



Sino Grandness Food Industry Group Limited
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200706801H)

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

PART 1 – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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

	<u>4Q</u>			<u>12-months (FY)</u>		
	Oct – Dec 2017 RMB'000	Oct – Dec 2016 RMB'000	Change %	Jan - Dec 2017 RMB'000	Jan - Dec 2016 RMB'000	Change %
Revenue	914,764	548,866	66.7	3,717,734	3,509,605	5.9
Cost of sales	(554,135)	(316,222)	75.2	(2,303,943)	(2,051,897)	12.3
Gross profit	360,629	232,644	55.0	1,413,791	1,457,708	(3.0)
Other operating income	4,506	(14,212)	(131.7)	13,831	118,926	(88.4)
Distribution and selling expenses	(283,765)	(310,626)	(8.6)	(712,143)	(760,699)	(6.4)
Administrative expenses	(41,682)	(40,894)	1.9	(132,571)	(167,385)	(20.8)
Other operating expenses	421	(110)	(491.8)	421	(110)	(491.8)
Finance costs	(14,317)	(8,144)	75.8	(56,547)	(43,876)	28.9
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	25,792	(141,342)	(118.2)	526,782	604,564	(12.9)
Fair value loss on derivative on convertible loan	(11,095)	-	100.0	(11,095)	-	100.0
Changes in fair value of the option derivatives in relation to convertible loans and convertible bonds	13,291	19,877	(33.1)	6,214	133,285	(95.3)
Profit before income tax	27,988	(121,465)	(123.0)	521,901	737,849	(29.3)
Income tax expense	(23,135)	15,378	250.4	(166,075)	(160,774)	3.3
Profit for the year	4,853	(106,087)	(104.6)	355,826	577,075	(38.3)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	4,853	(106,087)	(104.6)	355,826	577,075	(38.3)
Profit for the year attributable to:						
Equity holders of the Parent	4,861	(105,985)		355,963	577,551	
Non-controlling interests	(8)	(102)		(137)	(476)	
	4,853	(106,087)		355,826	577,075	
Total comprehensive income for the year attributable to:						
Equity holders of the Parent	4,861	(105,985)		355,963	577,551	
Non-controlling interest	(8)	(102)		(137)	(476)	
	4,853	(106,087)		355,826	577,075	

1(a)(ii) Profit before income tax is determined after (charging)/crediting:-

	4Q			12-months (FY)		
	Oct – Dec	Oct – Dec	Change	Jan – Dec	Jan – Dec	Change
	2017	2016		2017	2016	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property plant and equipment	(43,387)	(23,441)	85.1	(85,360)	(72,609)	17.6
Amortisation of land use rights	306	(593)	(151.7)	(1,499)	(2,392)	(37.3)
Net exchange (loss)/gain	7,621	(12,603)	(160.5)	(5,234)	(3,521)	48.7
Share-based payment expenses under ESOS scheme	(4,036)	(1,918)	110.4	(16,240)	(27,174)	(40.2)

Other operating income

Government grants	(1,933)	99	N.M.	21	230	(90.7)
Interest income – banks	1,434	315	355.2	3,226	1,795	79.7
Exchange (loss)/gain	10,662	(11,904)	(189.6)	11,584	16,691	(30.6)
Gain on disposal of property, plant and equipment	-	4	(100.0)	-	4	(100.0)
Gain on restructuring of convertible bonds	-	-	-	-	91,618	(100.0)
Fair value gain on straight debt component of convertible loan at inception	-	(285)	(100.0)	-	7,847	(100.0)
Others	(5,657)	(2,441)	131.7	(1,000)	741	(235.0)
Total	4,506	(14,212)	(131.7)	13,831	118,926	(88.4)

N.M. – Not meaningful

Note :-

The net exchange gains/(losses) in FY2017 and FY2016 were mainly attributable to appreciation of net assets of the Group denominated in foreign currency namely United States Dollar and Singapore Dollar against Renminbi.

