



(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 first quarter ended 30 June 2018 (“**Q1FY2019**”) as at 30 June 2018. 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 June 2018
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.06		
	FY2019	FY2018	Change
	HK\$'000	HK\$'000	%
Revenue	7,385	17,092	(57)
Cost of sales	(4,118)	(6,999)	(41)
Gross profit	3,267	10,093	(68)
Other income	25	195	(87)
Distribution expenses	(2,904)	(4,416)	(34)
Administrative expenses	(3,511)	(3,713)	(5)
Finance costs	(740)	(231)	220
(Loss)/Profit before income tax	(3,863)	1,928	NM
Income tax expense	366	(702)	NM
(Loss)/Profit for the period	(3,497)	1,226	NM
(Loss)/profit attributable to:			
Equity holders of the Company	(3,497)	1,226	NM
Non-controlling interest	-	-	NM
(Loss)/Profit for the period	(3,497)	1,226	NM

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 June 2018
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.06		
	FY2019	FY2018	Change
	HK\$'000	HK\$'000	%
(Loss)/Profit for the period	(3,497)	1,226	NM
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	(20)	(324)	(94)
Release of exchange differences upon acquisition and disposals of subsidiaries to consolidated income statement, net of nil tax	-	-	NM
Total comprehensive income/(loss) for the period	(3,517)	902	NM
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	(3,517)	902	NM
Non-controlling interest	-	-	NM
Total comprehensive income/(loss) for the period	(3,517)	902	NM

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 June 2018
(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	As at 30/06/2018	As at 31/03/2018	As at 30/06/2018	As at 31/03/2018
Non-current assets				
Investment in subsidiaries	-	-	142,201	142,201
Property, plant and equipment	35,375	37,766	-	-
Intangible assets	46,192	46,324	-	-
Non-current prepayments	1,468	1,534	-	-
Deferred tax assets	2,299	1,933	-	-
Land use right	5,807	6,048	-	-
	91,141	93,605	142,201	142,201
Current assets				
Inventories	17,366	13,256	-	-
Trade receivables	28,461	24,645	-	-
Prepayments, deposits and other receivables	95,152	96,913	125	125
Amounts due from subsidiaries	-	-	116,418	117,328
Cash and cash equivalents	30,417	36,160	474	2,004
	171,396	170,974	117,017	119,457
Current liabilities				
Trade and other payables	20,988	24,539	6,154	8,506
Short term loans	15,250	15,943	-	-
Amount due to subsidiaries	-	-	89,165	89,165
Tax payable	22	10	-	-
Obligations under a finance lease	-	-	-	-
	36,260	40,492	95,319	97,671
Net current assets/(liabilities)	135,136	130,482	21,698	21,786
Non-current liabilities				
Long term loans	77,804	65,032	66,564	65,032
	77,804	65,032	66,564	65,032
Net assets	148,473	159,055	97,335	98,955
Equity				
Capital and reserves attributable to equity shareholders of the Company				
Share capital	9,642	9,642	9,642	9,642
Reserves	138,831	149,413	87,693	89,313
Total equity attributable to equity holders of the Company	148,473	159,055	97,335	98,955
Total equity	148,473	159,055	97,335	98,955

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

Amount repayable in one year or less, or on demand

As at 30/06/2018 In HK\$'000		As at 31/03/2018 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
15,250	-	15,943	-

Amount repayable after one year

As at 30/06/2018 In HK\$'000		As at 31/03/2018 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
-	77,804	-	65,032

Details of Collaterals

The borrowings of HK\$15.3 million as at 30 June 2018 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 June 2018
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.06	
	FY2019	FY2018
	HK\$'000	HK\$'000
Operating activities		
Profit/(loss) from ordinary activities before taxation	(3,863)	1,928
Adjustments for:		
Interest income	(28)	(161)
Finance costs	740	231
Amortisation of land use rights	241	12
Amortisation of intangible assets	232	(24)
Depreciation of property, plant and equipment	2,320	922
Operating profit before changes in working capital	(358)	2,908
Changes in working capital		
Decrease in inventories	(4,110)	(1,018)
Increase in trade receivables	(3,816)	(8,473)
Increase in prepayments, deposits and other receivables	(3,678)	(2,135)
Increase/(decrease) in trade and other payables	(3,551)	959
Cash generated from/(used in) operations	(15,513)	(7,759)
Tax paid	-	(710)
Interest paid	(220)	-
Net cash inflow/(outflow) from operating activities	(15,733)	(8,469)
Investing activities		
Advance to customers and suppliers	(1,230)	(4,000)
Net cash outflow from investing activities	(1,230)	(4,000)
Financing activities		
Proceeds from third party loan	11,240	19,291
Repayment of short-term loans	-	(14,502)
Net cash (outflow)/inflow from financing activities	11,240	4,789
Net increase/(decrease) in cash and cash equivalents	(5,723)	(7,680)
Cash and cash equivalents at beginning of the quarter	36,160	25,397
Effect of foreign exchange rate changes	(20)	(324)
Cash and cash equivalents at end of the quarter	30,417	17,393

