



(Registration No: EC 32308)

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

Financial statements on combined results of the Group for the quarter end of Q2FY2016 as at 30 September 2015. These figures have not been audited.

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

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

NUTRYFARM INTERNATIONAL LIMITED
Group Income Statement
For the Quarter Ended 30 September 2015
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.09.2015			Six Months Ended 30.09.2015		
	FY2016	FY2015	Change	FY2016	FY2015	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Turnover	22,253	38,013	(41)	46,097	59,524	(23)
Cost of sales	(9,203)	(17,782)	(48)	(18,259)	(29,731)	(39)
Gross profit	13,050	20,231	(35)	27,838	29,793	(7)
Other expenses	473	(348)	1,780	251	(288)	3,592
Distribution expenses	(6,541)	(6,552)	(32)	(10,634)	(10,638)	(21)
Administrative expenses	(4,428)	(5,293)	(16)	(8,351)	(9,100)	(8)
Finance costs	(301)	(135)	123	(687)	(678)	1
Profit from ordinary activities before taxation	2,253	7,903	(71)	8,417	9,089	(7)
Income tax	(461)	(1,423)	(68)	(1,575)	(1,761)	(11)
Net profit for the quarter	1,792	6,480	(72)	6,842	7,328	(7)
Attributable to:						
Equity holders of the Company	517	3,342	(85)	2,825	3,411	(17)
Non-controlling interest	1,275	3,138	(59)	4,017	3,917	3
Net profit for the quarter	1,792	6,480	(72)	6,842	7,328	(7)

NM - Not meaningful

1(a)(ii) A consolidated comprehensive income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

NUTRYFARM INTERNATIONAL LIMITED
Group Consolidated Comprehensive Income Statement
For the Quarter Ended 30 September 2015
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.09.2015			Six Months Ended 30.09.2015		
	FY2016	FY2015	Change	FY2016	FY2015	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Net profit for the quarter	1,792	6,480	(72)	6,842	7,328	(7)
Other comprehensive income/(loss)						
Exchange differences on translating foreign operations, net of nil tax	(282)	162	NM	63	287	NM
Total comprehensive income for the quarter	1,510	6,642	(77)	6,905	7,615	(9)
Attributable to:						
Equity holders of the Company	478	3,504	(86)	2,888	3,698	(22)
Non-controlling interest	1,275	3,138	(59)	4,017	3,917	3
Total comprehensive income for the quarter	1,510	6,642	(77)	6,905	7,615	(9)

NM - Not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

NUTRYFARM INTERNATIONAL LIMITED
Balance Sheet
as at 30 September 2015
(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	As at 30/09/2015	As at 31/03/2015	As at 30/09/2015	As at 31/03/2015
Non-current assets				
Interests in subsidiaries	-	-	66,435	66,435
Property, plant and equipment	45,583	47,876	-	-
Intangible assets	52,005	52,595	-	-
Long term prepayment	1,518	1,589	-	-
Land use right	6,756	6,651	-	-
	105,862	108,711	66,435	66,435
Current assets				
Inventories	20,236	21,976	-	-
Trade receivables	49,873	53,417	-	-
Prepayments, deposits and other receivables	19,709	12,419	35,383	-
Amounts due from subsidiaries	-	-	1,549	1,193
Cash and cash equivalents	67,028	39,081	653	299
	156,846	126,893	37,585	1,492
Current liabilities				
Trade and other payables	20,433	28,432	3,512	2,462
Short term loan	21,699	25,249	-	-
Tax payable	68	46	-	-
Amount due to subsidiary	-	-	170	135
	42,200	53,727	3,682	2,597
Net current assets/(liabilities)	114,646	73,166	33,903	(1,105)
Non-current liabilities				
Dividend payable	68,682	71,928	-	-
Net assets/(liabilities)	151,826	109,949	100,338	65,330
Equity				
Share capital	125,988	123,988	125,988	123,988
Reserves	(8,940)	(44,799)	(25,650)	(58,658)
Total equity attributable to equity holders of the Company	117,048	79,189	100,338	65,330
Non-controlling interest	34,778	30,760	-	-
Total equity	151,826	109,949	100,338	65,330

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

Amount repayable in one year or less, or on demand

As at 30/09/2015 In HK\$'000		As at 31/03/2015 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
21,699	-	25,249	-

Amount repayable after one year

As at 30/09/2015 In HK\$'000		As at 31/03/2015 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Not Applicable

