

CIRCULAR DATED 6 June 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Nutryfarm International Limited (the “**Company**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular with the Notice of Special General Meeting (“**SGM**”) and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of SGM and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your Shares (as defined herein) represented by physical share certificate(s), you should forward this Circular with the Notice of SGM and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



NUTRYFARM INTERNATIONAL LIMITED

(Incorporated in Bermuda)
(Company Registration Number: 32308)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED ACQUISITION OF 45% OF THE SHARE CAPITAL OF NUTRYFARM BIOMEDICINE INTERNATIONAL LIMITED

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form : 22 June 2016 at 2.00 p.m.

Date and time of SGM : 24 June 2016 at 2.00 p.m.

Place of SGM : Maxwell Chambers Pte Ltd, Medium Room Level 3, 32 Maxwell Road, #03-01, Singapore 069115

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

“Affiliated Person”	: In relation to any person (who is not an individual), means any other person directly or indirectly controlling, controlled by, or under common control with, such person, and in relation to any individual, means any person connected with such person within the meaning of “connected person” as defined in Section 2 of the SFA
“Bermuda Companies Act”	: The Companies Act 1981 of Bermuda, as amended, supplemented and/or modified from time to time
“Board”	: The board of Directors of the Company for the time being
“Business Day”	: A day (excluding Saturdays, Sundays and gazetted public holidays) on which commercial banks are open for business in Singapore
“Bye-Laws”	: The bye-laws of the Company as amended, supplemented and/or modified from time to time
“CDP”	: The Central Depository (Pte) Limited
“Company”	: Nutryfarm International Limited
“Companies Act”	: Companies Act (Chapter 50) of Singapore
“Completion”	: The completion of the Proposed Acquisition pursuant to the SPA
“Completion Date”	: Has the meaning ascribed to it in the SPA
“Directors”	: The directors of the Company as at the Latest Practicable Date
“FY”	: Financial year of the Company ended or ending 31 March as the case may be
“Group”	: The Company and its subsidiaries
“Group Company”	: Any company within the Group
“Hong Kong”	: Hong Kong Special Administrative Region
“Latest Practicable Date”	: The latest practicable date prior to the printing of this Circular, being 31 May 2016

DEFINITIONS

“Law”	: All civil and common law, statute or subordinate legislation, regulation, rule, judgment or recommendation of any government, quasi-government, statutory, administration or regulatory body, court, agency or association applicable to or affecting any person, its business, employees or assets in any jurisdiction (including, without limitation, and for the avoidance of doubt, (a) any rule of constitutional law, legislation, decree in lieu of a law, governmental, presidential or ministerial or other decree or circular letter, irrespective of whether the relevant rule has been issued on any of the levels of, or by any agency established under, the central government or on any of the levels of, or by any agency established under, the government of a province or special administrative area or other self-governing body, (b) any elucidation to any legal rule, (c) any policy statement or request of, or opinion issued by, any government body (of any level) or other authority which will be adhered to by a reasonably acting party even if such policy statement, request or opinion has not the force of law, (d) any regulation issued by any court of law or judgment or order issued by any court of law, and (e) any judicial or administrative decision)
“NFB”	: Nutryfarm Biomedicine International Limited
“NFB Sale Shares”	: 4,500 fully paid up ordinary shares of US\$1.00 each in the share capital of NFB, which represent 45% of the share capital of NFB
“NFC”	: Nutryfarm (Chengdu) Biomedicine Limited
“PRC”	: The People’s Republic of China
“Proposed Acquisition”	: The proposed acquisition of 45% of the share capital of NFB by the Company from Nutryfarm Biomedicine Holdings Co. Ltd. for an aggregate purchase consideration of up to RMB61,000,000 in accordance with the terms and conditions of the SPA
“Purchaser Group”	: The Company and each of its Affiliated Persons
“Securities Account”	: A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SFA”	: Securities and Futures Act (Chapter 289) of Singapore
“SGM”	: The special general meeting of the Company, notice of which is set out on page 20 of this Circular
“SGX-ST”	: Singapore Exchange Securities Trading Limited

