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CORPORATE GOVERNANCE REPORT

NutryFarm International Limited (the “Company” and together with its subsidiaries, the “Group”) is committed to achieving a high standard of corporate governance which conforms to the principles set out in the Code of Corporate Governance 2012 (the “Code”). The Board is pleased to report on the compliance of the Company with the Code (except as otherwise stated).

Principle 1: Board’s Conduct of its Affairs

Apart from its statutory duties and responsibilities, the Board is responsible for overseeing the management and affairs of the Group and approving the Group’s corporate and strategic directions. The Board is also responsible for implementing policies in relation to financial matters, which include risk management, internal controls, and compliance.

In accordance with the Code, the Board has, without abdicating its responsibility, delegated specific authority to three (3) Board Committees namely, the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”), to assist the Board in discharging its responsibilities and to enhance the Group’s corporate governance framework. Each Board Committee is chaired by an Independent Director and has its own terms of references to address its respective areas of focus. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive to attend their meetings. The composition and description of each Board Committee is set out in this Report.

The Board meets at least once a year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance and to endorse the release of the quarterly and annual financial results. Additional meetings may be held to address significant transactions or issues, where necessary. The Company’s Bye-laws permit a Board meeting to be conducted by way of teleconference and video-conference. The record of the Directors’ attendance at Board and the respective committee meetings during the financial year ended 31 March 2016 is set out below.

	Directors’ Attendance at Board and Other Committee Meetings			
	No. of meetings & attendance (for the period from 01/04/15 to 31/03/16)			
	Board	AC	NC	RC
Number of meetings held	8	4	1	1
Name of Director				
Paul Gao Xiang Nong	8	4*	1*	1
Ng Poh Khoon Jimmy	8	4	1	1
Neo Chee Beng	7	4	1	1
Xu Hai Min	6	4	1	1
Li Xue Feng ⁽¹⁾	-	-	-	-

Note:

⁽¹⁾ Mr. Li Xue Feng retired as Non-Executive Director of the Company on 28 July 2015.

* The Director is not a member of the respective Committees but has attended the meeting by invitation.

The principal functions of the Board of Directors of the Company (“Board” or “Directors”) include:

1. providing entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
2. establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the company’s assets;
3. reviewing management performance;
4. identifying the key stakeholder groups and recognising that their perceptions affect the company’s reputation;

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5. setting the company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met;
6. considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;
7. approving policies, strategies, structure and direction of the Group;
8. approving annual budgets, key operational issues, major funding proposals, and investment and divestment proposals;
9. overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
10. approving the nominations of Board Directors, committee members and key personnel, recommended by the NC; and
11. providing oversight for the proper conduct of the Company's business and assuming responsibility for corporate governance.

The Board gives clear instructions to Management on the levels of authorization required and the Management team seeks Board approval on material transactions such as material acquisitions and disposals, joint ventures and other transactions that would materially impact the Company.

Prior to their respective appointments to the Board, each of the Directors is given comprehensive and tailored induction on joining the Board, including his duties as a Director and how to discharge those duties, and an orientation on the Group's business strategies, operations and governance practices. A formal letter is also issued to each Director upon appointment, setting out the Directors' duties and obligations. Newly appointed Directors who have no prior experience as Directors of a listed company will be given legal and accounting training, and training on the industry the Company operates in.

The Directors will receive, from time to time, further relevant training funded by the Company particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular presentations and meetings.

Principle 2: Board Composition and Balance

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

The Board is made up of four Directors of whom two are independent Non-Executive Directors. Thus, half of the Board is independent.

The involvement of the Non-Executive Directors in setting and developing strategies and goals for management, and reviewing and assessing management's performance enables management to benefit from the external and objective perspective of issues that are tabled before the Board.

To facilitate a more effective check on the Executive Directors and the Management, the Non-Executive Directors meet at least once annually without the presence of the Management to discuss matters that they wish to raise privately. The Non-Executive Directors also constructively challenge the Executive Directors and the Management and help develop proposals on strategy and review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

The independence of each Independent Director is reviewed annually by the NC based on the definition of independence as set out in the Code. The Independent Directors have abstained from voting on any resolutions and making any recommendations and/or participated in any deliberations of the Board in respect of the evaluation of his or her independence. The NC provides its views on the independence of each Director to the Board. Taking into account the views of the NC, the Board is satisfied as to the independence of Mr. Ng Poh Khoo Jimmy and Mr. Neo Chee Beng, both of whom do not have any material relationship with the Company, its related corporations, its Shareholders who have an interest of at least 10% of the Company's voting shares or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company.

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.

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The Board has also considered that its Directors as a group provide an appropriate balance and diversity of industry skills, knowledge of the Company and experience, and possess core competencies such as in accounting, finance, industry knowledge, strategic planning experience, customer-based experience or knowledge and business strategies.

Nominating Committee

The NC comprises Mr. Neo Chee Beng and Mr. Xu Hai Min, and is chaired by Mr. Ng Poh Khoo Jimmy.

The NC held one meeting during the financial year ended 31 March 2016.

The Board has approved the written terms of reference of the NC. The NC performs the following functions:

- a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;
- b) reviewing all candidates nominated for appointment as senior management staff;
- c) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times for the principles of corporate governance and the Code;
- d) procuring that at least one-third of the Board shall comprise Independent Directors;
- e) making recommendations to the Board on continuation of service of any Director who has reached the age of 70;
- f) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including Independent Directors;
- g) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and
- h) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

The NC also makes recommendations to the Board on relevant matters relating to:

- a) the review of Board succession plans for Directors;
- b) the development of a process for evaluating the performance of the Board, its Board Committees and Directors;
- c) the review of training and professional development programs for the Board; and
- d) the appointment and re-appointment of Directors.

Principle 4: Board Membership

The composition of the Board and Board Committees is as follows:

Directors	Board Membership	Date of First Appointment	Date of Last Re-Appointment	AC	RC	NC
Paul Gao Xiang Nong	Executive Director, Chief Executive Officer	09 January 2006	29 July 2014	-	-	-
Ng Poh Khoo Jimmy	Independent Director	01 April 2008	29 July 2013	Chairman	Member	Chairman
Neo Chee Beng	Independent Director	01 October 2009	29 July 2013	Member	Chairman	Member
Xu Hai Min	Non-Executive Director	09 April 2014	29 July 2014	Member	Member	Member
Li Xue Feng ⁽¹⁾	Non-Executive Director	27 February 2009	-	-	-	-

Note:

- ⁽¹⁾ Mr. Li Xue Feng retired as Non-Executive Director and as Director of the Company on 28 July 2015.

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The Board recognises the importance of good succession planning. The NC is tasked to review the Board membership progressively and identify the potential successors to key positions. Succession and leadership development plans for the senior management will be implemented to ensure smooth transition. The review, if any, will be presented to the Board for its approval.

The search and nomination process for new Directors, if any, will be through search agencies, contacts and recommendations to reach out to the largest pool of candidates as possible for the right candidate.

When considering a new Board member, the NC will review the curriculum vitae of the potential candidate and consider his/her experience and likely contribution to the Board. Interviews will then be subsequently conducted before the NC makes its recommendation to the Board. The Board will make the final determination for the appointment.

Pursuant to Article 104 of the Company's Bye-laws, other than the Managing Director, all Directors submit themselves for re-election at least once every three years. In addition, under Article 107(B), any Director appointed by the Board shall hold office only until the next AGM and shall then be eligible for re-election at the meeting.

The NC recommended to the Board that Mr. Ng Poh Khoon Jimmy will be nominated for re-appointment at the forthcoming AGM. In making its recommendation, the NC had considered the overall contribution and performance of Mr. Ng Poh Khoon Jimmy. Mr. Ng Poh Khoon Jimmy will abstain from making any recommendation in respect of his re-appointment.

Notwithstanding that some of the Directors have multiple Board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC conducts a review of the time commitment of each Director on an ongoing basis. The Board believes that each Director has to personally determine the demands of his or her competing directorships and obligations and assess how much time is available to serve on the Board effectively. Accordingly, the Board has not made a determination of the maximum number of Board representations a Director may hold.

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 14 and 15 of the Annual Report.

Principle 3: Chairman and Chief Executive Officer

The former Chairman of the Company is Mr. Terence Luk Chung Po who resigned as Chairman and Director with effect from 31 Oct 2014 due to family commitments. The present Acting Chairman, who is also the CEO, is Mr. Paul Gao Xiang Nong.

The role of the Chairman is to provide guidance on the corporate direction of the Group and, inter alia:

- (a) lead the Board to ensure its effectiveness on all aspects of its role;
- (b) set the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promote a culture of openness and debate at the Board;
- (d) ensure that the Directors receive complete, adequate and timely information;
- (e) ensure effective communication with shareholders;
- (f) encourage constructive relations within the Board and between the Board and Management;
- (g) facilitate the effective contribution of Non-Executive Directors in particular; and
- (h) promote high standards of corporate governance.

The role of the CEO is to set the business strategies and directions for the Group and manage the business operations of the Group with the Executive Directors and other management staff.

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The Company recognises that under the Code, the Chairman and CEO should in principle be separate persons. However, the Board, having in mind the needs of the Company and the current business climate, is satisfied that this leadership structure is still an effective one. The Board believes that Mr. Paul Gao Xiang Nong is able to take on both roles effectively, taking into account his abilities in developing the business of the Group, and the leadership and direction which he brings to the Group. Furthermore, given that the members of the Board are well-qualified, competent and experienced, and that half of the Board comprises independent Directors, the Board takes the view that there is an appropriate balance of power and authority, and that accountability and independent decision making are not compromised.

The Company further intends to strengthen the balance of power and authority among the members of the Board by appointing Mr. Ng Poh Khoo Jimmy as the lead independent Director of the Company. As the lead independent Director, Mr. Ng Poh Khoo Jimmy will be available to address the concerns of shareholders and will lead the independent Directors in meeting periodically without the presence of the other Directors and provide feedback to the Chairman after such meetings.

Principle 5: Board Performance

The Board has implemented a process to be carried out by the NC to assess the performance and effectiveness of the Board as a whole, its Board Committees, the contribution of the Chairman and each individual Director to the effectiveness of the Board.

In conducting the individual evaluation of Directors, the NC assesses on an individual basis whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman will act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his or her performance or re-nomination as a Director.

The performance of each Board Committee is evaluated based on its roles and functions set out in its terms of reference, and its ability to perform these functions effectively.