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

NUTRYFARM INTERNATIONAL LIMITED
Group Cash Flow Statement
For the Quarter Ended 30 September 2015
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.09.2015		Six Months Ended 30.09.2015	
	FY2016 HK\$'000	FY2015 HK\$'000	FY2016 HK\$'000	FY2015 HK\$'000
Operating activities				
Profit from ordinary activities before taxation	2,253	7,903	8,417	9,089
Adjustments for:				
Amortisation of intangible assets	240	591	590	923
Depreciation	1,679	585	2,293	1,213
Operating profit before changes in working capital	4,172	9,079	11,300	11,225
Changes in working capital				
(Increase)/decrease in inventories	1,999	(8,912)	1,740	(8,999)
Decrease/(increase) in trade receivables	(2,521)	(8,436)	(1,802)	(8,565)
(Increase)/decrease in prepayments, deposits and other receivables	2,945	(760)	(811)	(313)
Increase/(decrease) in trade and other payables	(9,523)	(2,741)	(7,999)	(3,989)
Cash generated from/(used in) operations	(2,928)	(11,770)	2,428	(10,641)
Tax paid	653	(59)	(461)	(397)
Interest paid	85	(121)	(301)	(218)
Net cash inflow/(outflow) from operating activities	(2,190)	(11,950)	1,666	(11,256)
Investing activities				
Payment to acquire a subsidiary	-	(6,175)	-	(6,175)
Advance to customers and suppliers	-	-	(6,479)	-
Net cash outflow from investing activities	-	(6,175)	(6,479)	(6,175)
Financing activities				
Proceeds from issuance of new shares	-	-	36,371	1,241
Repayment of borrowings	(547)	-	(3,550)	-
Net cash (outflow)/inflow from financing activities	(547)	-	32,821	1,241
Net increase/(decrease) in cash and cash equivalents	(2,737)	(18,125)	28,008	(16,190)
Cash and cash equivalents at beginning of the quarter	69,928	35,016	39,081	32,956
Effect of foreign exchange rate changes	(163)	206	(61)	331
Cash and cash equivalents at end of the quarter	67,028	17,097	67,028	17,097

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

The Group	Share Capital	Contributed Surplus	Share Premium	Exchange Reserve	Equity-settled Share-based Transaction Reserve	Accumulated Losses	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	123,988	-	268,107	2,034	-	(314,940)	79,189	30,760	109,949
Share consolidation	(119,560)	119,560	-	-	-	-	-	-	-
Issuance of shares	2,000	-	34,371	-	-	-	36,371	-	36,371
Currency translation difference	-	-	-	(1,292)	-	-	(1,292)	-	(1,292)
Other comprehensive income/(loss) for the quarter	-	-	-	102	-	-	102	-	102
Net profit for the quarter	-	-	-	-	-	2,308	2,308	2,742	5,050
At 30 June 2015	6,428	119,560	302,478	844	-	(312,632)	116,678	33,502	150,180
Currency translation difference	-	-	-	175	-	-	175	-	175
Other comprehensive income/(loss) for the year	-	-	-	(282)	-	-	(282)	-	(282)
Net profit for the year	-	-	-	-	-	478	478	1,275	1,753
At 30 September 2015	6,428	-	302,478	737	-	(312,154)	117,049	34,777	151,826

The Group	Share Capital	Contributed Surplus	Share Premium	Exchange Reserve	Share-based Payment Reserve	Retained Earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	123,251	-	267,634	917	3,368	(319,432)	75,738	26,472	102,210
Issuance of shares	737	-	504	-	-	-	1,241	-	1,241
Total comprehensive income/(loss) for the quarter	-	-	-	125	-	69	194	779	973
At 30 June 2014	123,988	-	268,138	1,042	3,368	(319,363)	77,173	27,251	104,424
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	472	-	-	472	-	472
Total comprehensive income/(loss) for the quarter	-	-	-	162	-	3,342	3,504	3,138	6,642
As at 30 September 2014	123,988	-	268,138	1,676	3,368	(316,021)	81,149	30,389	111,538

The Company	Share Capital	Contributed Surplus	Share Premium	Equity-settled Share-based Transaction Reserve	Accumulated Losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	123,988	-	268,107	-	(326,765)	65,330
Share consolidation	(119,560)	119,560	-	-	-	-
Issuance of shares	2,000	-	34,371	-	-	36,371
Net profit/(loss) for the quarter	-	-	-	-	(682)	(682)
At 30 June 2015	6,428	-	302,478	-	(327,447)	101,019
Net profit/(loss) for the quarter	-	-	-	-	(681)	(681)
At 30 September 2015	6,428	-	302,478	-	(328,128)	100,338

