

**NUTRYFARM INTERNATIONAL LIMITED**  
(Company Registration Number: 32308)  
(Incorporated in Bermuda)

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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

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The Board of Directors (the “**Board**”) of NutryFarm International Limited (the “**Company**”), and together with its subsidiaries, refers to its annual report in respect of the financial year ended 30 September 2020 (the “**2020 Annual Report**”). Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the 2020 Annual Report. In this regard, the Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX**”) on 1 March 2021 (the “**SGX Queries**” and each an “**SGX Query**”) as follows:

**SGX Query (a)**

It is noted that the Company’s independent auditors have issued a disclaimer of opinion and also raised an “Appropriateness of the going concern assumption” in the independent auditor’s report. Please address the following queries:-

- i. the Board of Directors’ assessment of the Group’s ability to continue operating as a going concern and the bases for the said assessment;
- ii. the Board of Directors’ opinion as to whether trading of the Company’s shares should be suspended pursuant to Listing Rule 1303(3) and the bases of its views; and
- iii. the Board of Directors’ confirmation as to whether all material disclosures have been provided for trading of the Company’s shares to continue in an orderly manner; and the bases for its views.

**Company’s Response to SGX Query (a)(i)**

The Board’s current assessment of the Group’s ability to continue operating as a going concern is based, *inter alia*, on the expected recovery of the advance for an acquisition of HK\$62 million previously made, following an in-principle agreement reached with Xiaoxin Wang for such amount to be repaid over four (4) years, the expected reclassification of HK\$43.3 million in current liabilities (arising from the current portion of certain loans owing to a third party lender which is repayable within the next 12 months) to long-term liabilities in the next quarter, pursuant to an agreement entered in January 2021 with such lender to extend the repayment of such amounts for an additional year, as well as other possible cash inflows or receipts which may arise from certain options or initiatives currently being considered by the Company, including divestment of non-core assets, fund-raising, and/or potential revenue or income coming onstream from new business(es), including from Global Agricapital Holdings Pte. Ltd., a subsidiary of the Company which has been newly incorporated to principally engage in the value-added processing, distribution logistics and the trading of fresh fruits (in particular durians) in China and other major Southeast Asia countries.

**Company’s Response to SGX Query (a)(ii)**

Based on the Board’s current assessment of the Group’s ability to continue operating as a going concern as aforesaid, the Board is of the opinion that it is not necessary for the Company to have to consider suspension of trading of the Company’s shares pursuant to Listing Rule 1303(3).

**Company’s Response to SGX Query (a)(iii)**

The Board of Directors’ confirmed that all material disclosures have been provided for trading of the Company’s shares to continue in an orderly manner as the Company has released all information, business or otherwise, which have been considered as crucial and important to our shareholders as well as potential investors in getting a better and a more in-depth understanding of the Company’s existing business and prominent future business plans through announcements on a prompt and precise manner from time to time.

### **SGX Query (b)**

Provision 9.2 of the Code of Corporate Governance 2018 (the “**Code**”) states that “The Board requires and discloses in the company’s annual report that it has received assurance from:

- (a) the CEO and the Chief Financial Officer (“**CFO**”) that the financial records have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company’s risk management and internal control systems.”

Listing Rule 710 states that “An issuer must describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the Code. An issuer must comply with the principles of the Code. Where an issuer’s practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.”

We note that the Company has disclosed on page 27 of its 2020 Annual Report:- “In connection with the above, the Board has received written assurance from the CEO and CFO that the financial records have been properly maintained, the financial statements give a true and fair view of the Company’s operations and finances, and the Company’s risk management and internal control systems are effective.”

Please make disclosure as required under Listing Rule 710, in particular, whether the Board has received assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company’s risk management and internal control systems.

### **Company’s Response to SGX Query (b)**

The Company has obtained the assurance from the CEO and other key management personnel regarding the adequacy and effectiveness of the Company’s risk management and internal control systems.

### **SGX Query (c)**

It is noted on page 25: of the Company’s 2020 Annual Report:- “The Group has complied with Rules 712 and 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in relation to its auditor.”

It is noted on page 69 of the Company’s 2020 Annual Report:- “In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited - Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.”