The assessment of the Board's performance as a whole adopted both quantitative and qualitative criteria, such as return on equity, the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the management's performance against the goals that had been set by the Board. The performance criteria for the Board was decided upon and proposed by the NC, and approved by the Board.

The Nominating Committee has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.

Principle 6: Access to Information and Company Secretaries

To assist the Board in fulfilling its responsibilities, the Board will be provided with Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. In respect of budgets, any material variance between the projections and actual results is also disclosed and explained.

The Board is provided with adequate and timely information prior to each Board meeting. Board papers are prepared for each Board meeting and are usually circulated at least three working days prior to each meeting. Directors are entitled to request from Management, and are provided with, such complete and adequate additional information in a timely manner as needed to make informed decisions. The Chief Financial Officer (the "CFO"), key management personnel of the Group and external professionals may also be invited to attend the meetings to provide further insight on specific matters or respond to queries from the Directors.

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If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

The Board has separate and independent access to management and the company secretaries at all times.

The company secretaries administer, attend and prepare minutes of Board meetings, assist the Chairman in ensuring that:

- (i) Board procedures are followed and reviewed so that the Board functions effectively;
- (ii) the Company's Bye-laws and relevant rules and regulations, including requirements of the Companies Act and the SGX-ST, are complied with;
- (iii) under the direction of the Chairman, ensuring good information flows within the Board and its Board Committees and between the Management and the Non-Executive Directors; and
- (iv) facilitating the orientation of incoming Directors and assist with professional development as required.

The appointment and removal of the company secretary is a matter for the Board as a whole to decide.

Principle 7: Procedures for Developing Remuneration Policies **Remuneration Committee**

The RC comprises Mr. Ng Poh Khoon Jimmy, Mr. Xu Hai Min and is chaired by Mr. Neo Chee Beng.

The RC held one meeting during the financial year under review.

The Board has approved the written terms of reference of the RC. The functions of the RC are as follows:

- a) recommending to the Board a general framework for remuneration for its members and the key executives of the Group including all aspects such as Directors fees, salaries, allowances, bonuses, options and benefits-in-kind;
- b) proposing to the Board, appropriate and meaningful measures for assessing the performance of Executive Directors;
- c) determining the specific remuneration package for each Director and key management personnel;
- d) considering the eligibility of Directors for benefits under long-term incentive schemes; and
- e) considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration, the procedure for setting remuneration, and details of the specific remuneration packages of the Directors and key executives of the Company to those required by law or by the Code.

The RC will review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses for such advice shall be borne by the Company. The Company did not appoint any remuneration consultants for the financial year ended 31 March 2016.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the RC aligns the level and structure of remuneration with the long-term interest and risk policies of the Company and considers what is appropriate to attract, retain and motivate (i) the Directors to provide good stewardship of the Company, and (ii) the key management personnel to successfully manage the Company.

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The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group. The RC also takes into account the risk policies of the Company, and ensures that remuneration is symmetric with risk outcomes and is sensitive to the time horizon of risks.

The Company will continually evaluate the remuneration structure of Executive Directors and key management personnel and consider linking rewards to corporate and individual performance, to promote the long-term success of the Company. The remuneration policy will take into account the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. The Company has introduced the Scheme and an Incentive Share Scheme administered by the RC. Executive Directors and key management personnel are encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.

The remuneration of Non-Executive Directors is measured against their level of contribution, taking into account factors such as effort and time spent, and the responsibilities undertaken. The RC ensures that Non-Executive Directors are not overcompensated to the extent that their independence may be compromised. Non-Executive Directors are also entitled to be offered shares under the Incentive Share Scheme.

The Company is entitled to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Principle 9: Disclosure on Remuneration

The remuneration paid to the Directors and Executive Officers for services rendered during the financial year ended 31 March 2016 was as follows:

Remuneration bands	Salary (%)	Performance bonus (%)	Directors' fees (%)	Others (%)	Total (%)
Directors					
Below S\$250,000					
Paul Gao Xiang Nong	100	-	-	-	100
Ng Poh Khoo Jimmy	-	-	100	-	100
Neo Chee Beng	-	-	100	-	100
Xu Hai Min	-	-	-	-	-
Li Xue Feng ⁽¹⁾	-	-	-	-	-

1. Mr. Li Xue Feng retired as Non-Executive Director of the Company on 28 July 2015.

No termination, retrenchment and post-employment benefits were granted to the Directors and Key Management personnel during FY2016.

The RC and the Board are of the view that the remuneration of the Directors is adequate but not excessive in order to attract, retain and motivate them to run the Company successfully and also believes that the remuneration package of the Directors and Key Management is a competitive advantage of the Group and as such has chosen to make disclosure in relation thereto in bands of S\$250,000.

Mr. Xu Hai Min and Mr. Paul Gao Xiang Nong did not receive any compensation for services rendered as Directors during the financial year ended 31 March 2016.

The remuneration of the Independent Directors was in the form of a fixed fee subject to shareholders' approval at the AGM.

Executive Directors have service agreements with the Company. Their compensation consists of a salary, bonus and performance awards that are dependent on the performance of the Group.

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The Company does not have any employees who are immediate family members of a Director or the Chief Executive Officer.

For FY 2016, the top six key management personnel (who are not also Directors or CEOs) (in terms of remuneration paid) of the Company are Andy Xu Peng, Guo Gang, Fang Zheng Lin, Ma Ting, Peng Li Hong and Chen Yao Ming.

A breakdown, showing the level and mix of the top six key management personnel who are not Directors or CEO in remuneration bands of S\$250,000 for FY 2016, is as follows:

Remuneration bands	Salary (%)	Performance bonus (%)	Benefits in kind (%)	Stock options, share based incentives and awards, and other long-term incentives (%)	Total (%)
Below S\$250,000					
Andy Xu Peng	100	-	-	-	100
Guo Gang	100	-	-	-	100
Fang Zheng Lin	100	-	-	-	100
Ma Ting	100	-	-	-	100
Peng Li Hong	100	-	-	-	100
Chen Yao Ming	100	-	-	-	100

Principle 11: Risk Management & Internal Controls

The Company has instituted a system of internal controls for the Group. While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication is reliable. In designing these controls, Management has had regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them. The Company seeks to improve internal control and risk management on an on-going basis to ensure that they remain sound and relevant.

The Board has in place a set of internal controls which sets out approval limits for expenditure, investments and divestments and cheque signatory arrangements. Approval sub-limits are also provided at management and committee levels to facilitate operational efficiency. The Board also determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of risk management and internal control systems.

During the year under review, the Management has conducted an annual review of the adequacy and effectiveness of the Company's risk management and internal controls system, including financial, operational, compliance and information technology controls and these are reported to the AC. Any material non-compliance and recommendation for improvement are reported to the AC. The AC, on behalf of the Board, also reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting its businesses through discussion with Management and its external auditor. The members of the Board are vigilant in looking out for potential risks that the Group may face, and will take the necessary steps to work with Management to ensure that such potential risks are dealt with in a timely manner.

The Board believes that the risk management and internal control systems, including financial, operational, compliance and information technology controls, established by the Company is adequate and effective to provide reasonable assurance that the Company would not be adversely affected by any event that could be reasonably foreseen. However, the Board also notes that no system of risk management and internal control systems, including financial, operational, compliance and information technology controls, could provide an absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

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Based on the risk management and internal control systems, including financial, operational, compliance and information technology controls, established and maintained by the Group and reviews performed by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls, were adequate and effective as at 31 March 2016.

The Board has also received 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.

Principle 12: Audit Committee

The AC comprises Mr. Xu Hai Min, Mr. Neo Chee Beng and is chaired by Mr. Ng Poh Khoon Jimmy. None of the AC members were former partners or Directors of the Company's existing auditing firm, and none of them have any financial interest in that firm.

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities. In particular, Mr. Ng Poh Khoon Jimmy (the AC Chairman) and Mr. Neo Chee Beng have a wealth of experience in accounting.

The Board has approved the written terms of reference of the AC. The AC performs the following functions:

- a) reviewing with external auditor the audit plan and their audit report;
- b) reviewing the overall internal control system;
- c) reviewing the Group's financial results and the announcements before submission to the Board for approval;
- d) reviewing the assistance given by management to external auditor;
- e) reviewing significant findings of internal investigations;
- f) considering the appointment/re-appointment of the external auditor;
- g) reviewing interested person transactions; and
- h) other functions as required by law or the Code.

The AC also reviews significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance, and review the scope and results of the external audit, and the independence and objectivity of external auditor.

The AC meets periodically and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any Director or Executive Officer to attend its meetings, and has reasonable resources to discharge its functions properly.

During FY 2016, the AC met four times to discuss and review the audit plan, the audit report and evaluate the system of internal controls.

The AC's primary role is to investigate any matter within its terms of reference, and it has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, the Management and has been given full access to and is provided with the co-operation of the Company's management. In addition, the AC has independent access to the external auditor. The AC meets with the external auditor without the presence of management at least annually.

The members of the AC also meet with the management, the CFO and external auditor to discuss and keep abreast of changes to accounting standards and issues which have to direct impact on financial statements.

The aggregate amount of fees paid to the external auditor of the Company for FY 2016 is HK\$369,000. No non-audit services are provided by the external auditor to the Company.

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.

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The Company has put in place a “whistle-blowing” policy which enables employees who have major concerns over any wrongdoing within the Company and its subsidiaries (“Group”) relating to unlawful conduct, financial malpractice or dangers to the public or the environment to come forward and express these concerns without fear of any punitive action. The AC has reviewed and ensured that arrangements are in place for concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

Principle 13: Internal Audit

The Group currently does not have in place an internal audit function as the Board is of the view that this is not necessary taking into account the Group’s current size and operations.

The Board recognises the importance of the internal audit function and will continue to monitor whether it is necessary to set up such function internally or outsource it to a professional body.

Principle 10: Accountability and Audit

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company’s performance, position and prospects on a quarterly basis. This responsibility extends to interim and other price-sensitive public reports, and reports to regulators (if required).

The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, by establishing written policies where appropriate.

The management provides the Board with appropriately detailed management accounts of the Group’s performance, position and prospects and such explanation and information on a quarterly basis to enable the Board to make a balanced and informed assessment of the company’s performance, position and prospects. Where the Board requires any additional information, the Board will request for such information from Management. Such information may include additional financial information such as monthly management accounts, and will be available for the Board’s review on its request.

