



(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 end of Q1FY2018 as at 30 June 2017. These figures have not been audited.

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**NUTRYFARM INTERNATIONAL LIMITED**  
**Group Income Statement**  
**For the Quarter Ended 30 June 2017**  
**(Expressed in Hong Kong thousand dollars)**

	Q1FY2018	Q1FY2017	Change
	HK\$'000	HK\$'000	%
<b>Revenue</b>	17,092	19,507	(12)
Cost of sales	(6,999)	(8,525)	(18)
<b>Gross profit</b>	10,093	10,982	(8)
Other expenses	195	-	NM
Distribution expenses	(4,416)	(5,359)	(18)
Administrative expenses	(3,713)	(4,983)	(25)
Finance costs	(231)	(288)	(20)
<b>Profit before income tax</b>	1,928	352	448
Income tax expense	(702)	(297)	136
<b>Profit for the period</b>	1,226	55	2,129
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company	1,226	(592)	NM
Non-controlling interest	-	647	NM
<b>Profit for the period</b>	1,226	55	2,129

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 2017**  
**(Expressed in Hong Kong thousand dollars)**

	Q1FY2018	Q1FY2017	Change
	HK\$'000	HK\$'000	%
<b>Profit for the period</b>	1,226	55	2,129
<b>Other comprehensive income/(loss)</b>			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation, net of tax	(324)	(1,757)	(82)
<b>Total comprehensive income/(loss) for the period</b>	902	(1,702)	NM
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company	902	(2,349)	NM
Non-controlling interest	-	647	NM
<b>Total comprehensive income/(loss) for the period</b>	902	(1,702)	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 2017**  
**(Expressed in Hong Kong thousand dollars)**

	The Group		The Company	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	As at 30/06/2017	As at 31/03/2017	As at 30/06/2017	As at 31/03/2017
<b>Non-current assets</b>				
Interests in subsidiaries	-	-	129,342	129,342
Property, plant and equipment	36,719	37,641	-	-
Intangible assets	42,265	42,241	-	-
Non-current prepayments	1,423	1,395	-	-
Land use right	5,665	5,677	-	-
	86,072	86,954	129,342	129,342
<b>Current assets</b>				
Inventories	13,287	12,269	-	-
Trade receivables	46,214	37,741	-	-
Prepayments, deposits and other receivables	20,432	11,187	-	126
Amounts due from subsidiaries	-	-	54,146	36,082
Cash and cash equivalents	17,393	25,397	502	120
	97,326	86,594	54,648	36,328
<b>Current liabilities</b>				
Trade and other payables	43,841	23,591	24,210	4,919
Short term loans	-	14,502	-	-
Amount due to subsidiary	-	-	76,839	76,839
Tax payable	368	360	-	-
	44,209	38,453	101,049	81,758
<b>Net current assets/(liabilities)</b>	53,117	48,141	(46,401)	(45,430)
<b>Net assets</b>	139,189	135,095	82,941	83,912
<b>Equity</b>				
<b>Capital and reserves attributable to equity shareholders of the Company</b>				
Share capital	6,428	6,428	6,428	6,428
Reserves	132,761	128,667	76,513	77,484
<b>Total equity attributable to equity holders of the Company</b>	139,189	135,095	82,941	83,912
<b>Total equity</b>	139,189	135,095	82,941	83,912

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

**Amount repayable in one year or less, or on demand**

As at 30/06/2017 In HK\$'000		As at 31/03/2017 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	14,502	-

**Amount repayable after one year**

As at 30/06/2017 In HK\$'000		As at 31/03/2017 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of Collaterals

The borrowings of HK\$14.5 million as at 31 March 2017 was secured by the 34,165 square meters land use right and building of NutryFarm (Chengdu) Biomedicine Limited ("**NFC**"). The Company has repaid such loans in Q1FY2018.

The Group currently has no collaterals as the Group currently has no borrowings, having repaid the abovementioned borrowings of HK\$14.5 million.

- 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 2017**  
**(Expressed in Hong Kong thousand dollars)**

	Q1FY2018 HK\$'000	Q1FY2017 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	1,928	352
Adjustments for:		
Interest income	(161)	(59)
Finance costs	231	288
Amortisation of land use rights	12	141
Amortisation of intangible assets	(24)	720
Depreciation of property, plant and equipment	922	621
<b>Operating cash flows before changes in working capital</b>	2,908	2,063
<b>Changes in operating assets and liabilities</b>		
Increase/(decrease) in inventories	(1,018)	2,058
Decrease/(increase) in trade receivables	(8,473)	1,178
(Increase)/decrease in prepayments, deposits and other receivables	(2,135)	(2,504)
Increase/(decrease) in trade and other payables	959	(512)
<b>Cash generated from operations</b>	(7,759)	2,283
Income tax paid	(710)	(2,091)
<b>Net cash flows from operating activities</b>	(8,469)	192
<b>Cash flows from investing activities</b>		
Advance to third parties	(4,000)	-
<b>Net cash used in investing activities</b>	(4,000)	-
<b>Cash flows from financing activities</b>		
Proceeds from third party loan	19,291	-
Repayment of short-term loans	(14,502)	(542)
<b>Net cash generated from/(used in) financing activities</b>	4,789	(542)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(7,680)	(350)
Cash and cash equivalents at beginning of the period	25,397	18,572
Effect of foreign exchange rate changes	(324)	(1,757)
Cash and cash equivalents at end of the period	17,393	16,465