DEFINITIONS

“Shareholders”	: Persons (not being Depositors) who are registered as members, whose names are entered in the register of members of the Company and Depositors, who have Shares entered against their names in the Depository Register, except that where CDP is the registered holder, the term “Shareholders” shall, where the context admits, mean Depositors whose Securities Accounts are credited with Shares
“Shares”	: Ordinary shares in the capital of the Company
“SPA”	: The Sale and Purchase Agreement dated 15 February 2016 and entered into between the Company as purchaser and Nutryfarm Biomedicine Holdings Co. Ltd. as vendor in relation to the Proposed Acquisition
“Vendor”	: Nutryfarm Biomedicine Holdings Co. Ltd.
“Vendor Group”	: The Vendor and each of its Affiliated Persons
<u>Currencies and units</u>	
“HK\$”	: Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	: Renminbi, the lawful currency of the PRC, but excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“SGD”	: Singapore dollar, the lawful currency of Singapore
“US\$”	: United States dollars, the lawful currency of the United States of America.
“%” or “per cent”	: Means per centum or percentage

The terms **“Depositors”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to “depositor”, “depository agent” and “Depository Register” respectively, in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in this Circular shall have the same meaning assigned to it under the Companies Act unless otherwise provided.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

NUTRYFARM INTERNATIONAL LIMITED

(Incorporated in Bermuda)

Board of Directors:

Paul Gao Xiangnong (Executive Director and Chief Executive Officer)
Xu Hai Min (Non-Executive Director)
Ng Poh Khoo Jimmy (Independent Director)
Neo Chee Beng (Independent Director)

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

[date] 6 June 2016

To: **The Shareholders of NutryFarm International Limited**

Dear Sir/Madam

1. INTRODUCTION

On 15 February 2016, the Company announced that it had entered into the Sale and Purchase Agreement (the "**SPA**") with the Company as purchaser and Nutryfarm Biomedicine Holdings Co. Ltd. as vendor (the "**Vendor**") in connection with the proposed acquisition of an aggregate of 4,500 fully paid up ordinary shares of US\$1.00 each in the share capital of Nutryfarm Biomedicine International Limited ("**NFB**"), which represent 45% of the share capital of NFB (the "**NFB Sale Shares**") (the "**Proposed Acquisition**").

As at the Latest Practicable Date, the Company owns 55% of the share capital of NFB and the Vendor owns the remaining 45% of the share capital of NFB. The sole director of NFB is Mr. Chen Yao Ming.

The terms of the Proposed Acquisition do not contravene any laws and regulations governing the Company and the Bye-Laws of the Company.

The Proposed Acquisition will be conditional upon approval by Shareholders in a SGM to be convened by the Company. The purpose of this Circular is to provide Shareholders with the relevant information pertaining to the Proposed Acquisition.

2. INFORMATION ON THE PROPOSED ACQUISITION

2.1 Background Information

NFB was incorporated on 21 July 2009 under the laws of the British Virgin Islands. As at the date hereof, NFB has an authorised share capital of US\$10,000 divided into 10,000 ordinary shares ("**NFB Shares**") of US\$1.00 each, of which 10,000 NFB Shares have been issued and fully paid-up. NFB is an investment holding company.

NFB is the legal and beneficial owner of 100% of the registered capital (amounting to US\$1,500,000) of NFC, a company incorporated on 27 June 2005 under the laws of the PRC. NFC is in the business of researching, developing, manufacturing and selling products and food relating to nutrition and health.

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Established in 2005 by award-winning scientist Dr. Chen Yao Ming, NFB, through its wholly-owned subsidiary NFC, focuses on the research and development, manufacture and sale of nutrition and health food products. NFC has a staff strength of over 33 highly-qualified researchers, nutritionists, sales and marketing professionals, and aims to provide the finest quality nutrition and health food products and services with the gentlest care to its customers to improve their quality of life.

Under the strong leadership of Dr. Chen, who is the President and Chief Scientist of NFB, NFC has built a sound business model with a profitable track record since 2007. The Company also has a strong research and development team that is constantly innovating and improving its products to produce a series of competitively-priced nutrition and health food products for the PRC market. In addition, NFC has also jointly set up a special laboratory with the Chinese Academy of Sciences and National Physical Examination Centre to study the physical health status and dietary habits of consumers in the PRC, which has helped boost its product offerings.

Key Products

Manufactured in strict accordance with the requirements of the Good Manufacturing Practice guidelines prescribed by the PRC government, NFC counts collagen, Vitamin C, Vitamin E, fish oil, liquid calcium and royal jelly as some of its most popular products.

A vast majority of its products stem from traditional Chinese medicinal herbs, and NFC has to-date launched more than 40 nutritional products catered to the diverse nutritional needs of the population.

