

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

CLARIFICATION ANNOUNCEMENT

The Board of Directors (the “**Board**”) of NutryFarm International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to its announcement (the “**Announcement**”) dated 13 February 2021 on the “Financial Statements and Related Announcement”. Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the Announcement. In this regard, the Board would like to respond to the following query (“**SGX Query**”) raised by the Singapore Exchange Securities Trading Limited (the “**SGX**”) on 1 March 2021 as follows:

SGX Query

Has the Audit Committee performed a review of the material advance payments to suppliers and/or investigated into the advance payments to suppliers which have been impaired? Please share with the Exchange the findings or the Audit Committee’s plans.

Company’s Response to SGX Query

The Company’s Audit Committee had performed a review and an in-depth enquiry investigation into the advance payments to suppliers which have been impaired, with details set out below.

The material advance payments to suppliers was primarily to Chengdu Kangqi Shangmao Co., Ltd (“**Chengdu Kangqi**”). Outstanding advances due from Chengdu Kangqi of RMB26.70 million as at 30 September 2020. In January 2021, RMB16.8 million was refunded to the Group by Chengdu Kangqi and the remaining amount of RMB9.9 million had been impaired in FY2019 and FY2020.

Chengdu Kangqi was one of the Group’s major suppliers. Chengdu Kangqi has the ability to import nutrition and food supplements from overseas countries, especially from North America. The purpose and nature of these advances were for the purchase of these overseas products. Sales of importing overseas nutrition products is one of the strategies for the Company to increase its revenue as there is a growing demand in China. As Chengdu Kangqi and the Company has been maintaining a close business relationship since FY2014, the Company provided the advances to Chengdu Kangqi to purchase the overseas nutrition products.

Since FY2019, the Sino-US trade war and restrictions imposed by Chinese authorities on the import of nutrition products, have had a material impact on the imported nutrition products business. The Group could not bring in or sell based on its intended projections. In FY2020, the Company purchased over RMB7.6 million worth of products from Chengdu Kangqi, which is approximately 26.2% of the total value of purchases in FY2020. While the outlook of the situation has since improved, the Company has moderated its projections and accordingly, the parties agreed to reduce the advancements and Chengdu Kangqi returned the excess advancements in January 2021 as mentioned above.

The Company believes that the import of nutrition products is critical for the Company and its relationship with Chengdu Kangqi is mutually beneficial and ongoing. While the remaining amount of RMB9.9 million has been impaired, the Company believes that the amounts can be recovered over time.

By Order of the Board

Cheng Meng
Chief Executive Officer and Executive Director
9 March 2021