majority of the revenue was generated by the Group's subsidiary NFC. It has no material fluctuation between Q3FY2018 and Q3FY2017. NFC maintained its gross margin as 55.2%.

Other income/expenses

The Group reported HK\$658,000 other income in Q3FY2018. It is mainly represented the subsidy received by NFC.

Operating expenses

In Q3FY2018, the Group reported distribution expenses of approximately HK\$2.8 million as compared to HK\$3.5 million in Q3FY2017; administrative expenses of approximately HK\$4.4 million in Q3FY2018 as

compared to approximately HK\$4.5 million in Q3FY2017.

HK\$0.7 million drop of distribution expenses in Q3FY2018 comparing Q3FY2017 is mainly due to the decrease of advertisement expenses. In Q3FY2018, the Group has no material fluctuation of administrative expenses as compared to Q3FY2017.

Finance costs

The Group recorded HK\$0.9 million finance cost in Q3FY2018. It mainly represents the interest paid for the NFC's bank loan and Group's fund raising.

Income tax expense

The Group recorded HK\$0.7 million of income tax expense in Q3FY2018, 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\$1.8 million in Q3FY2018 compared to a net profit of approximately HK\$1.2 million in Q3FY2017.

Balance sheet

Intangible assets

Intangible assets as at 31 December 2017 amounted to HK\$41.3 million, which has not materially fluctuated compared to the figure as at 31 March 2017.

Intangible assets of HK\$41.3 million as at 31 December 2017 included goodwill arising from the acquisition of NFC (through the acquisition of NFB).

Non-current prepayments

The Group recorded HK\$1.5 million non-current prepayments as at 31 December 2017. This mainly represents the prepayment to acquire new licenses to launch more products by NFC and it normally will take 2-3 years to complete the acquisition.

Land use right

The Group recorded HK\$5.4 million for land use right as at 31 December 2017. This is held by NFC for its factory and office areas.

Inventories

The Group recorded HK\$12.7 million inventories as at 31 December 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\$56.5 million trade receivables as at 31 December 2017, which mainly attributed from NFC. This is an increase of HK\$18.8 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 as last quarter. Those main customers are still contributing positive revenue to the Group and maintain regular payment record as well and NFC is confident to collect the receivables as schedule.

Prepayments, deposits and other receivables

The Group recorded HK\$66.7 million prepayments, deposits and other receivables as at 31 December 2017, which is a HK\$55.6 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, 2) HK\$15.8 million advance to business partners to support NFC marketing and promotion activities; 3) HK\$18.5 million receivables from rights issue which has been deposited into the Company's account in January 2018 and 4) HK\$17.0 million advance to business partners to expand and develop the Group's future business.

Trade and other payables

Trade and other payables amounted to HK\$22.8 million as at 31 December 2017 has HK\$0.8 million decrease as compared to HK\$23.6 million as at 31 March 2017. There is no material fluctuation of trade and other payables comparing 31 March 2017.

Short term loans

The bank loan of an aggregate sum of HK\$15.4 million as at 31 December 2017, which was secured by NFC's land use right.

Long term payable

The Group recorded HK\$42.7 million long term payables as at 31 December 2017. It represents the Company's receipt of an aggregate of HK\$42.7 million third party loan from investors with an annual interest rate of 3.7% and 7.4% for three years to four years during FY2018.

Cash Flow Statement

The Group recorded a net cash outflow of HK\$3.0 million from operating activities in Q3FY2018 as compared to a net cash inflow of HK\$2.9 million in Q3FY2017. The HK\$5.9 million drop of cash flow from operating activities is mainly due to the increase of trade receivables related to NFC's main customers, purchase of inventories and settle trade payables to suppliers.

The Group recorded a net cash outflow of HK\$20.2 million from investing activities in Q3FY2018 as compared to HK0.5 million cash outflow from investing activities in Q3FY2017. It mainly represented

advance to support NFC major customers marketing activities and promotions, and business expansion and development the Group's future business.

The Group recorded HK\$17.6 million net cash inflow from financing activities in Q3FY2018 as compared to HK\$1.5 million cash outflow in Q3FY2017. In Q3FY2018, the Group received third party loans of an aggregate of HK\$17.6 million and in Q3FY2017, NFC repaid HK\$1.5 million bank loan.

As at 31 December 2017, the Group remained in a cash balance position of HK\$29.6 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 Q3FY2018, NFC achieved HK\$18.1 million revenue which is a 7% decrease from that in Q3FY2017. 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 two new products related to women health and joint which will definitely be well promoted in the coming quarter.

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. Except expanding business to other provinces, NFC would like to build up its brand in most of the cities in Sichuan province which is its head quarter. 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.

NFC will maintain its strong products. In Q4FY2018 and FY2019, NFC will release some new products for beauty and weight-loss which will be one of the main products in the future as well as some imported products about immunization, women health and anti-oxidation etc.

To maximize shareholders' benefit, the Group will consider to expand and develop existing and potential business as well. The Group focused on the license restricted market in China for years. Accordingly seeking valuable opportunities is still the Group's target in the coming year.

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.

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

12 February 2018