Since the 2012 Acquisition (as defined in Section 2.3 below), the Group has returned to profitability, and revenue grew at a compound annual growth rate of 29.14% from the financial year of the Group ended 31 March 2013 to the financial year of the Group ended 31 March 2015 (“**FY2015**”). In FY2015, revenue rose by 10.32% from the financial year of the Group ended 31 March 2014 (“**FY2014**”), largely generated by NFC. In light of these positive growth prospects, the Company will continue to focus its resources on NFC.

NFB Sale Shares

Upon completion of the Proposed Acquisition, the Company’s shareholdings in NFB will increase to 100%. The book value and net tangible asset value based on the audited consolidated financial statements of the Company for the financial year ended 31 March 2015 (“**FY2015**”), and the latest available open market value of the NFB Sale Shares (the “Open Market Value”) as at 31 March 2015 are RMB22,325,850, RMB21,400,650 and RMB90,000,000 respectively. NFB’s financial statements for FY2015 were audited by the Company’s reporting accountant, Baker Tilly Hong Kong Limited, a member of Baker Tilly International. The Company had derived the Open Market Value from an offer received by the Company from a third party (“**Proposed Investor**”), which had valued NFC at approximately RMB200,000,000 (the “**Third Party Valuation**”), and which is in line with the Company’s assessment of the valuation of NFC. This offer was in connection with a proposed joint venture between NFB and the Proposed Investor in respect of NFC. The offer was made in October 2015 by the Proposed Investor and the Third Party Valuation was based on the net asset value of NFC as at 31st March 2015. The Company commenced discussions in June 2015 and discontinued such discussions with the Proposed Investor in October 2015 due to disagreements on material terms. The Proposed Investor did not acquire any interest in NFC and no joint venture agreement was entered into between NFB and the Proposed Investor. As the NFB Sale Shares would allow the Company to have a 45% indirect interest in NFC, the Open Market Value of the NFB Sale Shares based on the offer received by the Company would equate to approximately RMB90,000,000.

No independent valuation was conducted on the NFB Sale Shares or the Group for the purposes of the Proposed Acquisition.

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2.2 Material Terms of the SPA

2.2.1 Consideration for the Proposed Acquisition

The aggregate consideration (the “**Consideration**”) for the purchase of the NFB Sale Shares is the amount of RMB61,000,000. The Consideration shall be satisfied by payment of RMB61,000,000 in cash by telegraphic transfer in immediately available funds free of bank charges to such bank account(s) of the Vendor (the particulars of such accounts having been notified to the Company not later than thirty (30) Business Days prior to the Completion Date).

The Consideration was arrived at on a willing-seller-willing-buyer basis after arms’ length negotiations between the parties taking into consideration, *inter alia*, the following factors:

- (a) The net asset value of NFB of RMB49,613,000 as based on the audited accounts for the financial year ended 31 March 2015.
- (b) The net profits attributable to the NFB Sale Shares of RMB4,770,000 based on the audited accounts for the financial year ended 31 March 2015.
- (c) The terms of the SPA, including the indemnity described in Section 2.2.3 below and the release and discharge of the Vendor Dividends (as defined in Section 2.2.4 below) of an amount of RMB56,974,000 (as set out in Appendix A under the column titled “Dividend payables”).

In arriving at the Consideration, the Board had considered the factors listed above.

The Consideration will be fully settled in cash, which will be drawn from the Company’s capital reserves and from an inter-company loan from NFC. The Company’s capital reserves comprise, *inter alia*, monies obtained from share placements including the Company’s recent share placement exercise which was completed in 24 June 2015.

2.2.2 Conditions Precedent

The completion of the sale and purchase of the NFB Sale Shares is conditional upon:

- (a) the provision by the Vendor of evidence satisfactory to the Company that NFB is registered as the legal and beneficial owner of 100% of the registered capital in NFC without any encumbrances;
- (b) on or prior to Completion, the Company having received and found satisfactory the service agreements entered into by the key management of NFB and NFC with the relevant company;
- (c) there having not been at any time hereafter any adverse change, or events or acts likely to lead to such a change, in the business, prospects, financial position or results of operations of and there being no material adverse change in the turnover, profitability, financial position assets (considered in the aggregate), liabilities, or equity of any Group Company from that set forth in the accounts of NFB;
- (d) all other consents and approvals required under any and all applicable laws (including, without limitation, the Listing Manual of the SGX-ST) for the sale and purchase of the NFB Sale Shares and to give effect to the transactions contemplated thereunder (including, without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Vendor or any Group Company is a party or by which the Vendor or NFB