**1(d)(i) A statement (for the Company and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with comparative statement for the corresponding period of the immediately preceding financial year.**

The Group	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	6,428	300,996	119,560	(12,300)	(279,589)	135,095	-	135,095
Other comprehensive loss for the year, net of tax:								
- Currency translation differences	-	-	-	3,192	-	3,192	-	3,192
Other comprehensive loss for the period	-	-	-	(324)	-	(324)	-	(324)
Profit for the period	-	-	-	-	1,226	1,226	-	1,226
At 30 June 2017	6,428	300,996	119,560	(9,432)	(278,363)	139,189	-	139,189

The Group	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	6,428	300,996	119,560	(4,431)	(317,271)	105,282	33,533	138,815
Other comprehensive loss for the period	-	-	-	(1,757)	-	(1,757)	-	(1,757)
Loss for the period	-	-	-	-	(592)	(592)	647	55
At 30 June 2016	6,428	300,996	119,560	(6,188)	(317,863)	102,933	34,180	137,113

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

The Company	Share Capital	Share Premium	Contributed Surplus Reserve	Translation Reserve	Accumulated Losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'001	HK\$'000	HK\$'000
At 1 April 2016	6,428	300,996	119,560	(1,225)	(331,567)	94,192
Loss for the period	-	-	-	-	(1,200)	(1,200)
At 30 June 2016	6,428	300,996	119,560	(1,225)	(332,767)	92,992

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisitions or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the number of issued shares excluding treasury shares and subsidiary holdings of the Company, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During Q1FY2018 and Q1FY2017, share capital of the Group had no change. The Company has no outstanding convertibles.

The Company did not have treasury shares or subsidiary holdings as at 30 June 2017 and 30 June 2016.

- 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 2017 was 64,281,402 (31 March 2017: 64,281,402). As at 30 June 2017 and 31 March 2017, there were no treasury shares outstanding.

- 1d(iv) A statement showing all sales, transfers, cancellation, and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 1d(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.**

The figures have not been audited nor reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the Company's most recently audited annual financial statements have been applied.**

The same accounting policies and methods of computation as our last audited annual financial statements have been applied.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Company has no changes in the accounting policies and methods of computation.

**6. Earnings/ (loss) per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>Q1FY2018</b>	<b>Q1FY2017</b>
	<b>HK cents</b>	<b>HK cents</b>
(a) Based on the weighted average number of ordinary shares in issue; and	1.91	(1.00)
(b) On a fully diluted basis	1.91	(1.00)

Note 6(a): For Q1FY2018, the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$1.2 million and the weighted average of 64,281,402 ordinary shares in issue.

For Q1FY2017, the calculation of basic profit per share was based on loss attributable to equity holders of the Company of HK\$592,000 and the weighted average of 64,281,402 ordinary shares in issue.

Note 6(b): Fully diluted profit/(loss) per share for Q1FY2018 and Q1FY2017 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 Q1FY2018 and Q1FY2017.



**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 30/06/2017 HK\$	As at 31/03/2017 HK\$
<b><u>The Company</u></b>		
Net asset value per ordinary share based on existing issued share capital	1.29	1.45
<b><u>The Group</u></b>		
Net asset value per ordinary share based on existing issued share capital	2.17	1.66

The calculation of net asset value per share of the Company is based on the Company's net asset value of positive HK\$82,941,000 (at 31 March 2017: HK\$83,912,000) and 64,281,402 ordinary shares in issue at 30 June 2017 (at 31 March 2017: 64,281,402).

The calculation of net asset value per share of the Group is based on the Group's net asset value of HK\$139,189,000 (at 31 March 2017: HK\$135,095,000) and 64,281,402 ordinary shares in issue at 30 June 2017 (at 31 March 2017: 64,281,402).

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

**Income statement**

Revenue

In Q1FY2018, the Group recorded revenue of approximately HK\$17.1 million comparing with HK\$19.5 million in Q1FY2017. Majority of the revenue was generated by the Group's subsidiary NFC. 12% decrease of revenue is mainly because NFC still has been affected by the Advertisement law launched by China authorities. NFC adjusted key products to heart, brain, blood vessels, joint and weight loss products and achieve higher gross margin than Q1FY2017.

Operating expenses

In Q1FY2018, the Group reported distribution expenses of approximately HK\$4.4 million as compared to HK\$5.4 million in Q1FY2017; administrative expenses of approximately HK\$3.7 million in Q1FY2018 as compared to approximately HK\$5.0 million in Q1FY2017.