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

	Group		Company	
	31 Dec 17	31 Dec 16	31 Dec 17	31 Dec 16
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,350,757	1,078,120	14	18
Land use rights	108,797	110,296	-	-
Subsidiaries	-	-	100,032	85,987
Amount owing by subsidiaries	-	-	769,086	548,203
Deposit paid for non-current assets	510,935	787,802	-	-
Total non-current assets	1,970,489	1,976,218	869,132	634,208
Current assets				
Inventories	38,282	44,503	-	-
Trade receivables	1,345,669	1,153,722	-	-
Other receivables	399,389	481,057	172	135
Cash and cash equivalents	693,625	297,749	4,802	46,904
Total current assets	2,476,965	1,977,031	4,974	47,039
Current liabilities				
Trade payables	89,784	41,285	11,035	3,570
Other payables	110,820	187,326	26,385	139,088
Finance leases	5,026	-	-	-
Current tax payable	43,625	9,622	-	-
Bank borrowings	45,000	263,708	-	-
Convertible loan	141,867	134,660	141,867	134,660
Straight bonds	212,758	193,416	-	-
Convertible bonds	521,449	527,663	-	-
Amount owing to subsidiaries	-	-	50,501	14,035
Total current liabilities	1,170,329	1,357,680	229,788	291,353
Net current assets/(liabilities)	1,306,636	619,351	(224,814)	(244,314)
Non-current liabilities				
Bank borrowings	162,800	173,425	-	-
Finance leases	5,719	-	-	-
Deferred tax liabilities	20,241	20,241	20,241	20,241
Total non-current liabilities	188,760	193,666	20,241	20,241
Net assets	3,088,365	2,401,903	624,077	369,653
Equity				
Equity attributable to equity holders of the Company				
Share capital	755,344	440,948	755,344	440,948
Retained profits/(Accumulated losses)	2,077,139	1,728,917	(197,354)	(121,142)
Other reserves	253,851	229,870	66,087	49,847
Total shareholder's funds	3,086,334	2,399,735	624,077	369,653
Non-controlling interests	2,031	2,168	-	-
Total equity	3,088,365	2,401,903	624,077	369,653

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

	31 Dec 2017	31 Dec 2016
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
Secured	191,893	398,368
Unsecured	734,207	721,079
	<u>926,100</u>	<u>1,119,447</u>
Amount repayable after one year		
Secured	168,519	173,425
Unsecured	-	-
	<u>168,519</u>	<u>173,425</u>
	<u>1,094,619</u>	<u>1,292,872</u>

Details of collaterals:-

(1) The secured bank borrowings are secured by a mortgage over the Group's factory and warehouse premises and land use rights.

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

	4Q		12-months (FY)	
	Oct – Dec	Oct – Dec	Jan - Dec	Jan - Dec
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit before income tax	27,988	(121,465)	521,901	737,849
Adjustments for:				
Depreciation of property, plant and equipment	43,387	23,441	85,360	72,609
Change in fair value of the option derivatives in relation to convertible bonds	(13,291)	(19,877)	(6,214)	(133,285)
Fair value gain on convertible loan at inception	-	285	-	(7,847)
Fair value loss on derivative on convertible loan	11,095	-	11,095	-
Amortisation of land use rights	(306)	593	1,499	2,392
Share-based payment expenses under ESOS scheme	4,036	1,918	16,240	27,174
Loss on disposal of property, plant and equipment	-	94	-	94
Interest expenses	14,317	8,144	56,547	43,876
Interest income	(1,434)	(315)	(3,226)	(1,795)
Unrealised exchange loss	(18,370)	18,458	(18,370)	18,458
Gain on restructuring of convertible bonds	-	-	-	(91,618)
	<u>67,422</u>	<u>(88,724)</u>	<u>664,832</u>	<u>667,907</u>
Operating cash flows before working capital changes	67,422	(88,724)	664,832	667,907