Please clarify whether the Group has complied with Listing Rule 715 or 716?

### **Company’s Response to SGX Query (c)**

The Group’s companies are audited by Baker Tilly TFW LLP except Group’s 100% subsidiary, NutryFarm (Chengdu) Biomedicine Ltd. (“**NFC**”) and LottVision (Hong Kong) Ltd that are audited by Baker Tilly Hong Kong Limited, a member of Baker Tilly International Ltd of which Baker Tilly TFW LLP is also a member. As such, the Group has complied with Rule 715 to appoint a suitable audit firm to perform the Group’s audit. Rule 716 does not apply.

### **SGX Query (d)**

Please provide the information as required under Listing Rule 907.

**Company's Response to SGX Query (d)**

To the best knowledge of the Company, there have been no interested person transactions entered into in FY2020.

**SGX Query (e)**

With reference to the audited consolidated statement of cash flows on pages 42 to 43 of the Company's 2020 Annual Report, please provide an explanation for the material difference in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the year ended 30 September 2020:-

- i. The net cash generated from operating activities of HK\$3,346,000 as compared to the net cashflows used in operating activities of HK\$(41,970,000); and
- ii. The net cash used in investing activities of HK\$(29,745,000) as compared to the net cash generated from investing activities of HK\$14,813,000.

**Company's Response to SGX Query (e)(i)**

Please refer to the table below:

HK\$'000	Note	Audited Financial Statements	Unaudited Financial Statements	Variances
Cashflow from operating activities				
Loss before tax	1	(48,394)	(41,621)	6,773
Amortisation of land use right	2	-	451	(451)
Amortisation of intangible assets		14	-	14
Loss on disposal of property, plant and equipment		1	-	1
Depreciation of property, plant and equipment	2	3,819	644	3,175
Net impairment losses on financial assets	3	9,629	8,003	1,626
Impairment losses on property, plant and equipment	4	8,259	9,340	(1,081)
Impairment losses on advances to suppliers	5	6,108	7,753	(1,645)
Interest income		(406)	(326)	(80)
Interest expenses	6	14,796	11,405	3,391
Inventories written down, net	7	2,460	2,798	(338)
Unrealised foreign exchange loss	8	1,643	-	1,643
Operating cash flow before changes in working capital		(2,071)	(1,553)	(518)
Changes in operating assets and liabilities:				
Inventories		2,251	2,096	155

<b>HK\$'000</b>	<b>Note</b>	<b>Audited Financial Statements</b>	<b>Unaudited Financial Statements</b>	<b>Variations</b>
Trade and other receivables	9	(11,083)	(28,140)	17,057
Trade and other payables	10	18,840	(6,178)	25,018
Currency translation adjustments	8	(4,786)	(483)	(4,303)
Cash generated from operations		3,151	(34,258)	37,409
Tax refund		195	57	138
Net cash generated from operating activities		3,346	(34,201)	37,547

Note 1: The difference of loss before tax has been explained in the announcement released on 10 Feb 2021.

Note 2: The amortisation of land use right has been reclassified to depreciation of property, plant and equipment in the Audited Financial Statements. Additional HK\$2.7 million depreciation was recorded in the Audited Financial Statements.

Note 3: Additional HK\$1.6 million impairment of other receivables were recorded in the Audited Financial Statements.

Note 4: HK\$1.1 million impairment of property, plant and equipment was over recorded in the Unaudited Financial Statements.

Note 5: HK\$1.6 million impairment of advances to suppliers was over recorded in the Unaudited Financial Statements.

Note 6: In the Audited Financial Statements, the Company further accrued HK\$3.4 million interest expenses for the third party loan obtained by the Company.

Note 7: In the Audited Financial Statements, the Company reversed HK\$338,000 inventories written down.

Note 8: In the Unaudited Financial Statements, the Company combined the foreign exchange gain or loss. In the Audited Financial Statements, the Company further recorded HK\$2.7 million currency translation adjustments of working capital.

Note 9: HK\$17.1 million difference is as a result of 1) HK\$1.0 million increase due to the currency translation adjustments in the Audited Financial Statements; 2) HK\$5.3 million decrease due to the Company reclassifying it from purchase of property, plant and equipment in the Audited Financial Statements; and 3) HK\$19.0 million increase due to the Company reclassifying it to Advance to Suppliers in the Audited Financial Statements.