The Company	Share Capital	Contributed Surplus	Share Premium	Share-based Payment Reserve	Retained Earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	123,251	-	267,634	3,368	(326,051)	68,202
Issuance of shares	737	-	504	-	-	1,241
Net profit/(loss) for the quarter	-	-	-	-	(320)	(320)
At 30 June 2014	123,988	-	268,138	3,368	(326,371)	69,123
Net profit/(loss) for the quarter	-	-	-	-	(1,058)	(1,058)
At 30 September 2014	123,988	123,988	268,138	3,368	(327,429)	68,065

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

During Q1FY2016, the Group made share consolidation on 8 June 2015 to consolidate every 40 shares into one new share and to change par value from HK\$0.07 to HK\$0.10. As a result, the Company has 44,281,402 shares after the consolidation. In addition, on 24 June 2015, the Company completed a share placement to issue 20,000,000 and the Company has 64,281,402 outstanding shares after share placement.

During Q2 FY2015 and Q2 FY2014, share capital of the Group has no change. The Company has no outstanding convertibles.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 September 2015 was 64,281,402 (31 March 2015: 1,760,729,764). As at 30 September 2015 and 31 March 2015, there were no treasury shares outstanding.

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

Not applicable.

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

The figures have not been audited nor reviewed.

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

Not applicable.

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

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

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

There is no change in the accounting policies and methods of computation.

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

	Q2FY2016	Q2FY2015
	HK cents	HK cents
(a) Based on the weighted average number of ordinary shares in issue; and	0.94	6.08
(b) On a fully diluted basis	0.94	6.08

Note 6(a): For Q2FY2016, the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$517,000 and the weighted average of 54,948,069 ordinary shares in issue, assuming the share consolidation effectively from the beginning of FY2016.

For Q2FY2015, the calculation of basic profit per share was based on profit attributable to equity holders of the Company of HK\$3,342,000 and the weighted average of 44,177,600 ordinary shares in issue, assuming the share consolidation happened at the beginning of FY2015.

Note 6(b): Fully diluted profit/(loss) per share for Q2FY2016 and Q2FY2015 are the same as profit/(loss) per share based on weighted average number of ordinary shares since there was no potential dilutive ordinary shares outstanding during Q2FY2016 and Q2FY2015.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	As at 30/09/2015	As at 31/03/2015
	HK\$	HK\$
<u>The Company</u>		
Net asset value per ordinary share based on existing issued share capital	1.56	2.15
<u>The Group</u>		
Net asset value per ordinary share based on existing issued share capital	2.36	2.15

The calculation of net asset value per share of the Company is based on the Company's net asset value of positive HK\$100,338,000 (at 31 March 2015: HK\$65,330,000) and 64,281,402 ordinary shares in issue at 30 September 2015 (at 31 March 2015: 44,281,402), assuming the share consolidation effectively at the beginning of FY2015.

The calculation of net asset value per share of the Group is based on the Group's net asset value of HK\$151,826,000 (at 31 March 2015: HK\$109,949,000) and 64,281,402 ordinary shares in issue at 30 September 2015 (at 31 March 2015: 44,281,402).

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

Income statement

Turnover

In Q2FY2016, the Group recorded a turnover of approximately HK\$22.3 million comparing with HK\$38.0 million in Q2FY2015. Majority of the revenue was generated by the Group's 55% interest NutryFarm (Chengdu) Biomedicine Limited ("NFC"). The Revenue decreased 41% is mainly due to the following reason: i) According to China Advertisement Law Clause 16 and 18, it forbids celebrities to be representatives of any medicine or healthy food. The effective date is October 1, 2015. NFC should change its marketing strategy accordingly. ii) Starting from July 2015, the imported healthy food has been more strictly examined by China Custom. As the result, NFC sales of imported products dropped significantly.

Other net income/ (expenses)

The Group recorded no material other net income/(expenses) in Q2FY2016 and Q2FY2015. It only recorded as interest income and exchange losses.

Operating expenses

In Q2FY2016, the Group reported distribution expenses of approximately HK\$6.5 million which has no significant fluctuation comparing Q2FY2015; administrative expenses of approximately HK\$4.4 million in Q2FY2016 as compared to approximately HK\$5.3 million in Q2FY2015. HK\$0.9 million decrease of administrative expenses is mainly due to the decrease of research expenses.

Finance costs

The Group recorded HK\$0.3 million finance cost in Q2FY2016. It represents the interest paid for bank loan in this quarter.

Income tax

The Group recorded HK\$0.5 million of income tax in Q2FY2016, which represents the income tax charged to NFC due to the operating profit in the PRC.