	4Q		12-months (FY)	
	Oct – Dec 2017	Oct – Dec 2016	Jan - Dec 2017	Jan - Dec 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Decrease/(increase) in deposits pledged with banks	139,801	(165,381)	157,878	(135,234)
Decrease in inventories	9,474	43,970	6,222	10,184
Decrease/(increase) in operating receivables	254,031	(57,094)	(110,279)	(305,418)
(Decrease)/increase in operating payables	(96,593)	102,194	(59,682)	75,087
Cash generated from operations	374,135	(165,035)	658,971	312,526
Income tax paid	(59,095)	(39,420)	(132,072)	(191,298)
Interest paid	(7,114)	(6,921)	(33,348)	(25,197)
Net cash generated from/(used in) operating activities	307,926	(211,376)	493,551	96,031
Cash flows from investing activities:				
Acquisition of property, plant and equipment	320,461	(161,536)	(1,025)	(177,145)
Proceeds from disposal of PPE	-	50	-	50
Deposit for non-current assets	(277,772)	(223,858)	(48,430)	(285,101)
Refund of deposits paid for non-current assets	-	70,544	-	70,544
Interest received	1,434	315	3,226	1,795
Net cash generated from/(used in) investing activities	44,123	(314,485)	(46,229)	(389,857)
Cash flows from financing activities:				
Issue of shares	-	-	316,316	-
Share issue costs	-	-	(1,920)	-
Proceeds from finance leases	13,076	-	13,076	-
Repayment of finance leases	(2,331)	-	(2,331)	-
Bank loans obtained	10,000	8,162	177,000	326,394
Bank loans repaid	(110,000)	(14,878)	(395,708)	(195,000)
Straight bonds repaid	-	-	-	(101,802)
Long term loan obtained	-	-	-	166,785
Convertible loan obtained	-	-	-	129,178
Dividend paid	-	-	-	(12,200)
Net cash (used in)/generated from financing activities	(89,255)	(6,716)	106,433	313,354
Net increase/(decrease) in cash and cash equivalents	262,794	(532,577)	553,755	19,529
Cash and cash equivalents at beginning of period/year	422,829	664,445	131,868	112,339
Cash and cash equivalent at end of period/year	685,623	131,868	685,623	131,868

	<u>4Q</u>		<u>12-months (FY)</u>	
	Oct – Dec 2017 RMB'000	Oct – Dec 2016 RMB'000	Jan - Dec 2017 RMB'000	Jan - Dec 2016 RMB'000
Cash and cash equivalents comprise:				
Cash and bank balances	685,623	131,868	685,623	131,868
Fixed deposits	8,002	165,881	8,002	165,881
	<u>693,625</u>	<u>297,749</u>	<u>693,625</u>	<u>297,749</u>
Less Fixed deposits pledged	<u>(8,002)</u>	<u>(165,881)</u>	<u>(8,002)</u>	<u>(165,881)</u>
	<u>685,623</u>	<u>131,868</u>	<u>685,623</u>	<u>131,868</u>

Reconciliation of liabilities arising from financing activities

With effect from 1 January 2017, the Amendments to FRS 7 *Statements of Cash Flow* comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	Bank borrowings RMB'000	Finance leases RMB'000	Convertible loan RMB'000	Straight bonds RMB'000	Exchangeable bonds RMB'000
At 1 January 2017	437,133	-	134,660	193,416	527,663
<u>Cash flow</u>					
Additions	177,000	13,076	-	-	-
Repayments of principal/interests	(404,719)	(2,331)	(16,388)	-	-
<u>Non-cash changes</u>					
Fair value loss on derivative on convertible loan	-	-	11,095	-	-
Changes in fair value of exchangeable bonds	-	-	-	-	(6,214)
Interest	9,011	-	20,245	19,341	-
Exchange translation	(10,625)	-	(7,745)	-	-
<u>At 31 December 2017</u>	<u>207,800</u>	<u>10,745</u>	<u>141,867</u>	<u>212,757</u>	<u>521,449</u>

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

	Share capital	Retained profits	Share option reserve	Merger reserve	Statutory common reserve	Total attributable to equity holders of the Parent	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>								
Balance at 1 January 2016	440,948	1,203,901	22,673	(31,413)	171,101	1,807,210	2,644	1,809,854
Share-based payment expenses under ESOS scheme	-	-	27,174	-	-	27,174	-	27,174
Profit for the year, representing total comprehensive income for the year	-	577,551	-	-	-	577,551	(476)	577,075
Dividend paid during the year	-	(12,200)	-	-	-	(12,200)	-	(12,200)
Transfer to statutory reserve	-	(40,335)	-	-	40,335	-	-	-
Balance at 31 December 2016	440,948	1,728,917	49,847	(31,413)	211,436	2,399,735	2,168	2,401,903
Share-based payment expenses under ESOS scheme	-	-	16,240	-	-	16,240	-	16,240
Profit for the year representing total comprehensive income for the year	-	355,963	-	-	-	355,963	(137)	355,826
Issue of shares	314,396	-	-	-	-	314,396	-	314,396
Transfer to statutory reserve	-	(7,741)	-	-	7,741	-	-	-
Balance at 31 December 2017	755,344	2,077,139	66,087	(31,413)	219,177	3,086,334	2,031	3,088,365