Note 10: HK\$25.0 million difference includes 1) HK\$9.8 million increase which was reclassified from refund for proposed acquisition in the Audited Financial Statements; 2) HK\$13.5 million increase which was the debit balance in payables related to advances to third parties and which was reclassified to advances to third parties in Audited Financial Statements and 3) HK\$1.7 million increase due to currency translation adjustments in the Audited Financial Statements.

**Company's Response to SGX Query (e)(ii)**

Please refer to the table below:

HK\$'000	Note	Audited Financial Statements	Unaudited Financial Statements	Variations
Cashflow from investing activities				
Interest received		406	326	80
Purchase of property, plant and equipment	11	(16,861)	(22,182)	5,321
Proceeds from disposal of property, plant and equipment		144	-	144
Refund for proposed acquisition	12	26,869	36,669	(9,800)
Advances to third parties	13	(32,549)	-	(32,549)
Advances to a related party		(7,474)	(7,769)	295
Prepayment paid for intangible assets – patents		(280)	-	(280)
Net cash used in investing activities		(29,745)	7,044	(36,789)

Note 11: In the Audited Financial Statements, the Company reclassified HK\$5.3 million to changes in trade and other receivables.

Note 12: In the Audited Financial Statements, the Company reclassified HK\$9.8 million to changes in working capital.

Note 13: In the Audited Financial Statements, the Company reclassified HK\$19.0 million from changes in trade and other receivables and HK\$13.5 million from changes in trade and other payables to advances to suppliers.

### **SGX Query (f)**

Listing Rule 1207(6)(b) states:- “The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following:—... (6)(b) Confirmation by the audit committee that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the audit committee's opinion, affect the independence of the auditors.”

Please provide the confirmation by the audit committee as required under Listing Rule 1207(6)(b).

### **Company's Response to SGX Query (f)**

The Audit Committee has confirmed that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the audit committee's opinion, affect the independence of the auditors.

### **SGX Query (g)**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy,

including objectives, and there were no explanations were provided for in your 2020 annual report on how it is consistent with the intent of Principle 2 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

#### **Company's Response to SGX Query (g)**

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs independently, in particular from Management and 10% shareholders. The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board.

As disclosed on Page 14 and 15 of the AR - The Board and Board Committees are made up of a team of high calibre leaders whose diverse expertise and experience. While the Board has not implemented a fixed diversity policy, the Board and the Nominating Committee ("NC") are satisfied that the current Board composition has the appropriate mix of expertise and experience that as a group, provides an appropriate balance and diversity of skills, experience and knowledge of the Company. Where there are experiences identified as lacking, the Nominating Committee will review and source for suitable candidates to join the Board while in the interim period, seek external professionals to advise the Board. As such, the Board has examined its size and is of the view that it is an appropriate size for effective decision making, taking into account the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees.

The Board has examined its size and is of the view that it is an appropriate size for effective decision making, taking into account the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees. Notwithstanding that, the Board and the Nominating Committee will continue to review and bring in more expertise and diversity to the Board.

To this effect, the Board has appointed Ms Lee Pih Peng, a corporate lawyer to the Board on 27 February 2021.

#### **SGX Query (h)**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 2.2 of the Code as Independent directors do not make up a majority of the Board where your Chairman is not independent, and there were no explanations were provided for in your 2020 annual report on how it is consistent with the intent of Principle 2 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

#### **Company's Response to SGX Query (h)**

While the Board does not currently have a majority of the Board consisting of Non-Executive Independent Directors which is recommended under provision 2.3 of the Code where the Chairman of the Board is not independent, the Board has been actively reviewing and adjusting the Board composition, *inter alia*, with a view to upholding compliance with the Code, as and when circumstances permit. As at the release of the AR, the Board had five members, comprising the CEO, two Non-

Executive Directors and two Non-Executive Independent Directors, and since then, one additional new Non-Executive Independent Director has been appointed to the Board. The Board will continue to monitor the situation and further change the composition of the Board, where necessary or appropriate, to ensure that the Board has a strong independent element and the diversity of thought and background to ensure that objective judgment is exercised on corporate affairs of the Group.

