

NUTRYFARM INTERNATIONAL LIMITED
(Incorporated in Bermuda on 13 August 2003)
(Company Registration Number: 32308)
(the “**Company**”)

**PROPOSED ACQUISITION OF THE REMAINING 45% EFFECTIVE INTEREST IN NUTRYFARM
BIOMEDICINE INTERNATIONAL LIMITED**

1. INTRODUCTION

The board of directors (the “**Directors**”) (the “**Board**”) of the Company (together with its subsidiaries, collectively, the “**Group**”, and each company within the Group, a “**Group Company**”) wishes to announce that it has entered into a sale and purchase agreement with NutryFarm Biomedicine Holdings Co., Ltd. (the “**Vendor**”) on 14 January 2016 (the “**SPA**”) in connection with the acquisition (the “**Proposed Acquisition**”) of an aggregate of 4,500 fully paid up ordinary shares in the share capital of NutryFarm Biomedicine International Limited (“**NFB**”) of US\$1.00 each (the “**NFB Sale Shares**”) from the Vendor, representing 45% of the issued and paid-up capital of NFB and constituting the remaining shares in the capital of NFB not owned by the Company.

Upon completion of the Proposed Acquisition, the Company’s interest in NFB will increase from 55% to 100% and NFB will become a wholly-owned subsidiary of the Company.

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 general meeting to be convened by the Company.

2. THE PROPOSED ACQUISITION

Background Information on the Proposed Acquisition

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 share (“**NFB Share**”) of US\$1.00 each, of which 10,000 NFB Shares has 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 Nutryfarm (Chengdu) Biomedicine Ltd. (“**NFC**”), a company incorporated on 27 June 2005 under the laws of the People’s Republic of China (“**PRC**”). NFC is in the business of researching, developing, manufacturing and selling products and food relating to nutrition and health. NFC 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. It has over 33 highly-qualified researchers, nutritionists, sales and marketing professionals. To date, it has launched over 40 nutritional products catered to the diverse nutritional needs of the population. A vast majority of these products stem from traditional Chinese medicinal herbs. NFC counts collagen, Vitamin C, Vitamin E, fish oil, liquid calcium and royal jelly as some of its most popular products. These products are manufactured in strict accordance with the requirements of the Good Manufacturing Practice guidelines prescribed by the government of the PRC.

Upon completion of the Proposed Acquisition, the Company’s shareholding in NFB will increase to 100%. The book value, net tangible asset value and the latest available open market value of the NFB Sale Shares as at 31 March 2015 is RMB95,266,000, RMB93,425,000 and RMB200,000,000 respectively.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

Consideration for the Proposed Acquisition

The aggregate consideration (the “**Consideration**”) for the purchase of the NFB Sale Shares is up to the amount of RMB64,000,000. The Consideration shall be satisfied by payment of RMB64,000,000 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 (as defined in the SPA)).

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 net asset value of NFB.

The net profits attributable to the NFB Sale Shares of FY2015 is RMB10,599,000. The Consideration represents a 504% premium of the net profits.

In the view of the Board, the Consideration is reasonable based on the net assets value of NFB. The Consideration will be fully settled in cash, which will be drawn from the Company’s capital reserves.

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 Singapore Exchange Securities Trading Limited (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 any Group Company 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.

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.

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 (the "**Previous Sale Shares**"), 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, the Vendor and the Company have agreed that on Completion, the Vendor shall not be entitled to any Vendor Dividends, and the Vendor and each member of the Vendor Group (as defined in the SPA) shall absolutely irrevocably and unconditionally fully and forever release, remise and discharge the Company and each other member of the Purchaser Group (as defined in the SPA) 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 have, 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.

4. RATIONALE OF THE PROPOSED ACQUISITION

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

Since the acquisition in 2012, buoyed by the growing Chinese demand for nutrition and health food products, the Group's revenue rose 10.32% in the financial year ended 31 March 2015 ("FY2015") from the financial year ended 31 March 2014 ("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.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro-forma financial effects of the Proposed Acquisition is 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 FY2015, and assuming that the Proposed Acquisition had been completed on:

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

NTA

	NTA (HK\$'000)	Number of Shares as at 31 March 2015 (000)	NTA per Share (HK\$ cents)
Before the Proposed Acquisition	50,703	1,771,256	2.86
After the Proposed Acquisition	72,656	1,771,256	4.10

6. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006

Based on the latest announced audited consolidated results of the Group for FY2015, 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:

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	106% ⁽¹⁾
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	90.33%
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) Rule 1015(7) of the Listing Manual provides that Rule 1015 does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b).

As the figure 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 the shareholders of the Company in a special general meeting to be convened.

7. SERVICE CONTRACTS

There are no Directors proposed to be appointed to the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any Director.

8. 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.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

10. 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 assessable 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.

BY ORDER OF THE BOARD

NutryFarm International Limited

Paul Gao Xiang Nong

Chief Executive Officer and Executive Director

14 January 2016