	Share capital	Share option reserves	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Company</u>				
Balance at 1 January 2016	440,948	22,673	(131,766)	331,855
Share-based payment expenses under ESOS scheme	-	27,174	-	27,174
Profits for the year	-	-	22,824	22,824
Dividends paid during the year	-	-	(12,200)	(12,200)
Balance at 31 December 2016	440,948	49,847	(121,142)	369,653
Share-based payment expenses under ESOS scheme	-	16,240	-	16,240
Issue of shares	314,396	-	-	314,396
Losses for the year	-	-	(76,212)	(76,212)
Balance at 31 December 2017	755,344	66,087	(197,354)	624,077

1(d) (ii) Details of any changes in the company's share capital arising from right issues, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares of the issuer, 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. State the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares outstanding in a class that is listed 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.

Issued and fully paid	Resultant number of shares	Resultant capital (RMB'000)
Balance at 1 January 2017	673,344,828	440,948
Right issue of 306,065,830 ordinary shares of S\$0.21 on 10 March 2017 net of share issue costs of RMB1,920,000	306,065,830	314,396
Balance at 31 December 2017	979,410,658	755,344

The Company has granted three tranches of option under ESOS Scheme on 9 April 2015, 20 May 2016 and 24 May 2017 that give holders the right to subscribe for ordinary shares as detailed below:-

Date of grant	Exercise price of option granted (SGD per share)	Expiry date
9 April 2015	0.33*	8 April 2025
9 April 2015	0.26*	8 April 2025
20 May 2016	0.49*	19 May 2026
24 May 2017	0.18	23 May 2027

*The exercise price of these options granted will be adjusted due to issuance of right issue in March 2017.

Number of option outstanding under ESOS Scheme as at 31 December 2017 was 43,303,750.

Save for the above, there were no outstanding convertible securities and treasury shares as at 31 December 2017 and 31 December 2016.

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.

	As at 31 Dec 2017	As at 31 Dec 2016
Total number of ordinary shares issued and fully paid	979,410,658	673,344,828

The Company does not have treasury shares as at 31 December 2017 and 31 December 2016.

1(d) (iv) A statement showing all sales, transfers, disposal, 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 auditing standard or practice.

The figures have neither been audited nor reviewed by the Company's auditors.

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

Except as disclosed in Note 5 of this announcement, the accounting policies and methods of computation have been consistently applied by the Group and the Company and are consistent with the audited financial statements for the financial year ended 31 December 2016.

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.

In the current financial period, the Group adopted the new or revised Financial Reporting Standard ("FRS") and Interpretation of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2017 which did not result in substantial changes to the Group's accounting policies nor had any significant impact on the amounts reported for the current or prior financial year.

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

**(a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).**

Earning per share (EPS)	<u>4Q</u>		<u>12-months (FY)</u>	
	Oct – Dec 2017	Oct – Dec 2016	Jan – Dec 2017	Jan – Dec 2016
EPS based on average number of ordinary shares (RMB cents)	0.5	(15.7)	38.6	85.8
EPS on a fully diluted basis (RMB cents)	0.5	(15.6)	38.0	84.9
Weighted average number of ordinary shares ('000)	922,390	673,344	922,390	673,344
Weighted average number of ordinary shares – diluted ('000)	923,947	680,240	923,947	680,240

Basic earnings per share for 4Q2017 and FY2017 are calculated based on the Group profit after taxation of RMB4,861,000 and RMB355,963,000 respectively on weighted average number of ordinary shares of 922,390,000 which is computed based on 297 days of right issue shares of 306,065,830.

Basic earnings per share for 4Q2016 and FY2016 are calculated based on the Group loss after taxation of RMB105,985,000 and profit after taxation of RMB577,551,000 respectively on actual number of ordinary shares of 673,344,000.