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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	9,642	315,301	119,560	2,421	(287,869)	159,055
Other comprehensive loss for the year, net of tax:						
- Currency translation differences	-	-	-	(7,085)	-	(7,085)
Loss for the period	-	-	-	-	(3,497)	(3,497)
At 30 June 2018	9,642	315,301	119,560	(4,664)	(291,366)	148,473

The Group	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total
	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
Other comprehensive loss for the period, net of tax:						
- Currency translation differences	-	-	-	2,868	-	2,868
Profit for the period	-	-	-	-	1,226	1,226
At 30 June 2017	6,428	300,996	119,560	(9,432)	(278,363)	139,189

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 2018	9,642	315,301	119,560	1,662	(347,210)	98,955
Loss for the period	-	-	-	-	(1,620)	(1,620)
At 30 June 2018	9,642	315,301	119,560	1,662	(348,830)	97,335

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

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.

Between Q1FY2019 and the fourth quarter ended 31 March 2018 ("**Q4FY2018**"), the share capital of the Company has not changed. The Company has no outstanding convertibles.

The Company did not have treasury shares or subsidiary holdings as at 30 June 2018 and 30 June 2017.

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 June 2018 was 96,422,103 (31 March 2018: 96,422,103). As at 30 June 2018 and 31 March 2018, 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.

	Q1FY2019	Q1FY2018
	HK cents	HK cents
(a) Based on the weighted average number of ordinary shares in issue; and	(3.63)	1.29
(b) On a fully diluted basis	(3.63)	2.17

Note 6(a): For Q1FY2019, the calculation of basic loss per share was based on profit attributable to equity holders of the Company of HK\$3,497,000 and the weighted average of 96,422,103 ordinary shares in issue.

For the first quarter ended 31 March 2017 ("Q1FY2018"), the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$1,226,000 and the weighted average of 64,281,402 ordinary shares in issue.

Note 6(b): Fully diluted profit/(loss) per share for Q1FY2019 and Q1FY2018 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 Q1FY2019 and Q1FY2018.

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 30/06/2018 HK\$	As at 31/03/2018 HK\$
<u>The Company</u>		
Net asset value per ordinary share based on existing issued share capital	1.01	1.03
<u>The Group</u>		
Net asset value per ordinary share based on existing issued share capital	1.54	1.65

The calculation of net asset value per share of the Company is based on the Company's net asset value of HK\$97,335,000 (at 31 March 2018: HK\$98,955,000) and 96,422,103 ordinary shares in issue at 30 June 2018 (at 31 March 2018: 96,422,103).

The calculation of net asset value per share of the Group is based on the Group's net asset value of HK\$148,473,000 (at 31 March 2018: HK\$159,055,000) and 96,422,103 ordinary shares in issue at 30 June 2018 (at 31 March 2018: 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. 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 Q1FY2019, the Group recorded revenue of approximately HK\$7.4 million compared to HK\$17.1 million in Q1FY2018. Majority of the revenue was generated by the Group's subsidiary, NFC. The 57% decrease in revenue is mainly because NFC has still been affected by the Advertisement law promulgated by the People's Republic of China ("PRC") authorities. In this quarter, marketing activities, including advertisements, have been tightly governed by the PRC authorities. As a result, the main customers of NFC have been seriously affected too. In addition, the NFC sales department adjusted the target market from expansion to new areas to strengthening current market share in Southwest of China. As a result, NFC's revenue started to increase since May 2018. In addition, NFC and its customers will continuously adjust their marketing strategies. NFC is also diversifying its products and striving to turn around its business in the coming quarter ending 30 September 2018.

Other Income

The Group recorded HK\$25,000 other income in Q1FY2019 which mainly represents interest income.

Operating expenses

In Q1FY2019, the Group reported distribution expenses of approximately HK\$2.9 million as compared to HK\$4.4 million in Q1FY2018; and administrative expenses of approximately HK\$3.5 million in Q1FY2019 as compared to approximately HK\$3.7 million in Q1FY2018.

HK\$1.5 million decrease of distribution expenses in Q1FY2019 comparing Q1FY2018 is mainly due to the decrease in advertisement and marketing expenses. The Group recorded HK\$3.5 million administrative expenses in Q1FY2019, which has no material fluctuation compared to that in Q1FY2018.

Finance costs

The Group recorded HK\$0.7 million in finance costs in Q1FY2019. It mainly represents the interest paid for the Group's third party loan and NFC's bank loan in the PRC.