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or its or their respective assets are bound, and/or the approval of shareholders and/or SGX-ST (where required)) being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion;

- (e) the warranties contained in the SPA remaining true and not misleading in any respect at Completion, as if repeated at Completion and at all times between the date of the SPA and Completion; and
- (f) there not having been at any time prior to or on Completion the occurrence of any of the following events:-
 - (i) liquidation, bankruptcy, or insolvency of any Group Company or the Vendor;
 - (ii) termination of substantially all or part of the business of any Group Company, or the Vendor, by resolution of the general meeting of their respective shareholders or otherwise;
 - (iii) appointment of any assignee, receiver or liquidator for substantially all or part of the assets or business of any Group Company or the Vendor;
 - (iv) attachment, sequestration, execution or seizure of substantially all or part of the assets of any Group Company or the Vendor; or
 - (v) suspension or withdrawal of the rights and privileges of any Group Company or the Vendor which are material in the conduct of their respective present businesses by any authority or regulator.

Unless specifically waived by the Company, if any of the conditions stated above shall not be fulfilled on or before the date notified by the Company to the Vendor in writing or such other date as the parties may mutually agree in writing, but in any event, not later than 30 June 2016 or such other date as the parties shall mutually agree in writing, the SPA shall ipso facto cease and determine and neither party shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by the Company against the Vendor arising from any antecedent breach of the terms thereof.

2.2.3 Indemnity

The Vendor undertakes to keep the Company and each Group Company fully and effectively indemnified against any and all losses, costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever (including but not limited to all legal costs or attorney's fees on a full indemnity basis) that the Company and/or any Group Company may incur or suffer in connection with or arising from (a) any breach (actual or alleged) or inaccuracies of any of the warranties given by the Vendor in the SPA and/or any default by the Vendor of any of its obligations under the SPA or (b) any proceeding against the Company brought by any third party arising out of any such breach or default referred to in (a) above.

2.2.4 Release and Discharge of Vendor Dividends Payable to Vendor

Under the terms of the sale and purchase agreement dated 9 May 2012 and entered into between the Company and the Vendor for the acquisition of 55% of the issued and paid-up share capital of NFB by the Company in 2012, as supplemented from time to time, the Vendor had agreed, *inter alia*, that any dividends which may accrue and/or be payable to it in respect of the shares in the capital of NFB (the "**Vendor Dividends**") shall only be payable from 9 May 2022.

Under the SPA for the acquisition of the remaining 45% of the issued and paid up share capital of NFB, the Vendor and the Company has agreed that on Completion, that the Vendor shall not be entitled to any Vendor Dividends,

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and the Vendor and each member of the Vendor Group shall absolutely irrevocably and unconditionally fully and forever release, remise and discharge the Company and each other member of the Purchaser Group from any and all actions, proceedings, claims, demands, debts, obligations, liabilities, costs or expenses, disputes, of whatsoever kind or nature, in Law, contract, equity or otherwise, whether known or unknown, whether or not concealed or hidden, which any member of the Vendor Group has, had, may have had, or now have for or by reason of any matter, cause, issue or thing whatsoever, including but not in any respect limiting the generality of the foregoing, any and all claims which were or might have been asserted in relation to the Vendor Dividends.

2.3 Rationale for Proposed Acquisition

The Company had in 2012 acquired (the “**2012 Acquisition**”) 55% of the share capital of NFB (“**2012 NFB Sale Shares**”) from the Vendor on the following terms:

- (a) the consideration for the 2012 NFB Sale Shares was up to RMB55,000,000;
- (b) RMB16,000,000 of the consideration of up to RMB55,000,000 was retained as security (the “**Retained Sum**”) for the achievement of the following profit targets (the “**Profit Targets**”):
 - (i) If the audited net profit after tax of NFC during 1 April 2012 to 31 March 2013 (“**Profit Year 2013**”) meets or exceeds the profit target of RMB13 million, the Company shall pay the sum of RMB7.15 million to the Vendor within 10 working days after the issue of the audit report for NFC for Profit Year 2013; and
 - (ii) If the audited net profit after tax of NFC during 1 April 2013 to 31 March 2014 (“**Profit Year 2014**”, and together with Profit Year 2013, the “**Target Periods**”) meets or exceeds the profit target of RMB16 million, the Company shall pay the sum of RMB8.8 million to the Vendor within 10 working days after the issue of the audit report for NFC for Profit Year 2014,

