

NUTRYFARM INTERNATIONAL LIMITED

(Company Registration Number: 32308)

(Incorporated in Bermuda)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Board of Directors (the “**Board**”) of NutryFarm International Limited (the “**Company**”), and together with its subsidiaries, refers to its announcement dated 14 August 2019 (the “**Announcement**”) on the unaudited quarterly financial statement and dividend announcement for the financial year ended 30 June 2019. In this regard, the Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited on 03 September 2019 (the “**SGX Queries**” and each an “**SGX Query**”) as follows:

SGX Query (a)

It is stated on page 10 of the announced financial statements for the first quarter ended 30 June 2019 (“**Q1FY2020**”):-

“The Group recorded HK\$14.4 million trade receivables as at 30 June 2019, which mainly attributed from NFC. Compared to HK\$9.5 million in trade receivables as at 31 March 2019, the HK\$4.9 million increase is mainly from the main customers of NFC.”

- i. Please explain the reason(s) for the increase in the Group’s “Trade receivables” financial statement line item, from approximately HK\$9,492,000 as at 31/03/2019, to HK\$14,406,000 as at 30/06/2019.
- ii. Please provide an aging analysis of the “Trade receivables” financial statement line item.
- iii. Please provide the Board of Directors’ assessment of the recoverability of the trade receivables.

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

The increase is from the normal course of business. It is because the effect of the special activities of Chinese Authorities to regulate nutrition products since January 2019. Therefore the customers of NutryFarm (Chengdu) Biomedicine Limited (“**NFC**”) have had to extend the credit terms. So far, NFC has collected HK\$2,407,000 out of this HK\$14,406,000.

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

The ageing of trade receivables as at 30 June 2019 is as follows:

1. Within 6 months: HK\$12,112,000;
2. Between 6 months to 12 months: HK\$2,159,000; and
3. Between 12 months to 24 months: HK\$135,000.

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

NFC’s sales staff have been working more closely with customers to get them to repay the receivables and to know more details about the customers’ operations. Based on feedback from NFC, the Board is of the view that the receivables are still recoverable and that there are no material issues regarding the recovery of such receivables.

SGX Query (b)

It is stated on page 10 of the announced financial statements for Q1FY2020:-

“The Group recorded HK\$83.9 million prepayments, deposits and other receivables as at 30 June 2019. The HK\$16.8 million decrease compared to the figure as at 31 March 2018 is mainly due to the

refund made by Mr. Xiaoxin Wang to the Company of the advance previously paid by the Company to Mr. Xiaoxin Wang in connection with the proposed acquisition of First Linkage Inc.”

- i. Please provide the nature and breakdown of the “Prepayments, deposits and other receivables” financial statement line item.
- ii. Please clarify whether:-
 - (a) the comparative figure should be to 31 March 2019 instead of 31 March 2018?
 - (b) there is any remaining advance made to Mr. Xiaoxin Wang or any other party, in relation to the proposed acquisition of First Linkage Inc.? If so, please elaborate on:- (1) the Company’s efforts to recover the remaining advance; and (2) the amount of remaining advance expected and when it is expected to be received.

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

The nature of prepayments, deposits and other receivables are as follows:

- (a) HK\$69.8 million prepayment for the proposed acquisition of First Linkage Inc.;
- (b) HK\$4.5 million advances to suppliers;
- (c) HK\$8.5 million advances to third parties; and
- (d) HK\$1.1 million advances to related parties.

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

It was a typographical error and the comparative figure should indeed be 31 March 2019, and not 31 March 2018.

Company’s Response to SGX Query (b)(ii)(b)

The HK\$83.9 million prepayments, deposits and other receivables includes a remaining HK\$69.8 million prepayment to Mr. Xiaoxin Wang which was related to the proposed acquisition of First Linkage Inc.

1. The Company’s Executive Director and Chief Executive Officer, Mr. Paul Gao, and the Company’s Non-Executive Director, Mr. Haimin Xu, have monthly meetings with Mr. Xiaoxin Wang to better understand the operations of Beijing Zhonglian Shengtong Internet Technology Co, Ltd. (“**ZLST**”) and Xinjiang Zhongtong Internet Science and Technology Development Co., Ltd. (“**XJZT**”). In addition, Mr. Paul Gao and Mr. Haimin Xu have closely monitoring these companies for any material changes to their operations, status and contracts. All the above companies are operating in a positive position. Furthermore, the Company has been following up with Mr. Xiaoxin Wang to refund the outstanding amount. So far, Mr. Xiaoxin Wang has refunded HK\$22.0 million which is 24% of the original outstanding amount. As set out in page 81 of the FY2019 annual report, the Company has safeguards for such prepayments such as the appointment of Mr. Haimin Xu legal representative and director of ZLST and XJZT.
2. The amount of the remaining advance is expected to be refunded on or before 31 March 2020, which is the coming financial year end.

BY ORDER OF THE BOARD

Paul Gao Xiangnong

Chief Executive Officer and Executive Director
5 September 2019