Income tax expense

Since the Group recorded a HK\$3.9 million operating loss, accordingly the Group recognized HK\$0.4 million deferred tax assets in Q1FY2019.

Net profit/ (loss) attributable to shareholders

Overall, the Group recorded a net loss attributable to shareholders of approximately HK\$3.5 million in Q1FY2019 compared to a net profit of approximately HK\$1.2 million in Q1FY2018.

Balance sheet

Intangible assets

Intangible assets as at 30 June 2018 amounted to HK\$46.2 million, which has not materially fluctuated compared to the figure as at 31 March 2018.

Intangible assets of HK\$46.2 million as at 30 June 2018 included goodwill arising from the acquisition of NFC (through the acquisition of NutryFarm Biomedicine International Limited) 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 June 2018. This mainly represents the prepayment to acquire new licenses to launch more products by NFC.

Land use right

The Group recorded HK\$5.8 million for land use right as at 30 June 2018. This is held by NFC for its factory and office areas.

Inventories

The Group recorded HK\$17.4 million inventories as at 30 June 2018. This mainly represents the finished goods, working in progress and raw materials held by NFC. HK\$4.1 million increase compared to 31 March 2018 is mainly from raw materials and due to the drop in revenue.

Trade receivables

The Group recorded HK\$28.5 million trade receivables as at 30 June 2018, which mainly attributed from NFC. The increase of HK\$3.9 million in trade receivables from that of HK\$24.6 million as at 31 March 2018 was mainly from NFC's main customers. NFC is still in the process of collecting the receivables.

Prepayments, deposits and other receivables

The Group recorded HK\$95.2 million prepayments, deposits and other receivables as at 30 June 2018. It has no material fluctuation compared to HK\$96.9 million as at 31 March 2018.

Trade and other payables

Trade and other payables amounted to HK\$21.0 million as at 30 June 2018, which is a decrease of HK\$3.6 million from that of HK\$24.5 million as at 31 March 2018. The decrease is mainly due to the settlement to the Group's suppliers.

Short term loans

The bank loan of an aggregate sum of HK\$15.3 million as at 30 June 2018, which was secured by NFC's land use right.

Long term loans

The Group recorded HK\$77.8 million in long term payables as at 30 June 2018. 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 30 June 2018 as well as HK2.0 million accrued interests.

Cash Flow Statement

The Group recorded a net cash outflow of HK\$15.7 million from operating activities in Q1FY2019 as compared to a net cash outflow of HK\$8.5 million in Q1FY2018. The HK\$7.3 million decrease in cash flow from operating activities is mainly due to the decrease of the Group's revenue in Q1FY2019.

The Group recorded a net cash outflow of HK\$1.2 million from investing activities in Q1FY2019 as compared to a HK\$4.0 million cash outflow from investing activities in Q1FY2018. It is mainly due to HK\$1.2 million advance to a business partner to NFC's business expansion in Sichuan which will be refunded within the current financial year.

The Group recorded HK\$11.2 million net cash inflow from financing activities in Q1FY2019 as compared to a net cash inflow of HK\$4.8 million in Q1FY2018. The cash inflow in Q1FY2019 represents a third party loan for 4 years with a 6.25% per annum interest rate.

As at 30 June 2018, the Group remained in a cash balance position of HK\$30.4 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 Q1FY2019, NFC recorded HK\$7.4 million in revenue, which is a 57% decrease from that of Q1FY2018. The significant drop of revenue is mainly because NFC main customers' marketing activities were restricted by the PRC authorities and because of the continuous competition faced by NFC in the Chinese market. Most of the advertisements arranged by NFC had to be cancelled under current government requirements. Some customers intended to purchase imported products through Taobao or Jingdong as well as other agents especially from Australia, New Zealand, USA, Canada and some European countries. Therefore, the sales orders from NFC's main customers started to decrease since Q4FY2018. The products of NFC are continuously focusing on heart, brain, blood vessels, joint and weight loss products which are mostly self-manufactured by NFC. Considering the serious competition, NFC developed connections with some new overseas business partners in USA and Canada for the import of products. Such imported products will focus on food and food supplements for immunization, women beauty and weight loss, etc. NFC believes those products will be a beneficial part of NFC's business and help NFC to turn around in Chinese market.

Regarding last three years market experience, NFC will not continue to expand its business in new areas. Instead, NFC will cooperate with some business associates in South-west China. Importantly NFC is trying to maintain and enlarge its market share in Sichuan which is the fundamental base in China. The local media and expansion strategy already appears its effect. NFC expects revenue increase in the future soon.

Further to this, NFC will regularly apply for new licenses and will release new products accordingly. The Company aims to launch more products for the liver and anti-oxidation. This is part of the continuous business development of NFC, and would serve to diversify the current product structure. The whole development and research team has been developing targets and strategies to support NFC's future vision.

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):

We, 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 knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the 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

14 August 2018