Net profit/ (loss) attributable to shareholders

Overall, the Group recorded a net profit attributable to shareholders of approximately HK\$0.5 million in Q2FY2016 comparing with HK\$3.3 million in Q2FY2015.

Balance sheet

Property, plant and equipment

Property, plant and equipment decreased by HK\$2.3 million as at 30 September 2015 comparing with HK\$47.9 million as at 31 March 2015. It is mainly due to the depreciation charged in FY2016.

Intangible assets

The Group recorded intangible assets of HK\$52.0 million as at 30 September 2015 and has HK\$0.6 million decrease comparing 31 March 2015. The decrease is mainly due to the amortization recorded in FY2016.

Intangible assets of HK\$52.0 million as at 30 September 2015 included HK\$45.2 million of goodwill arising from the acquisition of NFC and HK\$6.8 million intangible assets related to the customer relationship held by the Group.

Land use right

The Group recorded HK\$6.8 million land use right as at 30 September 2015. It is held by NFC for its factory and office areas.

Inventories

The Group recorded HK\$20.2 million inventories as at 30 September 2015 comparing HK\$22.0 million as at 31 March 2015. HK\$1.8 million decrease of inventories is mainly due to the drop of revenue.

Trade receivables

The Group recorded HK\$49.9 million trade receivables as at 30 September 2015, which is HK\$3.5 million decrease comparing with HK\$53.4 million as at 31 March 2015. It is because revenue of NFC decreased significantly in Q2FY2016.

Prepayments, deposits and other receivables

The Group recorded HK\$19.7 million prepayments, deposits and other receivables as at 30 September 2015 and increased HK\$7.2 million comparing with it as it 31 March 2015. It mainly represents the advance to the Group's business partner.

Trade and other payables

Trade and other payables amounted to HK\$20.4 million as at 30 September 2015 as compared to HK\$28.4 million as at 31 March 2015. The HK\$8.0 million decrease was mainly due to the Company settled some outstanding balance to the vendors.

Short term loan

Group recorded HK\$21.7 million short term loan as at 30 September 2015, which is HK\$3.5 million decrease comparing HK\$25.2 million as at 31 March 2015. This loan is secured by land use right and

office areas held by NFC.

Long term payable

HK\$68.7 million long term payable as at September 30, 2015 represents the payable to the vendor of NFC for the accumulated profits of NFC. The payable will not be settled within 10 years from the acquisition date.

Cash Flow Statement

The Group recorded a net cash outflow of HK\$2.2 million from operating activities in Q2FY2016 compared with a net cash outflow of HK\$12.0 million in Q2FY2015. The decrease of cash outflow is mainly because NFC decreased purchase of inventory in Q2FY2016 comparing Q2FY2015.

The Group recorded no cash flow from investing activities in Q2FY2016. The Group recorded HK\$6.2 million cash outflow in Q2FY2015, which represented the remaining payment to the vendor of NFC.

The Group recorded HK\$0.5 million net cash outflow from financing activities in Q2FY2016 is due to the NFC repaid borrowings to bank.

As at 30 September 2015, the Group remained in a cash balance position of HK\$67.0 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

During this quarter under review, the Group reported revenue of HK\$22.3 million, which decreased 41% comparing with Q2FY2015. The significant decrease of revenue is mainly due to: 1) New Advertisement Law (“NAL”) has been released and effective as at October 1, 2015. NAL doesn't allow celebrities to be representative of food or nutrition. TV, website, radio, newspaper and magazine etc. stopped the advertisement of food or nutrition represented by celebrities since July 2015. In addition, NFC can't continue adopt current market policy since then. The change of promotion has great impact to NFC' revenue. 2) Chinese government performed strictly examined the imported products, especially about healthy food and nutrition. As a result, the revenue of imported products dropped significantly.

NFC will change related marketing plans accordingly and NFC is seeking for new distributors to develop its business. In addition, NFC will cooperate with some new suppliers to fulfill its products. Therefore NFC expects to achieve better performance in the future.

11. Dividend

(a) Current financial period reported on.

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding period of the immediately preceding financial year.

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended during the period under review.

13. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous year as follow:

To the best of the knowledge of the Directors, nothing has come to the attention of the Board which may render these interim financial results to be false or misleading.

14. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Not applicable.

15. Negative assurance confirmation on interim financial results under Rule 705(5):

I, Gao Xiang Nong Paul, being directors of the Company do hereby confirm on behalf of the Board of Directors that to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim financial statements to be false or misleading in any material aspect.

By Order of the Board

Gao Xiang Nong, Paul
Chief Executive Officer and Executive Director

11 November 2015