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders on a timely basis via SGXNET announcements and press releases. Such information is also available on the Company’s website. In disclosing information to its shareholders, the Company aims to be as descriptive, detailed and forthcoming as possible. If inadvertent disclosure is made to a select group of shareholders, the Company will make the same disclosure publicly to all others as promptly and possible. The Company ensures that price-sensitive information is publicly released, and announced on an immediate basis where required under the Listing Manual of the SGX-ST. Such information includes information relating to changes in the company or its business which would be likely to materially affect the price or value of the Company’s shares. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information. At shareholders’ meetings, the Board also seeks for the views, comments and input of the Company’s shareholders, to better understand and address their specific concerns.

For FY2016, the Company will not be paying dividends to shareholders. Due to the ongoing challenges in the economic and business environment, there is a need to conserve cash.

Principle 16: Conduct of Shareholder Meetings

The Company encourages shareholders to participate and vote at AGMs. Shareholders are informed of the rules, including voting procedures, that govern the AGMs, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Directors and chairmen of the Board Committees are normally present to address the Shareholders’ questions. The external auditor was not required to be present as the Company views that the Board is able to address questions by the Shareholders.

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All shareholders of the Company will receive the Annual Report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on the SGXNET.

The Company's Bye-Laws allow the Shareholders to appoint proxies to attend and vote in their stead at general meetings. Pursuant to Bye-Law 84 of the Company's Bye-Laws, the Shareholders holding two (2) or more shares may appoint not more than two (2) proxies to attend and vote at the same general meeting. When a Shareholder appoints more than one (1) proxy, he or she shall specify the proportion of his or her shareholding to be represented by each proxy.

The Company has not amended its Bye-Laws to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the Shareholders' identities through the web are maintained.

The Company ensures that there are separate resolutions at general meetings on each distinct issue, and puts each resolutions to poll, with an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. The Company will not be using electronic polling this year, but is aware of the benefits of electronic polling and will consider implementing it at an appropriate time.

All minutes of general meetings that include substantial and relevant comments or queries from the Shareholders and responses from the Board and the Management are made available to the Shareholders upon their request.

Material Contracts

(Listing Manual Rule 1207(8))

Save for the service agreement between the Executive Directors and the Company, there are no material contracts entered into by the Company or its subsidiaries and in which the Chief Executive Officer, or any Director or controlling shareholders were interested subsisting at the end of the financial year ended 31 March 2016.

Risk Management

(Listing Manual Rule 1207(4)(b)(iv))

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risk as well as appropriate measures to control and mitigate these risks. The management also reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

The Group has identified the various financial risks, details of which are found on pages 76 and 80 of the Annual Report.

Dealings in Securities

(Listing Manual Rule 1207(19))

The Group has adopted the SGX-ST's Best Practices Guide with respect to dealings in securities by the Directors and its executive officers. Officers of the Company should not deal in the securities of the Company on short-term considerations. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the financial year-end, as the case may be, and ending on the date of announcement of the relevant results, or when they are in possession of unpublished price-sensitive information on the Group.

To provide further guidance to employees on dealings in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct is modeled after the Best Practices Guide with some modifications.

CORPORATE GOVERNANCE REPORT

Interested Person Transactions

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Company has not sought a mandate from its shareholders for interested person transactions in its financial year ended 31 March 2016.

CORPORATE SOCIAL RESPONSIBILITY

The Company is aware of the effects of its operations and the role it plays in preserving the environment. The Company intends to encourage a more environmentally responsible culture, including implementing policies for paper recycling, reducing the unnecessary use of paper and reducing electricity consumption.

USE OF PROCEEDS

In FY2016, the Company undertook a placement of 20 million ordinary shares which was completed on 24 June 2015 (the "2015 Placement"). The Company received proceeds of S\$6.2 million from the 2015 Placement deducting related expenses.

In FY2016, approximately S\$700,000 has been used for working capital purposes and approximately S\$5.5 million is proposed to be used for the acquisition of 45% interest of Nutryfarm Biomedicine International Limited.

DIRECTORS' REPORT

We submit herewith this annual report together with the audited financial statements for the financial year ended 31 March 2016.

DIRECTORS

The Directors in office during the financial year were as follows:

Paul Gao Xiang Nong
 Ng Poh Khoo Jimmy
 Neo Chee Beng
 Xu Hai Min
 Li Xue Feng ⁽¹⁾

Note:

⁽¹⁾ Mr. Li Xue Feng retired as Non-Executive Director of the Company on 28 July 2015.

The Directors of the Company, including the Non-Executive Directors, are subject to retirement and re-election at the forthcoming Annual General Meeting in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company, particulars of interests of the Directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

	Holdings registered in the name of Director or nominee		Holdings in which the Director is deemed to have an interest	
	At 1 April 2015	At 31 March 2016	At 1 April 2015	At 31 March 2016
Ordinary shares of HK\$0.10 each fully paid				
Paul Gao Xiang Nong	174,100,000	6,597,355 *	89,794,200	–

* After share consolidation

The Directors' interest in the ordinary shares of the Company as at 21 April 2016 were the same as those at 31 March 2016.

Except as disclosed in this report, no other Directors who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at the date of appointment if later, or at the end of the financial year.

Except as disclosed above and under the "Incentive Shares" section of this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Notes 7 and 8 to the financial statements, since the end of the last financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member or with a company in which he has substantial financial interest.

DIRECTORS' REPORT

SHARE OPTIONS

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

INCENTIVE SHARES

The LottVision Incentive Share Scheme (the "Incentive Share Scheme") was approved by the shareholders on 29 July 2009.

The Incentive Share Scheme is administered by a Committee comprising the following Directors:

Neo Chee Beng
Xu Hai Min
Ng Poh Khoo Jimmy

The principal terms of the Incentive Share Scheme are as follows:

(a) Eligibility

Under the rules of the Incentive Share Scheme, Executive and Non-Executive Directors and employees of the Group, who are not controlling shareholders of the Company and their associates, are eligible to participate in the Incentive Share Scheme.

(b) Size and duration

The aggregate number of shares which may be issued under the Incentive Share Scheme, when added to the number of shares issued and/or issuable in respect of all awards granted thereunder and other shares issued and/or issuable under other share-based incentive scheme of the Company, shall not exceed fifteen per cent (15%) of the issued share capital of the Company on the day preceding in the relevant date of award.

The Incentive Share Scheme shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Incentive Share Scheme is adopted by the Company in general meeting, provided always that the Incentive Share Scheme may continue beyond the above stipulated period with the approval of shareholders in general meeting and of any relevant authorities which may then be required.

(c) Entitlement to awards

Awards represent the right of a participant to receive fully-paid shares free of charge upon the participant satisfying the performance conditions (if any). The Committee administering the Incentive Share Scheme selects performance conditions which are consistent with the Company's business goals and which focus on creating value for shareholders. Such performance conditions can include targets relating to the cash flow and net profits of the Group over specified periods.

SHARES GRANTED DURING THE YEAR

No shares were issued under the Incentive Share Scheme during the financial year ended 31 March 2016.

DIRECTORS' REPORT

WARRANTS

There were no warrants granted by the Company during the financial year.

AUDIT COMMITTEE

The Audit Committee at the date of this report comprises three members, who are independent of management within the meaning of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual"):

Ng Poh Khoo Jimmy (Chairman)
Xu Hai Min
Neo Chee Beng

The Audit Committee held four meetings since the last Directors' report. In performing its function, the Audit Committee met with management and the Company's external auditor to discuss and review the following:

- i. the audit plan of the external auditor of the Group and the results of their examination;
- ii. the Group's financial and operating results and accounting policies;
- iii. that no restrictions were being placed by management upon the work of the external auditor;
- iv. the Group's transactions with related parties and interested persons; and
- v. the independence of the external auditor.

The Audit Committee performed the functions specified in the Listing Manual which included a review of the financial statements of the Group and the Company for the financial year ended 31 March 2016 and the auditor's report thereon.

The Audit Committee is authorised to investigate any matters within its terms of reference, has full access to management and also full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

AUDITOR

The current auditor of the Company, Baker Tilly TFW LLP, was appointed since 27 July 2012. The Audit Committee has recommended to the Board of Directors that Baker Tilly TFW LLP be nominated for re-appointment as the auditor of the Company at the forthcoming Annual General Meeting of the Company. A resolution for the re-appointment of Baker Tilly TFW LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board of Directors

Paul Gao Xiang Nong
Executive Director

Xu Hai Min
Non-Executive Director

Hong Kong, 27 June 2016

STATEMENT BY DIRECTORS

We, being Directors of the Company, do hereby state that in our opinion:

- (i) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 35 to 82 are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Company as at 31 March 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Paul Gao Xiang Nong
Executive Director

Xu Hai Min
Non-Executive Director

Hong Kong, 27 June 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUTRYFARM INTERNATIONAL LIMITED AND ITS SUBSIDIARIES

Report on the Financial Statements

We have audited the accompanying financial statements of NutryFarm International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 35 to 82, which comprise the balance sheets of the Group and the Company as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to present fairly, in all material respects, the financial position of the Group and the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

27 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2016

	Note	Group	
		2016 HK\$'000	2015 HK\$'000
Revenue	4	83,521	99,803
Cost of sales		(34,191)	(48,758)
Gross profit		49,330	51,045
Other income	5	649	760
Distribution expenses		(17,634)	(21,833)
Administrative expenses		(27,936)	(20,446)
Finance costs	6	(1,520)	(2,158)
Profit before tax	7	2,889	7,368
Tax expense	9	(2,447)	(1,956)
Profit for the year		442	5,412
Other comprehensive (loss)/income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		(6,465)	1,117
Other comprehensive (loss)/income for the financial year, net of tax		(6,465)	1,117
Total comprehensive (loss)/income for the financial year		(6,023)	6,529

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the financial year ended 31 March 2016

		Group	
	Note	2016 HK\$'000	2015 HK\$'000
(Loss)/profit attributable to:			
Equity holders of the Company		(2,331)	1,124
Non-controlling interest		2,773	4,288
Profit for the year		<u>442</u>	<u>5,412</u>
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(8,796)	2,241
Non-controlling interest		2,773	4,288
Total comprehensive (loss)/income for the year		<u>(6,023)</u>	<u>6,529</u>
		Group	
	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (cents per share)			
Basic and Diluted	10	<u>(3.91)</u>	2.54