**SGX Query (i)**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provisions 8.1(a) and (b) of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your 2020 annual report on how it is consistent with the intent of Principle 8 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

**Company’s Response to SGX Query (i)**

Provision 8.1 of the Code states that the company should disclose in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of (a) each individual director and the CEO; and (b) at least the top five key management personnel (“KMP”) (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

Although the 2018 Code recommends full disclosure of the remuneration of each individual director and CEO, The Company is of the view that in a small and medium size enterprise environment and that none of the individual directors, the CEO and the KMP draw more than S\$250,000 in the financial period, the disclosure of the Directors’ and KMP’s remuneration in bands of S\$250,000 should be sufficient to provide an insight into the link between compensation and performance of the Directors and further details are deemed to be not in the interest of the Company due the sensitivities and confidentiality of remuneration.

**SGX Query (j)**

It is stated on page 82 Note 19(c), amongst others:- “During the current financial period, the Group has received refunds of HK\$26,869,000 (RMB23,563,000) from the Vendor. As at 30 September 2020, the refundable advances paid to the Vendor for proposed acquisition of First Linkage amounted to HK\$61,976,000 (RMB53,687,000). The Group is still in the process of recovering the remaining advances of HK\$61,976,000 (RMB53,687,000) from the Vendor.”

Please clarify if the refunds were received in cash and provide an update on the uses of the refunds if applicable.

**Company’s Response to SGX Query (j)**

The refunds were received in cash.

The uses of HK\$26,869,000 refunds are as follows:

<b>Item</b>	<b>Amount</b>
	HK\$’000
Refunds	26,869
Interests paid	(11,782)

Professional fees	(2,886)
Other administrative expenses	(3,178)
Acquisition of internet related hardware and software	(8,748)
Remaining amount	343

### **SGX Query (k)**

It is stated on page 82 Note 19(d), amongst others:- “On 15 April 2020, the Group through WiVision, an indirect wholly-owned subsidiary, has signed contracts with Zhonglian Shengtong, an indirect wholly-owned subsidiary of First Linkage, to acquire networking hardware and software for a total consideration (including value-added tax) of RMB66,400,000 (HK\$77,150,000). During the current financial period, the Group utilised the deposit paid in prior year of RMB20,270,000 (HK\$23,552,000) to purchase the networking hardware and software (excluding value-added tax) amounted to HK\$39,728,000 (RMB35,774,000) from Zhonglian Shengtong, with the remaining of HK\$16,176,000 (RMB15,504,000) by cash consideration.”

Please clarify as to when the deposit was made and the background for making the deposit to Zhonglian Shengtong? Please provide an update on the networking hardware and software acquired from Zhonglian Shengtong?

### **Company’s Response to SGX Query (k)**

The deposits were made on or around May to June 2019. The equipment was for the furtherance of the internet business under Wivision pending the acquisition of Xinjiang Zhongtong and the deposit was derived on an arms-length commercial basis. The assets have been delivered to the Group in FY2020.

These assets are current under the Group’s account and in the Group’s possession. As the Group has terminated the acquisition of Xinjiang Zhongtong, the Group will not be able to commercialise the assets. On 21 January 2021, WiVision signed a non-binding memorandum with First Linkage Hong Kong Limited (“FLHK”) where FLHK will purchase all above-mentioned networking hardware and software which have already been delivered for a proposed consideration (including value-added tax) of RMB32,364,000 (HK\$37,361,000). The Group is still exploring other potential buyers.

### **SGX Query (l)**

Please provide an indicative timeline with milestones for complying with Principle 13 of the Code which is in relation to engagement with stakeholders; and to provide periodic updates via its financial results announcements released via SGXNet?

### **Company’s Response to SGX Query (l)**

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups. These arrangements as well as strategies and key areas of focus in relation to the management of stakeholder relationships are set out in Page 7 of the Company’s Sustainability Report released on 8 March 2021.

**BY ORDER OF THE BOARD**

**Cheng Meng**

Chief Executive Officer and Executive Director  
9 March 2021