The fully diluted earnings per share for 4Q2017 and FY2017 were calculated based on the Group profit after taxation of RMB4,861,000 and RMB355,963,000 respectively on weighted average number of ordinary shares of 937,921,000 after adjusting for the outstanding options under ESOS scheme and issuance of right shares in 2017.

The fully diluted earnings per share for 4Q2016 and FY2016 were calculated based on the Group loss after taxation of RMB105,985,000 and profit after taxation of RMB577,551,000 respectively on weighted average number of ordinary shares of 680,240,000 after adjusting for the outstanding options under ESOS scheme and issuance of right shares in 2017.

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

Net asset value (NAV)	Group		Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Number of ordinary shares	979,410,658	673,344,828	979,410,658	673,344,828
NAV per ordinary share in the Company (RMB cents)	315.3	356.7	63.7	54.9

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 include a discussion of the following: (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of performance

Revenue

The Group's revenue increased by approximately RMB208.1 million or 5.9% from RMB3,509.6 million in FY2016 to RMB3,717.7 million in FY2017. This increase was attributable to the increased sales of RMB161.3 million from beverage segment, RMB31.6 million from sales of canned products in domestic market and RMB15.3 million from sales of canned products in overseas market. The increase in sales volume of beverage and canned products in domestic market from FY2016 to FY2017 was mainly due to expansion of distribution network in PRC.

Breakdown of revenue by segments:

	4Q		Change	12-months (FY)		Change
	Oct – Dec 2017	Oct – Dec 2016		Jan – Dec 2017	Jan – Dec 2016	
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Canned products						
- overseas	97,384	60,829	60.1	550,683	535,366	2.9
- domestic	105,811	82,919	27.6	474,787	443,225	7.1
Beverage	711,569	405,118	75.6	2,692,264	2,531,014	6.4
Total	914,764	548,866	66.7	3,717,734	3,509,605	5.9

Gross profit

The Group's gross profit decreased by approximately RMB43.9 million or 3.0%, from RMB1,457.7 million in FY2016 to RMB1,413.8 million in FY2017. The Group's overall gross profit margin (GPM) declined by 3.5 percentage points, from 41.5% in FY2016 to 38.0% in FY2017. Decline of the Group's overall GPM was a result of a decrease in GPM of canned products in overseas market and beverage segment, partially offset by a marginal increase in GPM of canned products in domestic market segment. The decrease in GPM of beverage product segment was mainly attributable to sales of lower GPM product mix of Qingrun series (清润系列) compared to FY2016. The decrease in GPM of products in overseas market segment was mainly due to higher cost of raw materials from FY2016 to FY2017. The improvement in GPM of canned products in domestic market segment was largely attributable to the lower cost of raw materials.

Operating expenses

Distribution and selling expenses decreased by approximately RMB48.6 million or 6.4%, from RMB760.7 million in FY2016 to RMB712.1 million in FY2017. This was due mainly to a decrease of RMB72.6 million in advertising and promotion expenses, partially offset by an increase in transportation costs of RMB15.9 million in transportation, RMB3.2 million in packaging expenses and RMB7.0 million in depreciation. The decrease in advertising and promotion expenses was mainly attributable to lower advertisement compared to FY2016.

Administrative expenses decreased by approximately RMB34.8 million or 20.8%, from RMB167.4 million in FY2016 to RMB132.6 million in FY2017. This was mainly due to decrease of RMB14.6 million in professional and legal fees in respect of the proposed listing of the beverages business on an internationally recognized stock exchange, RMB10.9 million in share-based payment expenses under ESOS scheme, RMB3.5 million in exchange loss, RMB8.9 million in employee benefit cost.

Finance costs

Finance costs increased by approximately RMB12.6 million or 28.9%, from RMB43.9 million in FY2016 to RMB56.5 million in FY2017. The increase in finance costs was mainly due to higher bank borrowings in FY2017 as compared to FY2016.

Profit before income tax

Profit before income tax decreased by approximately RMB215.9 million or 29.3%, from RMB737.8 million in FY2016 to RMB521.9 million in FY2017. The decrease was mainly due to an increase in finance costs, one time gain recognized on restructuring of convertible bonds and fair value on straight debts component of convertible bonds at inception in FY2016.