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 31 March 2016

	Note	Group		Company	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Non-current assets					
Investment in subsidiaries	11	–	–	65,209	66,435
Other investments	12	–	–	–	–
Property, plant and equipment	13	42,935	47,876	–	–
Intangible assets	14	46,575	52,595	–	–
Non-current prepayments	15	1,186	1,589	–	–
Land use rights	16	6,145	6,651	–	–
		96,841	108,711	65,209	66,435
Current assets					
Inventories	17	22,055	21,976	–	–
Trade receivables	18	39,069	53,417	–	–
Prepayments, deposits and other receivables	19	79,527	12,419	–	–
Amounts due from subsidiaries	11	–	–	36,082	1,193
Cash and bank balances		18,572	39,081	42	299
		159,223	126,893	36,124	1,492
Current liabilities					
Trade and other payables	20	27,884	28,432	4,306	2,462
Short term loans	21	21,361	25,249	–	–
Amount due to a subsidiary	11	–	–	2,835	135
Tax payable		393	46	–	–
		49,638	53,727	7,141	2,597
Net current assets/(liabilities)		109,585	73,166	28,983	(1,105)
Non-current liability					
Dividend payable	20	67,611	71,928	–	–
Net assets		138,815	109,949	94,192	65,330
Equity					
Share capital	23	6,428	123,988	6,428	123,988
Share premium	23	420,556	268,107	420,556	268,107
Currency translation reserve	23	(4,431)	2,034	(1,225)	–
Accumulated losses		(317,271)	(314,940)	(331,567)	(326,765)
Equity attributable to equity holders of the Company, total		105,282	79,189	94,192	65,330
Non-controlling interest		33,533	30,760	–	–
Total equity		138,815	109,949	94,192	65,330

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial year ended 31 March 2016

Group	Share	Share	Currency	Equity	Accumulated	Total	Non-	Total
	capital	premium	translation	share-based	losses		controlling	equity
	HK\$'000	HK\$'000	reserve	transaction	HK\$'000	HK\$'000	interest	HK\$'000
			HK\$'000	reserve	HK\$'000		HK\$'000	HK\$'000
Balance at 1 April 2014	123,251	267,634	917	3,368	(319,432)	75,738	26,472	102,210
Profit for the year	-	-	-	-	1,124	1,124	4,288	5,412
Other comprehensive income for the financial year, net of tax:								
- Currency translation differences arising on consolidation	-	-	1,117	-	-	1,117	-	1,117
Total comprehensive income for the financial year, net of tax	-	-	1,117	-	1,124	2,241	4,288	6,529
Issue of shares	737	473	-	-	-	1,210	-	1,210
Cancellation of share options	-	-	-	(3,368)	3,368	-	-	-
Balance at 31 March 2015	123,988	268,107	2,034	-	(314,940)	79,189	30,760	109,949
(Loss)/profit for the year	-	-	-	-	(2,331)	(2,331)	2,773	442
Other comprehensive (loss)/income for the financial year, net of tax:								
- Currency translation differences arising on consolidation	-	-	(6,465)	-	-	(6,465)	-	(6,465)
Total comprehensive (loss)/income for the financial year, net of tax	-	-	(6,465)	-	(2,331)	(8,796)	2,773	(6,023)
Issue of shares	2,000	32,889	-	-	-	34,889	-	34,889
Share consolidation	(119,560)	119,560	-	-	-	-	-	-
Balance at 31 March 2016	6,428	420,556	(4,431)	-	(317,271)	105,282	33,533	138,815

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial year ended 31 March 2016

		Group	
	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Profit before tax		2,889	7,368
Adjustments for:			
Amortisation of land use rights	16	141	145
Amortisation of intangible assets	14	3,495	3,455
Depreciation of property, plant and equipment	13	3,964	4,655
Gain on disposals of property, plant and equipment		–	(250)
Impairment losses on trade receivables	18	5,939	–
Interest income		(249)	(193)
Interest expense		1,520	2,158
Operating cash flows before changes in working capital		<u>17,699</u>	<u>17,338</u>
Changes in operating assets and liabilities			
Inventories		(1,422)	(3,837)
Trade and other receivables		10,234	8,665
Trade and other payables		786	(7,570)
Currency translation adjustments		(1,167)	628
Cash generated from operations		<u>26,130</u>	<u>15,224</u>
Tax paid		(2,091)	(3,613)
Net cash generated from operating activities		<u>24,039</u>	<u>11,611</u>
Cash flows from investing activities			
Interest received		249	193
Proceeds from disposals of property, plant and equipment		–	250
Purchases of property, plant and equipment		(1,812)	(2,874)
Advance payment to non-controlling interest for proposed acquisition of remaining interest in a subsidiary	19	(73,630)	–
Prepayment for purchases of intangible assets		(328)	(72)
Net cash used in investing activities		<u>(75,521)</u>	<u>(2,503)</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the Financial year ended 31 March 2016

	Note	Group	
		2016 HK\$'000	2015 HK\$'000
Cash flows from financing activities			
Interest paid		(1,520)	(2,158)
Proceeds from issuance of new shares		34,889	1,210
Repayment of obligations under finance lease		-	(117)
Drawdown of short term loans		21,727	24,937
Repayment of short term loans		(24,141)	(26,807)
Decrease in bank deposits		-	618
Net cash generated from/(used in) financing activities		30,955	(2,317)
Net (decrease)/increase in cash and cash equivalents		(20,527)	6,791
Cash and cash equivalents at beginning of the financial year		39,081	32,338
Effect of foreign exchange rates changes		18	(48)
Cash and cash equivalents at end of the financial year		18,572	39,081

Cash and cash equivalents comprise cash and bank balances as presented on the balance sheets.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL INFORMATION

NutryFarm International Limited (the "Company") is a company incorporated in Bermuda with limited liability under the Bermuda Companies Act 1981 and has its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The Company's principal office in Hong Kong is located at Room 801, Office Plus@Wanchai, 303 Hennessey Road, Wanchai, Hong Kong.

On 10 August 2015, the Company changed its name from LottVision Limited to NutryFarm International Limited.

The principal activity of the Company consist of investment holding. The principal activities of the subsidiaries are set out in Note 11.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are presented in Hong Kong Dollar ("HK\$") and all financial information presented in Hong Kong Dollar are rounded to the nearest thousand (HK\$'000) except when otherwise indicated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3 to the financial statements.

The carrying amounts of cash and bank balances, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2.2 Adoption of new and revised International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee

In the current financial year, the Group has adopted all the new and revised IFRS issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Adoption of new and revised International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (cont'd)

The adoption of these new/revised IFRS and IFRIC did not have any material effect on the financial results or position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 March 2016 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except as disclosed below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. IFRS 15 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess its contracts with customers in accordance with IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. IFRS 9, when effective will replace IAS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess the potential impact of IFRS 9 and plans to adopt the standard on the required effective date.

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

Sale of goods

Revenue from the sale of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.6(a). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interest based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific IFRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

Consolidation of the subsidiary companies in PRC are based on the subsidiary companies' financial statements prepared in accordance with IFRS. Profits reflected in the financial statements prepared in accordance with IFRS may differ from those reflected in the PRC statutory financial statements of the subsidiary companies, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary companies are based on the amounts stated in the PRC statutory financial statements.

2.5 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.6 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of a subsidiary is described in Note 2.4.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Intangible assets (cont'd)

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost are recognised separately from goodwill and are initially measured at their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the expenditure is charged to profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible asset with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

The estimated useful lives are as follows:

	Years
Software	5
Patent	10
Customer relationship	5

2.7 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price, and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the assets.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (cont'd)

Construction in progress is stated at cost less impairment losses. The cost comprises direct costs of materials and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight-line basis to write off the depreciable amount of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Buildings	5%
Plant and machinery	10%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20% - 33%
Motor vehicles	25% - 30%

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2.8 Impairment of non-financial assets excluding goodwill

At each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables (excluding prepayments)", "amounts due from subsidiaries" and "cash and bank balances" on the balance sheet.

Financial assets, available-for-sale

Financial assets, available-for-sale include equity securities that are non-derivatives and are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measurable, are measured at cost less impairment loss. Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

Loans and receivables (cont'd)

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

Financial assets, available-for-sale

For available-for-sale financial assets carried at cost, the amount of impairment loss is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss and such losses are not reversed in subsequent periods.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with financial institutions which are subject to insignificant risk of change in value and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged bank deposits.

2.12 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.13 Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the asset is substantially completed for its intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial liabilities

Financial liabilities include trade and other payables (excluding receipt in advance and withholding tax on dividend declared), short term loans and amount due to a subsidiary. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

2.15 Land use rights

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Land use rights are amortised on a straight line basis over the remaining years of rights allocated to use the land of 50 years.

The amortisation period and amortisation method are reviewed at the end of each balance sheet date.

2.16 Leases

When a group entity is the lessee:

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.17 Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Income taxes (cont'd)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

Deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2.18 Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

2.19 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.20 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Renminbi due to its financial reliance on the operation of its subsidiaries in the People's Republic of China. The financial statements of the Group and the Company are presented in Hong Kong dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Foreign currencies (cont'd)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the balance sheet date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

2.23 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

3 CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the entity's accounting policies

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period.

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices of the significant entity within the Group are mainly denominated and settled in Renminbi. In addition, the Company's functional currency is determined to be Renminbi due to its financial reliance on the operation of its subsidiaries in the People's Republic of China. Therefore, management concluded that the functional currency of the Company is Renminbi.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

3 CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (cont'd)

i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and other intangible assets and the carrying amount of the goodwill and other intangible assets, are given in Note 14 to the financial statements.

ii) Amortisation of other intangible assets

Patent, customer relationship and software are amortised on a straight-line basis over their estimated useful lives. The management estimate the useful lives of these other intangible assets to be between 5 to 10 years. The carrying amount of other intangible assets as at 31 March 2016 was HK\$4,323,000 (2015: HK\$7,553,000). The Group assesses annually the useful lives of the patent, customer relationship and software and if the expectation differs from the original estimate due to changes in the expected level of usage and/or technological developments, such difference will impact the amortisation charge in the financial year.

iii) Impairment of trade receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivables at the end of the reporting period is disclosed in Note 18 to the financial statements. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade receivables and the trade receivables balance at the end of the reporting period will be affected accordingly.

iv) Impairment of investment in subsidiaries

Determining whether investment in subsidiaries are impaired requires an estimation of the value-in-use of those investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from these investments and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates and is confident that the allowance for impairment, where necessary, is adequate. The carrying amount of the Company's investment in subsidiaries at the end of the reporting period are disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

4 REVENUE AND SEGMENT REPORTING

	2016 HK\$'000	2015 HK\$'000
Sale of nutrition, health food and related health products	83,521	99,803

(a) Segment results, assets and liabilities

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The Group has presented the following four reportable segments.