Provided Always That:-

1. all references to the audited net profit after tax of NFC shall refer to the audited net profit after tax of NFC during the Target Periods as determined in accordance with the International Financial Reporting Standards by an auditor appointed in the sole discretion of the Company;
2. any audited net profit after tax in any particular financial year during the Target Period may not be used to offset any failure to meet any other Profit Target and / or audited net loss in the other financial year;
3. subject to (4) below, if the audited net profit after tax of NFC during any of the Target Periods fails to meet the respective Profit Target, the Company shall pay the respective portion of the Retained Sum to the Vendor less 55% of the difference between the respective Profit Target and the actual audited net profit after tax of NFC; and
4. if NFC records an audited net loss after tax during any of the Target Periods, the Vendor shall pay the amount equivalent to 55% of the value of the audited net loss after tax to the Company within 10 working days after the issue of the audit report for NFC for the respective financial year. The audit reports of NFC for Profit Year 2013 and Profit Year 2014 should be no later than 90 days after the respective year end.

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- (c) the Vendor had agreed, *inter alia*, that the Vendor Dividends shall only be payable from 9 May 2022.

Further terms of the 2012 Acquisition are as set out in the Company's Circular to Shareholders dated 12 August 2012 in respect of the Proposed Acquisition.

In connection with the Profit Targets above,

- (a) NFC recorded an audited net profit after tax of RMB16.47 million for Profit Year 2013. Accordingly, the Company paid RMB7.15 million of the Retained Sum to the Vendor.
- (b) NFC recorded an audited net profit after tax of RMB9.0 million for Profit Year 2014 and did not meet the profit target. Thus, the Company only paid RMB4.94 million of the Retained Sum to the Vendor. The figure of RMB4.94 million was calculated in accordance with Section 2.3(b)(ii)(3) above.
- (c) Although NFC did not meet the profit target in Profit Year 2014, it achieved a net profit after tax of RMB10.6 million in FY2015.
- (d) Due to reduced sum paid by the Company to the Vendor for the failure to meet the profit target for Profit Year 2014, the final consideration for the 2012 NFB Sale Shares was in the amount of RMB51.1 million.

As NFB was the legal and beneficial owner of 100% of the registered capital of NFC, following the 2012 Acquisition, the Company had also acquired an indirect interest of 55% in the share capital of NFC.

Since the 2012 Acquisition, buoyed by the growing Chinese demand for nutrition and health food products, the Group's revenue rose 10.32% in FY2015 from FY2014, largely generated by NFC. A 52.12% growth in gross profit from FY2014 to RMB40,939,000, and a 14.05% increase in gross profit margin from 37.09% in FY2014 to 51.15% in FY2015 also signalled positive growth prospects for the Group and NFC's business.

Further, with the PRC government's backing in the form of the establishment of The National Strategic Alliance for Food Nutrition and Health Industry Technology Innovation of China and the Ministry of Agriculture's blueprint for food and nutrition released in 2014, the PRC's nutrition and health food products segment is primed for a significant wave of growth with demand expected to rise 20% every year. By 2016, spending in the Chinese health industry is expected to surpass the United States of America to come close to RMB3 trillion.

In light of such potential, the Company aims to grow NFC to be a leading player in the Chinese market for nutritional and health food products, by building brand equity and awareness, and increasing investment in research and product development. The Directors believe that the Proposed Acquisition is in the best interests of the Company, as it would allow the Company to consolidate control over NFC, and select appropriate partners and sources of investment for NFC so as to better implement these growth strategies. The Directors also believe that the Proposed Acquisition recognises NFC's importance to the Group as a key revenue generator both presently and in the future.

2.4 Financial Effects of the Proposed Acquisition

The pro-forma financial effects of the Proposed Acquisition are for illustration purposes only and do not reflect the actual financial results of the Company after completion of the Proposed Acquisition.

The following pro-forma financial effects have been prepared based on the audited consolidated financial statements of the Company for the financial year ended 31 March 2015, and assuming that the Proposed Acquisition had been completed on:

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- (a) 1 April 2014 for illustrating the financial effect on the consolidated earnings and earnings per share of the Group; and
- (b) 31 March 2015 for illustrating the financial effect on the consolidated net tangible assets and consolidated net asset value of the Group.

