

Issuer: NutryFarm International Limited

Security: NutryFarm International Limited

Meeting details:

Date: 28 July 2017

Time: 10.00 a.m.

Venue: Maxwell Chambers, Large Room, level 3, 32 Maxwell Road, #03-01, Singapore 069115

Company Description

NutryFarm International Limited, an investment holding company, engages in the research, development, manufacture, and sale of nutrition and health food products in the People's Republic of China. It also provides liaison services; digital video surveillance products and solutions; and Internet support services, as well as engages in the research and development, and production of health food, sale of self-produced products, and provision of related technical services. The company was formerly known as LottVision Limited and changed its name to NutryFarm International Limited in August 2015. NutryFarm International Limited was founded in 1986 and is based in Wanchai, Hong Kong.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AZT)

Q1. Shareholders would like to get more clarity into the group’s core business of manufacturing and sale of nutrition and health food products which is conducted through the group’s wholly-owned subsidiary, NutryFarm (Chengdu) Biomedicine Limited. (“NFC”).

As described in the annual report (page 4), NFC “employs close to 40 highly-qualified researchers, nutritionists, sales and marketing professionals with the aim of providing the finest quality nutrition and health food products and the gentlest care to its customers to improve the quality of their lives”.

Specifically:

- a) **Brands:** Can management let shareholders know the brands owned by NFC? What are the imported brands carried by NFC? Are any of these brands on an exclusive basis?
- b) **Products:** What are the best-selling products of NFC? Also, NFC is said to have launched more than 40 nutritional products that catered to the diverse nutritional needs of the population in the PRC. **Could the management also showcase its range of products in the annual report for shareholders’ benefit?**
- c) **Distribution channels:** NFC’s relies on membership sales which contributed to more than 60% of the group’s turnover. **Can management provide more details on its “membership sales” system? Is this a form of direct selling?**
- d) **Platform:** What are the group’s e-commerce platforms? Please let shareholders know how to access the group’s e-commerce platforms.
- e) **Major Customers:** The top 2 major customers accounted for HK\$34.4 million and HK\$12.2 million of revenue. These 2 major customers accounted for 58.9% of the group’s total revenue of HK\$79.1 million. **Are these 2 major customers considered part of the group’s “membership sales”?**
- f) **Geographical coverage:** What is the percentage of sales currently from outside Sichuan province?

Q2. In the company’s 2014 Annual Report (then known as LottVision Limited), the company stated that:

Although the Group has consolidated and divested most of our Internet and web TV subsidiaries, with our strong Internet/technology capabilities and expertise, we will continue to maintain our Internet business and will be prudent in seeking potential business opportunities in this segment.

Since the financial year ended 31 March 2014, the group has not reported any revenue under the Internet management segment.

The segment results, segment assets, segment liabilities and capital expenditure of the Internet management segment (which provides technical support services relating to internet and web-TV business) is shown in the table below.

| | 2014 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2016 HK\$'000 (restated) | 2017 HK\$'000 |
|--|------------------|------------------|------------------|--------------------------------|------------------|
| Reportable segment revenue from external customers | - | - | - | - | - |
| Segment results | (598) | (454) | (141) | (451) | 250 |
| Segment assets | 14,236 | 12,541 | 8,109 | 3,302 | 3,538 |
| Segment liabilities | 17,356 | 10,973 | 3,809 | 3,809 | 4,036 |

| | | | | | |
|---------------------|---|---|---|---|-----|
| Capital expenditure | - | - | - | - | 410 |
|---------------------|---|---|---|---|-----|

(Source: Company annual reports)

- a) **Why was there a capital expenditure of HK\$410,000 for the segment in FY2017?**
- b) **Given that there has been no revenue from the segment, would there be any reason to keep the operations/segment as part of the group?**
- c) **The segment was in net asset in 2015 and 2016 (before the restatement). Can management help shareholders understand what was the restatement for and why did the segment asset drop by more than half in value following the restatement?**
- d) **Would the group recover any cash if it were to liquidate the operations/segment?**

Q3. As shown on pages 80-81 (Statistics of shareholdings), as at 13 June 2017, the top 3 shareholders each hold more the 5% of the company's issued shares.

TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|-----|--|---------------|-------|
| 1 | JIA LIJIE | 16,125,000 | 25.09 |
| 2 | DONG XIANGFEI | 14,230,000 | 22.14 |
| 3 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 6,976,354 | 10.85 |
| 4 | ZHANG DEHUA | 2,730,000 | 4.25 |
| 5 | CHEN HAO | 1,680,000 | 2.61 |
| 6 | HSBC (SINGAPORE) NOMINEES PTE LTD | 1,411,605 | 2.20 |
| 7 | PHILLIP SECURITIES PTE LTD | 1,309,429 | 2.04 |
| 8 | RAO XIAO LI | 1,025,000 | 1.59 |
| 9 | WANG GUANG QUAN | 1,025,000 | 1.59 |
| 10 | JIANG HUA | 868,000 | 1.35 |

(Source: Company annual report)

STATISTICS OF SHAREHOLDINGS

As at 13 June 2017

Substantial Shareholders (as recorded in the Register of Substantial Shareholders) as at 13 June 2017.

| Substantial Shareholdings | Direct | % | Deemed | % | Total | % |
|---------------------------|-----------|------|-----------|---|-----------|------|
| | interest | | interest | | number | |
| | number | | number | | of shares | |
| | of shares | | of shares | | | |
| Paul Gao Xiang Nog | 1,397,355 | 2.17 | - | - | 1,397,355 | 2.17 |

As at 13 June 2017, approximately 97.83% 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.

(Source: Company Annual Report)

The company had also listed Paul Gao Xiang Nog (sic) as holding a substantial shareholding of 1,397,355 shares (or 2.17%). The company has also declared that as at 13 June 2017, “approximately 97.83% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).”

a) Could the company confirm that Paul Gao Xiang Nog (sic) remains a substantial shareholder?

Two shareholders (Jia Lijie with 16,125,000 shares or 25.09% and Dong Xiangfei with 14,230,000 shares or 22.14%) have more than 5% of the company’s issued shares. For a Singapore incorporated company, both shareholders, under Section 81 of the Companies Act, would be deemed to have a substantial shareholding in the company thus each of them is a substantial shareholder in the company.

b) As the company is incorporated in Bermuda, what is the definition of a substantial shareholder?

c) Should the two shareholders be considered as having substantial shareholdings in the company?

d) Have the two shareholders given notice in writing to the company of the voting shares in the company?

e) Can the company confirm that approximately 97.83% of the shareholding in the company was held in the hands of the public as at 13 June 2017?