Internet management:	The provision of technical support services relating to internet and web-TV business.
Investment holding:	The management of the Group's available-for-sale investments, financial instruments and other treasury operations.
Nutrition, health food and related health products:	Manufacturing and trading of nutrition, health food and related health products.
Others:	Entities with no significant activities.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets include all current and non-current assets. Segment liabilities include all liabilities with the exception of corporate liabilities which consists of short term loans and tax payable.
- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.
- The Group's senior executive management assesses the performance of the operating segments based on a measure of earnings before interest and income tax.

There were no inter-segments trade transactions during the years ended 31 March 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

4 REVENUE AND SEGMENT REPORTING (CONT'D)

(a) Segment results, assets and liabilities (cont'd)

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below:

	Internet management HK\$'000	Investment holding HK\$'000	Nutrition, health food and related health products HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
2016						
Reportable segment revenue from external customers	–	–	83,521	–	–	83,521
Segment results	(141)	(3,672)	9,883	(1,409)	(501)	4,160
Interest income						249
Finance costs						(1,520)
Profit before tax						2,889
Tax expenses						(2,447)
Profit for the year						442
Assets						
Segment assets	8,109	82,852	183,011	150	(18,058)	256,064
Liabilities						
Segment liabilities	3,809	7,141	86,500	16,103	(18,058)	95,495
Unallocated liabilities						21,754
						117,249
Other segment information						
Depreciation and amortisation	41	–	7,559	–	–	7,600
Impairment loss on trade receivables	–	–	5,939	–	–	5,939
Capital expenditure	–	–	1,812	–	–	1,812

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

4 REVENUE AND SEGMENT REPORTING (CONT'D)

(a) Segment results, assets and liabilities (cont'd)

	Internet management HK\$'000	Investment holding HK\$'000	Nutrition, health food and related health products HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
2015						
Reportable segment revenue from external customers	–	–	99,803	–	–	99,803
Segment results	(454)	(2,726)	13,439	(1,176)	250	9,333
Interest income						193
Finance costs						(2,158)
Profit before tax						7,368
Tax expense						(1,956)
Profit for the year						5,412
Assets						
Segment assets	12,541	11,913	233,876	281	(23,007)	235,604
Liabilities						
Segment liabilities	10,973	2,596	93,512	16,286	(23,007)	100,360
Unallocated liabilities						25,295
						125,655
Other segment information						
Depreciation and amortisation	130	–	8,120	5	–	8,255
Gain on disposals of property, plant and equipment	–	–	–	(250)	–	(250)
Capital expenditure	–	–	2,874	–	–	2,874

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

4 REVENUE AND SEGMENT REPORTING (CONT'D)

(b) Geographic information

The Group's operations are substantially located in the PRC and substantially all of the Group's non-current assets are located in the PRC. The Group's revenue from external customers are generated from the PRC.

(c) Information about major customers

Revenue of approximately HK\$54,224,000 (2015: HK\$72,447,000) are derived from 3 (2015: 4) major external customers who individually contributed ten percent or more of the Group's revenue (attributable to nutrition, health food and related health products segment) and are tabled below:

	2016 HK\$'000	2015 HK\$'000
Customer 1	–	23,384
Customer 2	16,031	16,565
Customer 3	17,362	17,983
Customer 4	20,831	14,515
	54,224	72,447

5 OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Interest income	249	193
Foreign exchange gain	–	251
Gain on disposal of property, plant and equipment	–	250
Government subsidies	250	63
Others	150	3
	649	760

6 FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Finance charges on obligations under finance lease	–	16
Interest expense on short term loans	1,520	2,142
	1,520	2,158

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

7 PROFIT BEFORE TAX

	2016 HK\$'000	2015 HK\$'000
Profit before tax is arrived at after charging:		
Advertising and promotion fees	5,818	14,567
Auditor's remuneration paid/payable to:		
- auditor of the Company	369	360
- other auditor*	650	620
Non-audit fee paid/payable to auditor of the Company	-	-
Amortisation of intangible assets	3,495	3,455
Amortisation of land use rights	141	145
Depreciation of property, plant and equipment	3,964	4,655
Foreign exchange loss	501	-
Impairment losses on trade receivables	5,939	-
Operating lease charges	-	117
Rental expenses	160	409
Research and development expenses	4,865	4,168
Staff costs (Note 8)	15,857	11,457
Write down of inventories	184	-
	184	-

* Includes independent member firms of the Baker Tilly International network.

8 STAFF COSTS

	2016 HK\$'000	2015 HK\$'000
Key management personnel		
Directors of the Company:		
- Directors' fees	449	524
Directors of the subsidiary companies:		
- Directors' remuneration and related costs	1,005	1,044
- Defined contribution benefits	27	27
	1,481	1,595
Other personnel		
- Salaries and related costs	13,265	9,008
- Defined contribution benefits	1,111	854
	14,376	9,862
	15,857	11,457

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

8 STAFF COSTS (CONT'D)

	2016 HK\$'000	2015 HK\$'000
Staff costs recognised in line items of profit or loss:		
- Cost of sales	2,869	2,836
- Administrative expenses	6,951	6,449
- Distribution expenses	6,037	2,172
	<u>15,857</u>	<u>11,457</u>

9 TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Tax expense attributable to profit is made up of:		
- Current income tax provision	<u>2,447</u>	1,956

- (a) Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the companies incorporated in the Bermuda and the BVI are not subject to any income tax in Bermuda and the BVI.
- (b) The tax expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to profit in the countries where the Group entities operate due to the following factors:

	2016 HK\$'000	2015 HK\$'000
Profit before tax	<u>2,889</u>	7,368
Notional tax expense on profit before tax, calculated at the rates applicable in the tax jurisdictions concerned	1,420	1,966
Income not subject to tax	(373)	(413)
Expenses not deductible for tax purpose	347	57
Deferred tax assets not recognised	1,268	374
Others	(215)	(28)
	<u>2,447</u>	1,956

As at 31 March 2016, the Group has not recognised deferred tax assets in respect of tax losses of HK\$56,298,000 (2015: HK\$54,044,000) and other deductible temporary differences of HK\$5,939,000 (2015: HK\$Nil) as it is uncertain that future taxable profits will be available against which the Group can utilise the benefits. The tax losses has no expiry date except for an amount of HK\$13,639,000 (2015: HK\$6,879,000) that can be carried forward up to five years from balance sheet date.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised is HK\$5,198,000 (2015: HK\$3,717,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share attributable to equity holders of the Company is based on the following data:

	2016	2015 (Restated)
Group		
Net (loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(2,331)</u>	1,124
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per share ('000)	<u>59,679</u>	44,230
Basic (loss)/earnings per share (cents per share)	<u>(3.91)</u>	2.54

The restated weighted average number of ordinary shares in the previous financial year was derived after taking into account the effects of the share consolidation of every forty shares consolidated into one share.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares for the financial year ended 31 March 2016 and 31 March 2015.

11 SUBSIDIARIES

	Company	
	2016	2015
	HK\$'000	HK\$'000
Investment in subsidiaries		
Unlisted equity shares, at cost	<u>65,209</u>	66,435
Amounts due from subsidiaries		
Gross amounts	390,000	353,981
Less: Allowance for impairment losses	<u>(353,918)</u>	<u>(352,788)</u>
	<u>36,082</u>	1,193
Amount due to a subsidiary	<u>2,835</u>	135

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

11 SUBSIDIARIES (CONT'D)

Movements in allowance for impairment loss in respect of the amounts due from subsidiaries during the financial year are as follows:

	Company	
	2016 HK\$'000	2015 HK\$'000
At 1 April	352,788	351,432
Allowance made	1,130	1,356
At 31 March	353,918	352,788

During the financial year ended 31 March 2016, a net impairment loss of HK\$1,130,000 (2015: HK\$1,356,000) was recognised to write down the amounts due from subsidiaries to their recoverable amounts.

(a) Details of subsidiaries held by the Company are as follows:

Name of subsidiary	Country of incorporation	Particulars of issued and paid up capital	Principal activities	Effective equity interest held	
				2016	2015
				%	%
<i>Held by the Company</i>					
Nutryfarm Biomedicine International Limited ^(iv)	BVI	10,000 ordinary shares of US\$1	Investment holding	55	55
LottVision Holdings Limited ^(v)	BVI	1 ordinary share of US\$1	Investment holding	100	100
<i>Held by subsidiaries</i>					
Le Dream Land Limited ^(vi)	BVI	1 ordinary share of US\$1	Investment holding	100	100
LottVision GTech Management Limited ^(vii)	BVI	1 ordinary share of US\$1	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

11 SUBSIDIARIES (CONT'D)

(a) Details of subsidiaries held by the Company are as follows: (cont'd)

Name of subsidiary	Country of incorporation	Particulars of issued and paid up capital	Principal activities	Effective equity interest held	
				2016 %	2015 %
Held by subsidiaries (cont'd)					
LottVision (Hong Kong) Limited ⁽ⁱⁱⁱ⁾	Hong Kong	1 ordinary share of HK\$1	Provision of liaison services	100	100
LottVision Investments Holdings Limited ⁽ⁱ⁾	BVI	1 ordinary share of US\$1	Investment holding	100	100
LottVision Internet Management Limited ⁽ⁱ⁾	BVI	100 ordinary shares of US\$1	Development and sale of digital video surveillance products and solutions	100	100
Tian Tian Zai Services Limited ⁽ⁱ⁾	BVI	50,000 ordinary shares of US\$1	Provision of internet support services	100	100
WiVision Network Digital Video Technology (Beijing) Co., Limited ^(v)	The PRC	Registered capital of HK\$15,000,000	Provision of internet related support services	100	100
Nutryfarm (Chengdu) Biomedicine Limited ^(iv)	The PRC	Registered capital of US\$1,500,000	Research and development, production of health food, sale of self-produced products and provision of related technical services	55	55

Notes:

- (i) The financial statements of these entities are not required to be audited under the laws of the BVI, the country of incorporation.
- (ii) Audited by Baker Tilly TFW LLP, Singapore for subsidiaries mentioned in (i) for the purpose of preparation of financial statements of the Group.
- (iii) Audited by Baker Tilly Hong Kong Limited.
- (iv) Audited by Baker Tilly Hong Kong Limited for the purpose of preparation of financial statements of the Group.
- (v) Audited by Baker Tilly TFW LLP, Singapore for the purpose of preparation of financial statements of the Group.