Earnings / (Losses) per Share

	Earnings/ (Losses) attributable to Shareholders ⁽¹⁾ (HK\$'000)	Weighted average number of Shares	Earnings / (Losses) per Share (HK\$ cents) ⁽¹⁾⁽²⁾
Before the Proposed Acquisition	1,124	1,769,208,000	0.06
After the Proposed Acquisition	5,412	1,769,208,000	0.31

Notes:

- (1) This calculation is based on the average exchange rate of RMB1 = HKD1.2468 for the period of 1 April 2014 to 31 March 2015.
- (2) The EPS per Share was calculated based on the number of Shares in issue, being 1,769,208,000 Shares, as at 1 April 2014.

NTA

	NTA (HK\$'000) ⁽¹⁾	Number of Shares as at 31 March 2015	NTA per Share (HK\$ cents) ⁽¹⁾⁽²⁾
Before the Proposed Acquisition	50,703	1,771,256,000	2.86
After the Proposed Acquisition	76,381	1,771,256,000	4.31

Notes:

- (1) This calculation is based on the exchange rate of RMB1 = HKD1.2625 as at 31 March 2015.
- (2) The NTA per Share was calculated based on the number of Shares in issue, being 1,771,256,000 Shares, as at 31 March 2015.

There have been no material adverse changes to NFB's financial position from 31 March 2015 up until the Latest Practicable Date.

2.5 Relative figures under Rule 1006 applicable to the Proposed Acquisition

Based on the latest announced consolidated results of the Group, the relative figures applicable to the Proposed Acquisition computed on the bases pursuant to Rule 1006 (a) to (e) of the Listing Manual of the SGX-ST are as follows:

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Listing Rule	Basis	Relative figures (%)
Rule 1006(a)	Net asset value of assets being disposed of, as compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable.
Rule 1006(b)	Net profits attributable to the NFB Sale Shares, compared with the net profits of the Group	The net profit ⁽¹⁾ attributable to the NFB Sale Shares is RMB3,657,913, which is 998.73% ⁽²⁾ of the Group's net profit of HK\$442,070. The calculation of the net profits attributable to the NFB Sale Shares is based on the consolidated net profit of the Group for the financial year ending 31 March 2016.
Rule 1006(c)	Aggregate value of consideration given for the acquisition of the NFB Sale Shares, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	The total purchase consideration of RMB61,000,000 under the SPA is 88.12% ⁽³⁾ of the Company's market capitalisation of SGD14,784,722 based on the volume weighted average share price of the Company's shares transacted on the SGX-ST on the last market day with available trading preceding the date of the SPA.
Rule 1006(d)	The number of equity securities to be issued by the Company as consideration for the acquisition of the NFB Sale Shares, compared with the number of equity securities previously in issue	Not applicable as no equity securities are to be issued as consideration.
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable.

Notes:

- (1) "Net profit" refers to profit or loss before income tax, minority interests and extraordinary items.
- (2) This calculation is based on the average exchange rate of RMB1 = HK\$1.207 for the period of 1 April 2015 to 31 March 2016. The Proposed Acquisition is not regarded as a very substantial acquisition as this involves an acquisition of profitable assets and the only limit breached is Rule 1006(b) of the Listing Manual of the SGX-ST.
- (3) This calculation is based on the exchange rate of SGD1 = RMB4.6822 as at 15 February 2016

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As the figures in Rule 1006(b) and (c) are more than 20%, the Proposed Acquisition will constitute a “Major Transaction” to the Company within the meaning of Chapter 10 of the Listing Manual of the SGX-ST, as computed on the above bases. Accordingly, the Proposed Acquisition will be made conditional upon approval by Shareholders in a special general meeting to be convened.

3. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors, and to the best knowledge of the Directors, none of the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

There is no relationship between NFB, NFC or their directors or controlling shareholders to any of the customers of NFC. There is also no relationship between the Company and its directors or controlling shareholders to any of the customers of NFC.

4. APPOINTMENT OF DIRECTORS

There are no directors proposed to be appointed to the Company in connection with the Proposed Acquisition.

5. DIRECTORS' RECOMMENDATION

The Directors have considered and reviewed, inter alia, the terms of the SPA, the rationale for the Proposed Acquisition, the financial effects of the Proposed Acquisition and all other relevant information set out in this Circular. The Directors are collectively of the view that the Proposed Acquisition is in the interests of the Company. The Directors therefore recommend that Shareholders vote in favour of the Proposed Acquisition as set out in the Notice of SGM at the SGM.