Review of statement of financial position

Property, plant and equipment increased by approximately RMB272.7 million from RMB1,078.1 million in FY2016 to RMB1,350.8 million in FY2017 as a result of the completion of the factory and warehouse premises as well as plant and equipment in Shanxi, Hubei and Anhui plants, partially offset by depreciation charged during the year under review.

Deposit paid for non-current assets decreased by approximately RMB276.9 from RMB787.8 million in FY2016 to RMB510.9 million in FY2017 which was mainly attributable to the installation and commissioning of plant and equipment in Shanxi, Hubei and Anhui plants.

The Group's inventories decreased by approximately RMB6.2 million from RMB44.5 million in FY2016 to RMB38.3 million in FY2017. The decrease in inventories over the period under review was due to effective inventory control.

Trade receivables increased by approximately RMB192.0 million from RMB1,153.7 million in FY2016 to RMB1,345.7 million in FY2017. The increase in trade receivables was in line with Group's increase business activities in FY2017. As at 31 January 2018, approximately RMB342.3 million of trade receivables as at 31 December 2017 had been collected.

Other receivables decreased by approximately RMB81.7 million from RMB481.1 million in FY2016 to RMB399.4 million in FY2017. Other receivables comprised VAT receivables, export tax refund and prepayments for advertisement expenses.

Cash and cash equivalents stood at RMB693.6 million as at 31 December 2017, the increase in cash and cash equivalents was mainly due to bank loans obtained, issuance of shares and net cash generated from operations partially offset by acquisition of property, plant and equipment and bank loan repayment during the year under review.

Current liabilities decreased by RMB187.4 million from RMB1,357.7 million in FY2016 to RMB1,170.3 million in FY2017. The decrease was mainly attributable to a decrease in other payables of RMB76.5 million, bank borrowings of RMB218.7 million and convertible bonds of RMB6.2 million (arising from the fair value changes), partially offset by an increase in trade payables of RMB48.5 million, current tax payable of RMB34.0 million, convertible loan of RMB7.2 million and straight bonds of RMB19.3 million.

Equity holders interest increased by RMB686.5 million from RMB2,401.9 million as at 31 December 2016 to RMB3,088.4 million as at 31 December 2017. The increase was mainly attributable to the net profit in FY2017.

Review of cash flow statement

In FY2017, operating cash flows before working capital changes amounted to RMB664.8 million. The Group used net cash of RMB5.9 million in its operating activities. Working capital changes comprised an decrease in deposit pledged with bank of RMB157.9 million, inventories of RMB6.2 million, operating payables of RMB59.7 million and an increase in operating receivables of RMB110.3 million. Net cash used in investing activities amounted to RMB46.2 million in FY2017, which was due mainly to installation and commissioning of plant and equipment in Shanxi, Hubei and Anhui plants. In addition, net cash generated from financing activities amounted to RMB106.4 million in FY2017, which was mainly due to new bank loans and finance leases obtained and issuance of new shares, partially offset by repayment of bank loans and finance leases in FY2017.

Convertible bonds

The Group	31 December 2017 RMB'000	31 December 2016 RMB'000	Variance RMB'000
2012 Convertible Bond	365,442	372,084	(6,642)
2011 Convertible Bond	156,007	155,579	428
	521,449	527,663	(6,214)

The valuation of the exchangeable bonds was computed by an independent valuer based on the discounted cash flow method (2016 - binominal method) in deriving the fair value of the exchangeable bonds.

On 28 June 2017, the Company released announcement that it has entered into a restructuring agreement (“2017 Restructured Agreement”) with Bond holders for a further restructuring of the 2011 Bonds, the 2012 Bonds, the 2011 SB2 Bonds and the 2012 SB2 Bonds. Pending the approval from State Administration of Foreign Exchange of the People’s Republic of China (“SAFE”) for the offshore fund transfer, the company is still in the process of negotiating the repayment of SB2 to a further date. The Company will keep shareholders updated on any developments as and when appropriate.

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

The Group’s current result is in line with its statement made under paragraph 10 in its third quarter results announcement released on 10 November 2017.

10. A commentary at the date of announcement of the significant trends and 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.