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 auditor for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

11 SUBSIDIARIES (CONT'D)

(b) Significant restrictions

Cash and cash equivalents of HK\$18,467,000 (2015: HK\$31,063,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

(c) Summarised financial information of subsidiary with material non-controlling interest ("NCI")

The Group has the following subsidiary that have NCI that are considered by management to be material to the Group:

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI	
		2016 %	2015 %
Nutryfarm (Chengdu) Biomedicine Limited	The PRC	45	45

The following are the summarised financial information of the Group's subsidiary with NCI that is considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

Nutryfarm (Chengdu) Biomedicine Limited

Summarised Balance Sheet

	2016 HK\$'000	2015 HK\$'000
Non-current assets	51,138	56,583
Current assets	125,639	124,860
Non-current liabilities	(67,611)	(71,928)
Current liabilities	(40,643)	(46,879)
Net assets	68,523	62,636
Net assets attributable to NCI	30,835	28,186

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

11 SUBSIDIARIES (CONT'D)

(c) Summarised financial information of subsidiary with material non-controlling interest ("NCI") (cont'd)

Summarised Income Statement

	2016 HK\$'000	2015 HK\$'000
Revenue	<u>83,521</u>	99,803
Profit before tax	8,610	11,485
Tax expense	<u>(2,447)</u>	(1,956)
Profit after tax	6,163	9,529
Other comprehensive income	-	-
Total comprehensive income	<u>6,163</u>	9,529
Profit allocated to NCI	<u>2,773</u>	4,288

Summarised Cash Flows

	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities	(5,404)	20,045
Cash flows from investing activities	(1,579)	(1,186)
Cash flows from financing activities	(3,934)	(4,012)
Net (decrease)/increase in cash and cash equivalents	<u>(10,917)</u>	14,847

12 OTHER INVESTMENTS

	Group	
	2016 HK\$'000	2015 HK\$'000
Available-for-sale equity securities		
- Unlisted equity securities, at cost	45,505	45,505
Less: Allowance for impairment losses	<u>(45,505)</u>	(45,505)
	-	-

At the balance sheet date, unlisted equity securities have been fully impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Group - 2016							
Cost							
At 1 April 2015	43,589	10,571	1,661	4,181	2,155	125	62,282
Additions	689	333	–	199	591	–	1,812
Transfer from construction in progress	27	–	–	–	–	(27)	–
Currency translation differences	(2,631)	(632)	(78)	(229)	(70)	(2)	(3,642)
At 31 March 2016	41,674	10,272	1,583	4,151	2,676	96	60,452
Accumulated depreciation and impairment losses							
At 1 April 2015	4,837	2,449	1,661	3,924	1,535	–	14,406
Charge for the year	2,145	1,089	–	295	435	–	3,964
Currency translation differences	(322)	(162)	(78)	(246)	(45)	–	(853)
At 31 March 2016	6,660	3,376	1,583	3,973	1,925	–	17,517
Net carrying value							
31 March 2016	35,014	6,896	–	178	751	96	42,935

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Group - 2015							
Cost							
At 1 April 2014	41,302	9,256	1,634	3,748	3,222	98	59,260
Additions	-	1,106	-	357	-	1,411	2,874
Disposals	-	-	-	-	(1,088)	-	(1,088)
Transfer from construction in progress	1,384	-	-	-	-	(1,384)	-
Currency translation differences	903	209	27	76	21	-	1,236
At 31 March 2015	43,589	10,571	1,661	4,181	2,155	125	62,282
Accumulated depreciation and impairment losses							
At 1 April 2014	2,691	1,364	1,634	3,064	1,848	-	10,601
Charge for the year	2,064	1,044	-	782	765	-	4,655
Disposals	-	-	-	-	(1,088)	-	(1,088)
Currency translation differences	82	41	27	78	10	-	238
At 31 March 2015	4,837	2,449	1,661	3,924	1,535	-	14,406
Net carrying value							
31 March 2015	38,752	8,122	-	257	620	125	47,876

At 31 March 2016, buildings of the Group with net carrying value of HK\$20,958,000 (2015: HK\$23,564,000) are secured for short term loans (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

14 INTANGIBLE ASSETS

	Group	
	2016	2015
	HK\$'000	HK\$'000
Goodwill arising on business combination	42,252	45,042
Other intangible assets	4,323	7,553
	46,575	52,595

(a) Goodwill arising on business combination

	Group	
	2016	2015
	HK\$'000	HK\$'000
Cost and carrying value		
At 1 April	45,042	45,042
Currency translation difference	(2,790)	–
At 31 March	42,252	45,042

Goodwill acquired in a business combination is allocated to the cash generating units (“CGU”) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to a CGU, being nutrition, health food and related health products segment.

Key assumptions used in value-in-use calculation

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on budgeted growth. Changes in selling prices and direct costs are based on past performances and expectations developments in the market.

The Group’s value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period using estimated average annual growth rate of 7.5% (2015: 10%). Cash flows beyond the five-year period were extrapolated using estimated average annual growth rate of 3% (2015: 3%).

The pre-tax discount rate applied to forecast cash flows is 19% (2015: 18%).

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

14 INTANGIBLE ASSETS (CONT'D)

(b) Other intangible assets

	Software HK\$'000	Patent HK\$'000	Customer relationship HK\$'000	Total HK\$'000
Group				
Cost				
At 1 April 2014	2,455	523	16,756	19,734
Additions	–	677	–	677
Currency translation differences	–	20	–	20
At 31 March 2015	2,455	1,220	16,756	20,431
Additions	–	328	–	328
Currency translation differences	–	(79)	–	(79)
At 31 March 2016	2,455	1,469	16,756	20,680
Accumulated amortisation and impairment losses				
At 1 April 2014	2,455	106	6,858	9,419
Charge for the year	–	104	3,351	3,455
Currency translation differences	–	4	–	4
At 31 March 2015	2,455	214	10,209	12,878
Charge for the year	–	144	3,351	3,495
Currency translation differences	–	(16)	–	(16)
At 31 March 2016	2,455	342	13,560	16,357
Net carrying value				
At 31 March 2016	–	1,127	3,196	4,323
At 31 March 2015	–	1,006	6,547	7,553

The amortisation charge for the year is included in “administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

Customer relationship arose from acquisition of Nutryfarm Biomedicine International Limited and its subsidiary during the financial year ended 31 March 2013.

The recoverable amount of the customer relationship has been determined based on a value-in-use calculation. This calculation uses cash projections based on financial budgets approved by the management covering a five-year period using estimated average annual growth rate of 7.5% (2015: 10%). Cash flows beyond the five-year period were extrapolated using estimated average annual growth rate of 3% (2015: 3%). The pre-tax discount rate applied to cash flow projections is 19% (2015: 18%).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

15 NON-CURRENT PREPAYMENTS

At the balance sheet date, non-current prepayments relate to amounts paid to a third party vendor for purchase of intangible assets - patent.

16 LAND USE RIGHTS

	Group	
	2016	2015
	HK\$'000	HK\$'000
Cost		
At 1 April	7,029	6,892
Currency translation differences	(388)	137
At 31 March	6,641	7,029
Accumulated amortisation		
At 1 April	378	227
Charge for the year	141	145
Currency translation differences	(23)	6
At 31 March	496	378
Net carrying value		
At 31 March	6,145	6,651
Amount to be amortised:		
- Not later than one year	138	147
- Between two and five years	552	585
- Later than five years	5,455	5,919
	6,145	6,651

Land use rights represent the rights to use a piece of land which is located in the PRC, and is valid for a period of 50 years from respective dates of grant and will be expiring in 2060.

At 31 March 2016, the land use rights of the Group with a net carrying value of HK\$6,145,000 (2015: HK\$6,651,000) is secured for short term loans (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

16 LAND USE RIGHTS (CONT'D)

Location	Description and tenure	Gross land area (sqm)	Gross built-in area (sqm)	Use of property
彭州市业开发区 PY2010-12-2457 (Pharmaceutical Park, Industrial Development Zone, Pengzhou, Chengdu, Sichuan Province)	Valid for a period of 50 years from respective dates of grant and will be expiring in 2060	34,165.33	9,175.07	Industrial

17 INVENTORIES

	Group	
	2016 HK\$'000	2015 HK\$'000
Raw materials	13,409	14,849
Work in progress	842	822
Finished goods	7,804	6,305
	22,055	21,976

During the financial year, raw materials, consumables and changes in finished goods and work in progress included as cost of sales amounted to HK\$25,763,000 (2015: HK\$40,308,000).

18 TRADE RECEIVABLES

	Group	
	2016 HK\$'000	2015 HK\$'000
Amounts due from third parties	45,933	54,442
Less: Allowance for impairment losses	(6,864)	(1,025)
	39,069	53,417

All of the trade receivables are expected to be recovered within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

18 TRADE RECEIVABLES (CONT'D)

The movements in the allowance for impairment of trade receivables are as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
At 1 April	1,025	1,025
Allowance made	5,939	–
Currency translation differences	(100)	–
At 31 March	6,864	1,025

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2016	2015
	HK\$'000	HK\$'000
Deposits	680	851
Prepayments	610	3,873
Advances to third parties	77,046	6,329
Other receivables	1,191	1,366
	79,527	12,419

Included in advances to third parties is an amount of HK\$72,389,000 (2015: Nil) paid to a vendor representing advance payment to non-controlling interest for proposed acquisition of remaining interest in a subsidiary (Note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Current</i>				
Trade payables	6,841	7,902	-	-
Other payables and accruals	10,369	10,532	4,306	2,462
Amount due to Directors of a subsidiary	879	607	-	-
Receipt in advance	2,328	1,448	-	-
Withholding tax on dividend declared	7,467	7,943	-	-
	27,884	28,432	4,306	2,462
<i>Non-current</i>				
Dividend payable	67,611	71,928	-	-

The amount due to Directors of a subsidiary is unsecured, interest free and repayable on demand.

Dividend payable to non-controlling shareholder of a subsidiary is unsecured, interest free and has no fixed term of repayment. The non-controlling shareholder of a subsidiary has agreed not to demand repayment within 10 years from date of acquisition of subsidiary in 2012. The fair value of the dividend payable is not determinable due principally to a lack of fixed repayment terms. As such, the dividend payable is stated at costs.