Shareholders are advised to read this Circular in its entirety, including the rationale for the Proposed Acquisition as set out in Section 2.3 of this Circular, and the financial effects of the Proposed Acquisition as set out in Section 2.4 of this Circular. Shareholders who may require advice in the context of their specific investment should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.

6. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on page 22 of this Circular, will be held on 24 June 2016 at 2 p.m. at Maxwell Chambers Pte Ltd, Medium Room Level 3, 32 Maxwell Road, #03-01, Singapore 069115 for the purpose of considering and, if thought fit, passing, with or without modifications, the resolution set out in the Notice of SGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

The Company is incorporated in Bermuda and is subject to the Bermuda Companies Act and Bermuda law. Under the Bermuda Companies Act, only those persons who agree to become shareholders of a Bermuda company and whose names are entered on the register of members of such company may be shareholders, with rights to attend and vote at general meetings. Accordingly, Depositors would not be recognised as Shareholders and would not have a right to attend and to vote at general meetings of the Company. In the event that Depositors wish to attend and vote at general meetings of the Company, they would have to do so through CDP appointing them as proxy, pursuant to the Bye-Laws of the Company and the Bermuda Companies Act. In this regard, to enable the Depositors to attend and vote at the SGM, the Company has arranged with the CDP pursuant to the Bye-Laws of the Company as follows:

LETTER TO SHAREHOLDERS

- (a) arrangements will be made for CDP to appoint each of the Depositors as its proxy/proxies to attend and vote at the SGM in respect of such number of Shares of the Company set out opposite their respective names in the Depository Register as at least forty-eight (48) hours before the time of the holding of the SGM; and
- (b) if a Depositor is unable to attend the SGM and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the relevant Proxy Form (Depositor Proxy Form) which is enclosed with this circular in accordance with the instructions printed thereon and return it to the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 as soon as possible and, in any event, at least forty-eight (48) hours before the time appointed for holding the SGM. A Depositor which is a corporation and which wishes to attend and vote at the SGM must also complete and return the Depositor Proxy Form

If a Shareholder, who is not a Depositor, is unable to attend the SGM and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the proxy form (Shareholder Proxy Form) in accordance with the instructions printed thereon at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd. 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 as soon as possible and, in any event, at least forty-eight (48) hours before the time appointed for holding the SGM.

The completion and return of a Shareholder Proxy Form by a Shareholder who is not a Depositor or a Depositor Proxy Form by a Depositor shall not preclude him from attending and voting in person at the SGM in place of his proxy.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Whilst the registered office of the Company is in Bermuda, the principal office of the Company is in Hong Kong and the office of the Company's share transfer agent is in Singapore. Taking into account that Hong Kong and Singapore are more accessible locations than Bermuda, copies of the following documents will be available for inspection at the principal office of the Company at Room 3606-7, 36/F, AIA Tower, 183 Electric Road, North Point, Hong Kong, and the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours for 3 months from the date of the announcement:-

- (a) the Memorandum and Bye-laws of the Company; and
- (b) the SPA.

LETTER TO SHAREHOLDERS

Yours faithfully

For and on behalf of the Board of Directors of
NUTRYFARM INTERNATIONAL LIMITED

PAUL GAO XIANGNONG

Executive Director and Chief Executive Officer

6 June 2016

APPENDIX A

Financial Information on NFB

NutryFarm Biomedicine International Limited
(included NutryFarm (Chengdu) Biomedicine Company Limited)
Statements of profit or loss and other comprehensive income
For the year ended 31 March 2015
Expressed in RMB

	FY2015 RMB'000
Revenue	80,044
Cost of sales	<u>(39,105)</u>
Gross profit	<u>40,939</u>
Other income	203
Distribution and marketing expenses	(17,511)
Administrative expenses	(9,745)
Finance costs	<u>(1,718)</u>
Profit before tax	<u>12,168</u>
Tax expenses	<u>(1,569)</u>
Net profit and total comprehensive income for the year	<u>10,599</u>

APPENDIX A

NutryFarm Biomedicine International Limited
(included NutryFarm (Chengdu) Biomedicine Company Limited)
Statement of financial position at 31 March 2015
Expressed in RMB