The National Bureau of Statistic of China (“NBS”) reported that China’s gross domestic product (“GDP”) increased by 6.9% year-on-year in 2017 to RMB 82,712.2 billion as the economy maintained steady growth momentum. Total retail sales of consumer goods in 2017 rose 10.2% to RMB 36,626.2 billion with retail sales of consumer goods in urban areas rising 10.0% to RMB 31,429.0 billion while retail sales in rural areas rose 11.8% to RMB 5,197.2 billion. In 2017, online retail sales in China surged 32.2% to RMB 7,175.1 billion, accounting for 15.0% of total retail sales of consumer goods*.

As a result of rising health awareness, higher disposable income, ageing population and lifestyle changes, consumers have shown increasing demand for convenient products and functional health food through online and offline spending. The Group has responded to this trend by steadily expanding its product range and distribution channel in order to appeal to a broader customer base.

To capitalize on the growth opportunities ahead, the Group will continue to invest in various advertising and promotional activities as well as sales and marketing initiatives in order to enhance its brand visibility and expand its online and offline distribution network.

In July and August 2017, the Group entered into separate agreements with 北京京东世纪信息技术有限公司 (“Jingdong”) for the distribution of the Group’s canned products and beverage products respectively on Jingdong’s distribution network across China. Additionally, the Group has also commenced online sales of its products on www.JD.com, which is the e-commerce platform of Jingdong. In September 2017, the Group announced during the official launch event in Shenzhen, PRC by 深圳市微信食品股份有限公司 (“Wechat Food”) for a new distribution network called ”物联网-云平台” (“cloud platform for online products”), that the Company has entered into an agreement with Wechat Food to distribute the Group’s beverage products on the new distribution network comprising automatic vending machines to be rolled out across China using Wechat Food’s cloud platform. When the vending machines are fully rolled out across China, covering multiple cities, in buildings, hotels and offices, the Group’s products will become highly visible and easily accessible to consumers.

In September 2017, the Group announced that its wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Ltd. (“Garden Fresh Shenzhen”) (鲜绿园(深圳)果蔬饮料有限公司) has been accorded the prestigious “Asia Brands Top 500” award (亚洲品牌 500 强) during the 12th Asia Brand Ceremony held in Hong Kong with a brand appraisal value of RMB12.83 billion. This is the third time Garden Fresh Shenzhen has been accorded the prestigious title of Asia Brands Top 500, to be among other leading brands in Asia. In February 2018, Garden Fresh Shenzhen was further accorded the title of Shenzhen Agriculture Leading Dragon Head Enterprise (深圳市重点农业龙头企业) by Economic, Trade and Information Commission of Shenzhen Municipality (深圳市经济贸易和信息化委员会). This title is accorded based on evaluation of the following factors:- enterprise scale, production capacity, credit worthiness, gearing ratio, business impact and product competitiveness.

In October 2017, the Group announced that its own-branded Garden Fresh loquat juices have been procured by China Southern Airlines Company Limited (“CSA”) (中国南方航空股份有限公司) and being served in CSA’s premium lounge for business and first class travelers within Shenzhen airport (深圳机场明珠贵宾厅) since September 2017. The Group also updated that China’s three other major airlines namely Air China Limited (中国国际航空股份有限公司), China Southwest Airlines (中国西南航空公司) and Sichuan Airlines Co., Ltd. (四川航空股份有限公司) have been procuring Grandness canned fruits to be served in their respective lounges as well as during flights for the third year running.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2018.

Update on proposed listing of Garden Fresh

The Company continues in its efforts to obtain the approval of the HKSE for the proposed listing of its beverage business (“Proposed Listing”). The Company will keep shareholders updated on any material developments relating to the Proposed Listing as and when appropriate.

Source :

*http://www.stats.gov.cn/english/PressRelease/201801/t20180118_1574943.html

11. Dividends

(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/recommendeded, a statement to that effect.

Not applicable

13. Interested Person Transactions (“IPT”)

The Company has not obtained a general mandate from shareholders for interested person transactions.

14. Statement pursuant to SGX Listing Rule 720(1) of the Listing Manual

The Company confirms that it has already procured undertakings from all of its Directors and executive officers in the format as set out in Appendix 7.7 of the SGX-ST Listing Manual in accordance to Rule 720 (1) of the SGX-ST Listing Manual.