Subsequent to financial year end, as part of the proposed acquisition of the remaining 45% interest in a subsidiary (Note 28), the non-controlling shareholder has agreed that on completion of the acquisition, the non-controlling shareholder shall not be entitled to the dividend payable.

21 SHORT TERM LOANS

The short term loans bear interests at floating rate ranging from 5.2% to 7.6% (2015: 7.1% to 7.6%) per annum.

As at 31 March 2016, the short term loans of the Group were secured by:

- (i) the Group's buildings and land use rights of net carrying value HK\$20,958,000 (2015: HK\$23,564,000) (Note 13) and HK\$6,145,000 (2015: HK\$6,651,000) (Note 16) respectively; and
- (ii) the personal guarantees provided by one Director of a subsidiary.

22 EQUITY COMPENSATION BENEFITS

LottVision Incentive Share Scheme

Pursuant to a resolution of shareholders on 29 July 2009, an employee incentive scheme (the "LottVision Incentive Share Scheme") was adopted for a term of 10 years. The purpose of this scheme is to provide incentives to employees of the Group and Executive and Non-Executive Directors to excel in their performance as well as to enhance their loyalty and dedication to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

22 EQUITY COMPENSATION BENEFITS (CONT'D)

LottVision Incentive Share Scheme (cont'd)

The LottVision Incentive Share Scheme is administered by the Remuneration Committee or such other committee comprising the Directors appointed by the Board of Directors (the "Incentive Committee"). Under the LottVision Incentive Share Scheme, the Incentive Committee may grant awards of shares in the Company to the employees of the Group and Executive and Non-Executive Directors, who are not the controlling shareholders of the Company or their associates, as the Incentive Committee may select, in its absolute discretion, which shall take into account the rank, job performance, level of responsibility, year of services and such other criteria as the Incentive Committee may consider appropriate. The selected employees are not required to pay for the grant of award of the shares.

The total number of shares issued and to be issued in respect of the awards granted under the LottVision Incentive Share Scheme and in respect of the options under the LottVision Share Option Scheme shall not, in aggregate, exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

During the financial years ended 31 March 2016 and 31 March 2015, no award of shares were granted.

23 CAPITAL AND RESERVES

(a) Share capital

Authorised and issued share capital

	Group and Company			
	2016		2015	
	Number of shares	Par Value HK\$'000	Number of shares	Par Value HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 (2015: HK\$0.07)				
At 1 April	2,500,000,000	175,000	2,500,000,000	175,000
Share consolidation	(2,437,500,000)	-	-	-
Increase in authorised share capital	1,687,500,000	-	-	-
At 31 March	1,750,000,000	175,000	2,500,000,000	175,000
Issued:				
At 1 April	1,771,256,080	123,988	1,760,729,764	123,251
Share consolidation	(1,726,974,678)	(119,560)	-	-
Share issue	20,000,000	2,000	10,526,316	737
At 31 March	64,281,402	6,428	1,771,256,080	123,988

On 17 June 2015, the Company consolidated every forty shares into one share and changed par value from HK\$0.07 to HK\$0.10. During the current financial year, 20,000,000 new ordinary shares of the Company were issued at a price of S\$0.32 (equivalent to HK\$1.74) per ordinary share by way of placement. As at 31 March 2016, 20,000,000 of the new shares have been fully paid up. As a result, the Company has 44,281,402 shares after the consolidation and 64,281,402 after the share placement exercise. The newly issued shares rank pari passu in all respects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

23 CAPITAL AND RESERVES (CONT'D)

(b) Statement of changes in equity

Details of the changes in the Company's individual components of equity between the beginning and the end of the financial year are set out below:

	Share capital HK\$'000	Share premium HK\$'000	Currency translation reserve HK\$'000	Equity settled shared- based transaction reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Company						
Balance at 1 April 2014	123,251	267,634	–	3,368	(326,051)	68,202
Loss and total comprehensive loss for the financial year	–	–	–	–	(4,082)	(4,082)
Issue of shares	737	473	–	–	–	1,210
Cancellation of share options	–	–	–	(3,368)	3,368	–
Balance at 31 March 2015	123,988	268,107	–	–	(326,765)	65,330
Loss for the financial year	–	–	–	–	(4,802)	(4,802)
Other comprehensive loss for the financial year, net of tax:						
- Currency translation differences	–	–	(1,225)	–	–	(1,225)
Total comprehensive loss for the financial year	–	–	(1,225)	–	(4,802)	(6,027)
Issue of shares	2,000	32,889	–	–	–	34,889
Share consolidation	(119,560)	119,560	–	–	–	–
Balance at 31 March 2016	6,428	420,556	(1,225)	–	(331,567)	94,192

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

23 CAPITAL AND RESERVES (CONT'D)

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Currency translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.20.

(iii) Distributability of reserves

As at 31 March 2016, the Company does not have reserves available for distribution to equity holders of the Company (2015: Nil).

24 RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel are Directors and those person having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly. Remuneration for key management personnel, including amounts paid to the Company's Directors are disclosed in Note 8.

The amounts do not include compensation of any of the key management personnel and Directors who received compensation from related corporations outside the Group in their capacity as Directors and/or Executives of those related corporations.

(b) Other related party transactions

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2016	2015
	HK\$'000	HK\$'000
With Director of the Company		
Sales of motor vehicle	-	250

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Financial risk management

As at 31 March 2016, the Group's financial assets comprised mainly available-for-sale equity securities, trade receivables, deposits and other receivables and cash and bank balances. The Group's financial liabilities comprised trade and other payables, short term loans and dividend payable.

Exposures to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

Credit risk

The Group's and the Company's credit risk is primarily attributable to trade receivables, deposits and other receivables and deposits with banks.

Management has a credit policy in place over trade receivables, deposits and other receivables and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and advance to business partners. Trade receivables are due on the date of billing. With respect to advances to third parties, the repayment terms are set out in each fund advance agreement and normally are repayable within 1 year. The Group does not obtain collaterals from both customers and business partners.

At the balance sheet date, approximately 96% (2015: 94%) of the Group's trade receivables were due from 6 (2015: 7) major customers located in PRC.

The Company has significant credit risk exposures arising on amount due from subsidiaries of HK\$36,082,000 (2015: HK\$1,193,000) which represented 100% (2015: 100%) of total receivables due from a subsidiary.

Non-trade balances due from subsidiaries are generally repayable on demand and are not past due as at balance sheet date.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONT'D)

(a) Financial risk management (cont'd)

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
Past due < 3 months	10,073	20,220
Past due 3 to 6 months	7,348	19,568
Past due over 6 months	21,648	13,629
	<u>39,069</u>	<u>53,417</u>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
<i>Gross amount:</i>		
Past due over 6 months	15,687	16,224
Less: Allowance for impairment	<u>(6,864)</u>	<u>(1,025)</u>
	<u>8,823</u>	<u>15,199</u>
<i>Movement in allowance for impairment:</i>		
At 1 April	1,025	1,025
Currency translation differences	(100)	–
Allowance made	<u>5,939</u>	<u>–</u>
At 31 March	<u>6,864</u>	<u>1,025</u>

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in financial difficulties or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent Company's Board when the borrowings exceed certain predetermined levels of authority.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONT'D)

(a) Financial risk management (cont'd)

Liquidity risk (cont'd)

The following table details the remaining contractual maturities at the reporting date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company are required to pay:

	2016				2015			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group								
Trade and other payables	18,089	18,089	18,089	-	19,041	19,041	19,041	-
Short term loans	21,361	21,782	21,782	-	25,249	25,967	25,967	-
Dividend payable	67,611	67,611	-	67,611	71,928	71,928	-	71,928
	107,061	107,482	39,871	67,611	116,218	116,936	45,008	71,928
Company								
Trade and other payables	4,306	4,306	4,306	-	2,462	2,462	2,462	-
Amount due to a subsidiary	2,835	2,835	2,835	-	135	135	135	-
	7,141	7,141	7,141	-	2,597	2,597	2,597	-

Foreign currency risk

The Group operates in the People's Republic of China ("PRC") and Hong Kong.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as Hong Kong dollar ("HKD") and Singapore dollar ("SGD"). Currency risk arises when transactions are denominated in foreign currencies. This risk is mitigated to certain extent by the natural hedge between sales receipts and purchases, and operating expenses disbursement.

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in PRC are managed primarily through borrowings denominated in the relevant foreign currency.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONT'D)

(a) Financial risk management (cont'd)

Foreign currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

Denominated in	HKD HK\$'000	SGD HK\$'000
2016		
Group and Company		
<i>Financial assets</i>		
Cash and bank balances	42	–
<i>Financial liabilities</i>		
Trade and other payables	(1,130)	(3,155)
Net financial liabilities	(1,088)	(3,155)
2015		
Group and Company		
<i>Financial assets</i>		
Cash and bank balances	202	–
<i>Financial liabilities</i>		
Trade and other payables	(801)	(1,458)
Net financial liabilities	(599)	(1,458)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONT'D)

(a) Financial risk management (cont'd)

Foreign currency risk (cont'd)

If foreign currencies change against the functional currency which is Renminbi ("RMB") (2015: Renminbi) by 5% (2015: 5%) with all other variables including tax rate being held constant, the effect arising from the net monetary assets/(liabilities) position will be as follows:

	Increase/(decrease) in profit after tax			
	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HKD against RMB				
- strengthened	(54)	(30)	(54)	(30)
- weakened	54	30	54	30
SGD against RMB				
- strengthened	(158)	(73)	(158)	(73)
- weakened	158	73	158	73

(b) Categories of financial instruments

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Financial assets</i>				
Loans and receivables (including trade and other receivables and cash and bank balances)	59,512	94,715	36,124	1,492
<i>Financial liabilities</i>				
At amortised cost (including trade and other payables)	39,450	44,290	7,141	2,597
At cost	67,611	71,928	-	-

(c) Fair values of assets and liabilities

The carrying amounts of financial assets and financial liabilities are reasonable approximation of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date, except for dividend payable as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

26 COMMITMENTS

(a) Operating lease commitments

As at 31 March 2016, the total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
Not later than one year	176	19
Between two and five years	52	128
	<u>228</u>	<u>147</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease upon expiry when all terms are renegotiated. No contingent rents are payable.