	2015
	RMB'000
Assets	
Non-current assets	
Property, plant and equipment	37,913
Prepaid land lease payment	4,850
Intangible assets	797
Deposits paid for acquisition of intangible assets	<u>1,259</u>
Total non-current assets	<u>44,819</u>
Current assets	
Inventories	17,407
Trade and other receivables	56,890
Cash and cash equivalents	<u>24,605</u>
Total current assets	<u>98,902</u>
Total assets	<u>143,721</u>
Equity and liabilities	
Equity	
Share capital	11,280
Reserves	<u>38,333</u>
Total Equity	<u>49,613</u>
Non-current liabilities	
Dividend payables	<u>56,974</u>
Total non-current liabilities	<u>56,974</u>
Current liabilities	
Trade and other payables	17,097
Bank borrowings	20,000
Tax payable	<u>37</u>
Total current liabilities	<u>37,134</u>
Total liabilities	<u>94,108</u>
Total equity and liabilities	<u>143,721</u>

NOTICE OF SPECIAL GENERAL MEETING

NUTRYFARM INTERNATIONAL LIMITED

(Incorporated in Bermuda)

NOTICE IS HEREBY GIVEN that a SPECIAL GENERAL MEETING (“**SGM**”) of Nutryfarm International Limited (the “**Company**”) will be convened on 24 June 2016 at 2:00p.m. at Maxwell Chambers Pte Ltd, Medium Room Level 3, 32 Maxwell Road, #03-01, Singapore 069115, for the purpose of considering and, if thought fit, passing with or without any modifications the following Ordinary Resolution:-

ORDINARY RESOLUTION 1 – APPROVAL OF THE PROPOSED ACQUISITION

That approval be and is hereby given:

- (a) for the acquisition of 45% of the share capital of Nutryfarm Biomedicine International Limited by the Company from Nutryfarm Biomedicine Holdings Co. Ltd. for an aggregate purchase consideration of up to RMB61,000,000 in accordance with the terms and conditions of the sale and purchase agreement dated 15 February 2016 entered into between the Company and Nutryfarm Biomedicine Holdings Co. Ltd.; and
- (b) to the Directors of the Company to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be required or as they may consider necessary or expedient for the purposes of giving effect to the Proposed Acquisition.

(All capitalized terms used and not defined herein shall have the meanings ascribed to them in the circular to Shareholders dated 6 June 2016)

BY ORDER OF THE BOARD

PAUL GAO XIANGNONG
Executive Director and Chief Executive Officer

6 June 2016

Notes: -

1. A Depositor registered and holding Shares through the Central Depository (Pte) Limited (“**CDP**”) whose name is shown in the CDP’s records as at a time not earlier than forty-eight (48) hours before the time appointed for the SGM, may attend as CDP’s proxies. A Depositor who is an individual and who wishes to attend the SGM in person need not take any further action and can attend and vote at the SGM without the lodgement of any proxy form.
2. A Depositor registered and holding shares through the CDP who is an individual but is unable to attend the SGM personally and wishes to appoint a proxy/proxies to attend and vote on his/her behalf must complete, sign and return the depository proxy form which is despatched together with this Notice of SGM (the “**Depositor Proxy Form**”) in accordance with the instructions printed thereon and deposit the duly completed Depositor Proxy Form at the office of the Company’s Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, no later than 2.00 p.m. (Singapore Time) on 22 June 2016. Similarly, a Depositor who is a corporation and who wishes to attend the SGM must complete, sign and return the Depositor Proxy Form for the appointment of nominee(s) to attend and vote at the SGM on its behalf in accordance with the instructions printed thereon and deposit the duly completed Depositor Proxy Form at the office of the Company’s Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, no later than 2.00 p.m. (Singapore Time) on 22 June 2016.

NOTICE OF SPECIAL GENERAL MEETING

3. If a Shareholder who is not a Depositor is unable to attend the SGM and wishes to appoint a proxy to attend and vote at the SGM on his/her behalf, then he/she should complete, sign and return the shareholder proxy form (the “**Shareholder Proxy Form**”) as attached in the Circular in accordance with the instructions printed thereon and deposit the duly completed Shareholder Proxy Form at the office of the Company’s Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, no later than 2.00 p.m. (Singapore Time) on 22 June 2016. Such proxy need not be a member of the Company.
4. The completion and return of the Depositor Proxy Form or the Shareholder Proxy Form will not prevent him/her from attending and voting in person at the SGM if he/she wishes to do so, in place of his/her proxy.