15. Use of proceeds

The Board refers to the issuance of 306,065,830 shares by the Company in March 2017 (“Right Issue 2017”). As at 31 December 2017, the Group had utilised the net proceeds from the Rights Issue 2017 as follows:-

Use of net proceeds	Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilized (RMB'000)	Balance (RMB'000)
(a) Capital expenditure for Group’s non-beverage business	60	191,700	186,750	4,950
(b) Distribution network expansion and general working capital	40	127,800	86,100	41,700
- Distribution network expansion		100,000	58,300	41,700
- Bank loan repayment		24,800	24,800	-
- Operating expenses		3,000	3,000	-
Total	100	319,500	272,850	46,650

The Company will make further announcements on the use of net proceeds from the Right Issue 2017 as and when the funds are materially disbursed.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

16. **Segmented revenue and results for business or geographical segment (of the group) in the form presented in the issuer’s most recently audited financial statements, with comparative information for the immediate preceding year.**

The Group is a manufacturer and supplier of beverages and canned fruits and vegetables. The Group’s main products are canned asparagus, long beans, mushrooms, beverages and other products (including bamboo shoots, sweet corn, chillies and fruits, such as lychees, pineapples mandarin orange, pears and peaches). The Group segment revenue and gross profits are analyzed based on the product segments as follows:-

REVENUE

Product segment	Group Year ended 31 December 2017 RMB’000	Group Year ended 31 December 2016 RMB’000	Increase/ (Decrease) %
Canned products			
- overseas	550,683	535,365	2.9
- domestic	474,787	443,226	7.1
Beverage	2,692,264	2,531,014	6.4
Total	3,717,734	3,509,605	5.9

GROSS PROFIT

Product segment	Group Year ended 31 December 2017 RMB’000	Group Year ended 31 December 2016 RMB’000	Increase/ (Decrease) %
Canned products			
- overseas	144,406	161,361	(10.5)
- domestic	191,906	176,378	8.8
Beverage	1,077,479	1,119,969	(3.8)
Total	1,413,791	1,457,708	(3.0)

RESULTS BY GEOGRAPHICAL LOCATIONS OF THE GROUP’S CUSTOMERS

Geographical locations	Group Year ended 31 December 2017 RMB’000	Group Year ended 31 December 2016 RMB’000	Increase/ (Decrease) %
Europe ⁽¹⁾	500,549	493,819	1.4
North America ⁽²⁾	45,452	33,721	34.8
China	3,167,051	2,974,239	6.5
Others ⁽³⁾	4,682	7,826	(40.2)
Total	3,717,734	3,509,605	5.9

(1) Includes sales to countries such as Germany, France, Spain, the Netherland, the Czech Republic and Russia

(2) Relates mainly to sales to Mexico

(3) Relates to sales to countries such as Australia and Turkey

Insofar as to the analysis of major customers, the Group does not have a single customer whose revenue reports 10% of the Group’s total revenue.

17. In the review of the performance, the factors leading to material changes in contributions to turnover and earnings by the business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediate preceding year.

Not applicable

18. A breakdown of sales as follows:

	31 Dec 2017 RMB'000	31 Dec 2016 RMB'000	Change %
Revenue reported for first half year	1,575,036	1,852,450	(14.9)
Operating profit after tax before deducting non-controlling interests reported for first half year	157,730	517,661	(69.5)
Revenue reported for second half year	2,142,698	1,657,155	29.3
Operating profit after tax before deducting non-controlling interests reported for second half year	198,096	59,414	233.7

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

	31 Dec 2017 RMB	31 Dec 2016 RMB
<u>Ordinary shares</u>		
Interim dividend paid	NA	NA
Final dividend paid	NA	NA
Final dividend proposed	NA	NA
Total	NA	NA

20. **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) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Huang Yupeng	56	Brother of Huang Yushan	Chairman and CEO - appointed with effect from 20 Apr 2007 Responsible for overseeing the overall management and operation of the Group	Not applicable
Huang Yushan	53	Sister of Huang Yupeng	Executive Director – appointed with effect from 20 Apr 2007 Responsible for Human Resource and Administration of the Group	Not applicable
Fang Kunrong	56	Brother-in-law of Huang Yupeng and Huang Yushan	Administration Manager – appointed with effect from 20 Apr 2007 Responsible for administration matters of the Group	Not applicable

BY ORDER OF THE BOARD
 HUANG YUPENG
 CHAIRMAN AND CEO
 27 February 2018