(b) Capital commitments

Capital expenditures contracted for at the end of the reporting period but not recognised in the consolidated financial statements are as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
Approved and contracted for purchases of intangible assets	<u>586</u>	<u>659</u>

27 CAPITAL MANAGEMENT

The Board of Directors' (the "Board") policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board monitors the return on capital, which the Group defines as net profit for the financial year divided by total shareholders' equity, excluding non-controlling interests. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group defines "capital" as including all components of equity.

Consistent with the capital management practices of the Group, the Group's capital structure is monitored on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debts are defined as the total debts (which includes short term trade and other payables, and short term loans), less cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 31 March 2016

27 CAPITAL MANAGEMENT (CONT'D)

The adjusted net debt-to-capital ratio as at 31 March 2016 and 2015 are as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
Short term loans	21,361	25,249
Trade and other payables	27,884	28,432
Less: cash and bank balances	(18,572)	(39,081)
Adjusted net debts	30,673	14,600
Total capital	138,815	109,949
Adjusted net debt-to-capital ratio	22%	13%

28 EVENTS AFTER THE END OF THE REPORTING PERIOD

The Company entered into a Sales and Purchase Agreement (the "Agreement") dated 15 February 2016 with Nutryfarm Biomedicine Holdings Co. Ltd. ("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 ("NFB Sale Shares"). The aggregate consideration to be paid by the Company for the purchase of the NFB Sale Shares is the amount of RMB61,000,000 (approximately HK\$72,389,000). The acquisition was duly approved by shareholders of the Company in a Special General Meeting held on 24 June 2016, and upon the completion of the acquisition, the Company's shareholdings in NFB will increase to 100%.

Under the terms of the Agreement, the Vendor and the Company agreed that on completion of the acquisition, the Vendor shall not be entitled to the dividend payable of RMB56,974,000 [HK\$67,611,000 (Note 20)]. Details of the non-controlling interest that will be transferred to retained earnings in the consolidated statement of changes in equity under transaction with owner and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time these financial statements have been authorised for issue.

29 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Group and balance sheet of the Company for the financial year ended 31 March 2016 were authorised for issue in accordance with a resolution of the Board of Directors dated 27 June 2016.

STATISTICS OF SHAREHOLDINGS

As at 16 June 2016

Authorised share capital: HK\$175,000,000

Issued and fully paid up: HK\$ 6,428,140

Class of shares: ordinary

Voting rights: One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	215	4.15	10,625	0.01
100 - 1,000	2,974	57.36	1,315,745	2.05
1,001 - 10,000	1,674	32.28	5,321,994	8.28
10,001 - 1,000,000	309	5.96	12,496,354	19.44
1,000,001 AND ABOVE	13	0.25	45,136,684	70.22
TOTAL :	5,185	100.00	64,281,402	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	8,015,079	12.47
2	GAO XIANG NONG	5,200,000	8.09
3	DENG JIAOYAN	5,000,000	7.78
4	LI XIAOMIN	5,000,000	7.78
5	TIAN HENG	5,000,000	7.78
6	ZHU LIN	5,000,000	7.78
7	CHENG XING YUAN	2,115,000	3.29
8	DENG CHENG LING	2,115,000	3.29
9	WEI ZHEN YU	2,115,000	3.29
10	ZHANG LI PING	2,115,000	3.29
11	HSBC (SINGAPORE) NOMINEES PTE LTD	1,411,605	2.20
12	RAO XIAO LI	1,025,000	1.59
13	WANG GUANG QUAN	1,025,000	1.59
14	LEI QUNYING	925,000	1.44
15	OCBC SECURITIES PRIVATE LIMITED	704,922	1.10
16	YANG RUI PEI	615,000	0.96
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	400,460	0.62
18	UOB KAY HIAN PRIVATE LIMITED	380,587	0.59
19	PHILLIP SECURITIES PTE LTD	312,229	0.49
20	LIM & TAN SECURITIES PTE LTD	269,200	0.42
	TOTAL	48,744,082	75.84

STATISTICS OF SHAREHOLDINGS (CONT'D)

As at 16 June 2016

Substantial Shareholders (as recorded in the Register of Substantial Shareholders) as at 16 June 2016.

Substantial shareholders	Direct interest number of shares	%	Deemed interest number of shares	%	Total number shares	%
Paul Gao Xiang Nong	6,597,355	10.26	-	-	6,597,355	10.26

FREE FLOAT

As at 16 June 2016, approximately 89.74% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NUTRYFARM INTERNATIONAL LIMITED

(Incorporated in Bermuda)

Company Registration Number: 32308

NOTICE IS HEREBY GIVEN that the 2016 Annual General Meeting of NUTRYFARM INTERNATIONAL LIMITED (the "Company") will be held at Maxwell Chambers Pte Ltd, Large Room Level 3, 32 Maxwell Road, #03-01, Singapore 069115 on 28 July 2016 at 10.00 am (Singapore time) and any adjournment thereof (the "**Annual General Meeting**") for the following purposes:

AS ORDINARY BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

1. To receive and adopt the Directors' report and audited financial statements of the Company for the financial year ended 31 March 2016 together with the auditor' report thereon.
(Resolution 1)
2. To re-elect Mr. Ng Poh Khoo Jimmy as a Director of the Company.
(Resolution 2)
3. To approve the payment of Directors' fees of S\$80,000 for the financial year ended 31 March 2016.
(Resolution 3)
4. To re-appoint Baker Tilly TFW LLP as the Company's auditor, to hold office until the close of the next Annual General Meeting of the Company, at a fee to be agreed between the Directors of the Company and Baker Tilly TFW LLP.
(Resolution 4)
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. General authority to the Directors of the Company to allot and issue Shares

That, pursuant to the Bye-Laws of the Company and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue:

- (i) ordinary shares in the capital of the Company ("Shares");
- (ii) convertible securities;
- (iii) additional convertible securities issued pursuant to adjustments; or
- (iv) Shares arising from the conversion of the securities in (ii) and (iii) above.

(whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the Directors of the Company during the continuance of this authority or thereafter) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit (notwithstanding that such issue of Shares pursuant to the offer, agreement or option or the conversion of the convertible securities may occur after the expiration of the authority contained in this Resolution),

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NUTRYFARM INTERNATIONAL LIMITED

(Incorporated in Bermuda)

Company Registration Number: 32308

provided always that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares), provided further that the aggregate number of Shares to be issued other than on a pro-rata basis to members of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities;
 - (ii) (where applicable) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the SGX-ST Listing Manual; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise and the Bye-Laws of the Company for the time being; and
- (4) unless revoked or varied by the Company in a general meeting of the Company, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. (See Explanatory Note (i))
(Resolution 5)

7. Authority to the Directors of the Company to allot and issue Shares and grant options under the LottVision Incentive Share Scheme

That the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the provisions of the LottVision Incentive Share Scheme and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the awards under the LottVision Incentive Share Scheme.

Provided always that the aggregate number of Shares, (i) to be allotted and issued pursuant to the LottVision Incentive Share Scheme; and / or (ii) to be allotted and issued under any other share based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of issued Shares of the Company (excluding treasury shares) from time to time. For the avoidance of doubt, shareholders' pre-emptive right under Bye-law 10 of the Bye-Laws of the Company does not apply. (See Explanatory Note 6(2) (ii))

(Resolution 6)

By Order of the Board

Andy Xu Peng
Company Secretary

Adrian CHAN
Deputy Secretary

4 July 2016

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NUTRYFARM INTERNATIONAL LIMITED

(Incorporated in Bermuda)

Company Registration Number: 32308

Explanatory Notes:

- (i) Resolution 5 is to authorise the Directors of the Company from the date of the Annual General Meeting until the next Annual General Meeting of the Company to allot and issue Shares (including Shares arising pursuant to convertible securities) in the Company up to an amount not exceeding fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) of the Company, of which the total number of Shares (including Shares arising pursuant to convertible securities) issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.
- (ii) Resolution 6, if passed, will empower the Directors of the Company, to allot and issue Shares pursuant to the vesting of the awards under the LottVision Incentive Share Scheme. The authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the Annual General Meeting of the Company is required by law to be held, whichever is the earlier. This authority is in addition to the general authority to allot and issue Shares sought under Resolution 5.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NUTRYFARM INTERNATIONAL LIMITED

(Incorporated in Bermuda)

Company Registration Number: 32308

Notes:

1. If a Shareholder who is not a Depositor is unable to attend the Annual General Meeting and wishes to appoint a proxy/proxies to attend and vote on his behalf, he could complete, sign and return the proxy form the proxy form despatched to Shareholders who are not Depositors ("**AGM Shareholder Proxy Form**") in accordance with the instructions printed thereon. With the exception of The Central Depository (Pte) Limited ("**CDP**") who may appoint more than two proxies, a Shareholder entitled to attend and vote at the Annual General Meeting who holds two (2) or more shares is entitled to appoint no more than two proxies to attend and vote on his behalf. A proxy need not be a Shareholder.
2. Where a form of proxy appoints more than one proxy (including the case where such appointment results from a nomination by CDP), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
3. If a Depositor who is an individual and whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore) as at a time not earlier than forty-eight (48) hours before the time appointed for the Annual General Meeting and is unable to attend the Annual General Meeting personally and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the proxy form despatched together with this Notice of Annual General Meeting to Depositors (the "**Depositor Proxy Form**") in accordance with the instructions printed thereon.
4. A Depositor who is not an individual can only be represented at the Annual General Meeting if its nominee is/are appointed as CDP's proxy/proxies. To appoint its nominee/nominees as proxy/proxies of CDP and to enable its nominee/nominees to attend and vote at the Annual General Meeting, such Depositor should complete, execute and deposit the AGM Depositor Proxy Form in accordance with the instructions at the Annual General Meeting.
5. A corporation which is a Shareholder may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its corporate representative at the Annual General Meeting.
6. To be valid, the AGM Shareholder Proxy Form or the AGM Depositor Proxy Form, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of Singapore Share Transfer Agent, Boardroom Corporate & Advisory Service Pte. Ltd at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or at any adjournment thereof. Detailed instructions can be found on the Shareholder Proxy Form and Depositor Proxy Form.
7. The completion and return of a AGM Shareholder Proxy Form by a Shareholder who is not a Depositor, or an AGM Depositor Proxy Form by a Depositor, shall not preclude him from attending and voting in person at the Annual General Meeting if he wishes to do so, in place of his proxy/proxies.
8. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Shareholder of the Company (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.