HK\$1.0 million decrease of distribution expenses in Q1FY2018 comparing Q1FY2017 is mainly due to the decrease of advertisement expenses. The Group reported HK\$1.3 million decrease of administrative expenses as compared to Q1FY2017 mainly due to the decrease in research and development expenses. Currently, NFC has 12 new licenses under application progress and will make some further applications in FY2018, in particular, in respect of liver, joint, weight-loss and anti-oxidation products. The Company will provide updates as necessary if and when such applications for such licenses have been approved.

#### Finance costs

The Group recorded HK\$0.2 million finance cost in Q1FY2018. It mainly represents the interest paid for the Group's bank loan.

#### Income tax expense

The Group recorded HK\$0.7 million of income tax expense in Q1FY2018, which represents the income tax charged to NFC due to the operating profit generated in the People's Republic of China.

#### Net profit/ (loss) attributable to shareholders

Overall, the Group recorded a net profit attributable to shareholders of approximately HK\$1.2 million in Q1FY2018 compared to a net loss of approximately HK\$55,000 in Q1FY2017.

### **Balance sheet**

#### Intangible assets

Intangible assets as at 30 June 2017 amounted to HK\$42.2 million, which has not materially fluctuated compared to the figure as at 31 March 2017.

Intangible assets of HK\$42.2 million as at 30 June 2017 included goodwill arising from the acquisition of NFC (through the acquisition of NFB) and intangible assets related to customer relationship, software and technology held by the Group.

#### Non-current prepayments

The Group recorded HK\$1.4 million non-current prepayments as at 30 June 2017. This mainly represents the prepayment to acquire new licenses to launch more products by NFC.

#### Land use right

The Group recorded HK\$5.7 million for land use right as at 30 June 2017. This is held by NFC for its factory and office areas.

#### Inventories

The Group recorded HK\$13.3 million inventories as at 30 June 2017. This mainly represents the finished goods, working in progress and raw materials held by NFC and it has no significant movement comparing

31 March 2017.

#### Trade receivables

The Group recorded HK\$46.2 million trade receivables as at 30 June 2017, which mainly attributed from NFC. This is an increase of HK\$8.5 million compared to HK\$37.7 million as at 31 March 2017. The increases of trade receivables are mainly from main customers due to their seasonal business expansion and promotion.

#### Prepayments, deposits and other receivables

The Group recorded HK\$20.4 million prepayments, deposits and other receivables as at 30 June 2017, which is a HK\$9.2 million increase compared to HK\$11.2 million as at 31 March 2017. The increase is mainly due to: 1) HK\$3.5 million prepayment to expand nutrition business in east-south part of China under traditional distribution channel, and 2) HK\$4.0 million advance to business partners to support their marketing and promotion activities.

#### Trade and other payables

Trade and other payables amounted to HK\$43.8 million as at 30 June 2017 has HK\$20.2 million increase as compared to HK\$23.6 million as at 31 March 2017. The increase mainly included the Company's receipt of an aggregate of HK\$19.3 million third party loan from two investors with an annual interest rate of 3.7% and 7.4% for three years in Q1FY2018.

#### Short term loans

The bank loan of an aggregate sum of HK\$14.5 million as at 31 March 2017, which was secured by NFC's land use right, has been fully repaid in Q1FY2018.

#### **Cash Flow Statement**

The Group recorded a net cash outflow of HK\$8.5 million from operating activities in Q1FY2018 as compared to a net cash inflow of HK\$0.2 million in Q1FY2017. The HK\$4.7 million drop of cash flow from operating activities is mainly due to HK\$8.5 million increase of trade receivables related to NFC's main customers due to their seasonal business expansion and promotions.

The Group recorded a net cash outflow of HK\$4.0 million from investing activities in Q1FY2018 as compared to no cash flow from investing activities in Q1FY2017. It is mainly due to HK\$4.0 million advance to a business partner to NFC's business expansion in east-south of China incurred in Q1FY2018.

The Group recorded HK\$4.8 million net cash inflow from financing activities in Q1FY2018 as compared to a net cash outflow of HK\$0.5 million in Q1FY2017. In Q1FY2018, the Group received third party loans of an aggregate of HK\$19.3 million and repaid HK\$14.5 million of bank loans of NFC.

As at 30 June 2017, the Group remained in a cash balance position of HK\$17.4 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 Q1FY2018, the Company's subsidiary NFC still suffered from the Food Security Law and Advertisement Law released by Chinese Authorities in FY2016. In current quarter NFC achieved HK\$17.1 million revenue which is a 12% decrease from that of Q1FY2017. The products of NFC are continuously focusing on heart, brain, blood vessels, joint and weight loss products which are mostly self-manufactured by NFC. Benefitted by the changing market strategy, the gross margin of the Company in Q1FY2018 is 59.1%, which is 2.8% higher than Q1FY2017.

The main customers of the Company contributed over 60% revenue to the Company. The Company maintains the stable cooperation with the key customers, meanwhile the Company expects to expand its business to other geography area such as east-south of China. The Company now is increasingly relying on the local media including newspapers, magazines and local TV etc. as well as the internet promotion.

The Company will regularly apply for new licenses and will release new products accordingly. The Company would like to launch more products on liver and anti-oxidation and achieve benefits to shareholders in the future.

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/recommended, 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):**

I, 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 2017**