



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 2013

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

1(a)(i) An income statement and statement of comprehensive 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

	4Q			12-months (FY)		
	Oct – Dec	Oct – Dec	Change	Jan - Dec	Jan - Dec	Change
	2013	2012		2013	2012	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	553,008	405,677	36.3	2,271,125	1,640,259	38.5
Cost of sales	(325,790)	(238,670)	36.5	(1,385,960)	(1,004,860)	37.9
Gross profit	227,218	167,007	36.1	885,165	635,399	39.3
Other operating income	5,144	(992)	618.5	19,633	7,507	161.5
Distribution and selling expenses	(94,888)	(61,750)	53.7	(228,350)	(174,136)	31.1
Administrative expenses	(41,753)	(8,167)	411.2	(101,571)	(53,720)	89.1
Other operating expenses	(238)	(122)	95.1	(238)	(122)	95.1
Finance costs ¹	(4,761)	(6,152)	(22.6)	(19,102)	(16,730)	14.2
Profit before income tax	90,722	89,824	1.0	555,537	398,198	39.5
Income tax expense	(31,568)	(24,079)	31.1	(155,228)	(108,072)	43.6
Profit for the year ¹	59,154	65,745	(10.0)	400,309	290,126	38.0
Other comprehensive income	-	(15,772)	(100.0)	-	(15,772)	(100.0)
Total comprehensive income for the year	59,154	49,973	18.4	400,309	274,354	45.9
Profit for the year attributable to:						
Equity holders of the Parent	59,442	65,450		401,097	289,694	
Non-controlling interests	(288)	295		(788)	432	
	59,154	65,745		400,309	290,126	
Total comprehensive income for the year attributable to:						
Equity holders of the Parent	59,442	49,678		401,097	273,922	
Non-controlling interests	(288)	295		(788)	432	
	59,154	49,973		400,309	274,354	

¹ These figures will be subject to changes due to potential adjustments on the amortization and fair value of the convertible bonds which has not been finalized by the independent valuer in relation to the proposed spin-off of the beverage business segment on an internationally recognized stock exchange as at the date of this announcement. A further announcement on the adjustments will be made in due course.

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
	2013	2012		2013	2012	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property plant and equipment	(12,457)	(5,012)	148.5	(22,942)	(9,959)	130.4
Amortisation of:						
- land use rights	(327)	(999)	(67.3)	(1,322)	(1,417)	(6.7)
- subsidy	(34)	(34)	-	(134)	(134)	-
Finance costs - borrowings	(322)	(376)	(14.4)	(1,965)	(5,454)	(64.0)
ESOS expenses	2,220	-	100.0	2,220	-	100.0
Net exchange loss	(7,099)	(5,060)	40.3	(19,717)	(6,594)	199.0

Other operating income

Government grants	182	132	37.9	4,100	1,311	212.7
Interest income – banks	178	358	(50.3)	1,028	822	25.1
Exchange gain	2,659	(1,338)	N.M.	6,773	5,024	34.8
Gain on disposal of subsidiary	(163)	-	100.0	5,079	-	100.0
Sales of scrap	2,127	14	N.M.	2,254	95	N.M.
Others	161	(158)	201.9	399	255	56.5
Total	5,144	(992)	618.5	19,633	7,507	161.5

N.M. – Not meaningful

Note :-

The exchange losses in FY2013 and FY2012 were mainly attributable to the revision of translation rate due to appreciation of Renminbi against United States Dollar.

1(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 13	31 Dec 12	31 Dec 13	31 Dec 12
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	767,411	529,302	13	20
Land use rights	55,057	59,522	-	-
Subsidy	134	268	-	-
Subsidiaries	-	-	1,848	1,848
Amount owing by subsidiaries	-	-	230,892	145,503
Deferred tax assets	1,678	1,943	-	-
Total non-current assets	824,280	591,035	232,753	147,371
Current assets				
Inventories	45,958	52,442	-	-
Trade and other receivables	894,579	555,892	54	11
Prepayments	-	274	-	-
Cash and cash equivalents	91,329	138,342	4,179	474
Total current assets	1,031,866	746,950	4,233	485
Current liabilities				
Trade and other payables	88,419	82,393	9,674	8,164
Note payables	1,550	8,700	-	-
Current tax payable	32,730	16,651	-	1,510
Bank borrowings	13,000	44,000	-	-
Convertible bonds	349,455	-	-	-
Amount owing to related parties	-	74	-	281
Total current liabilities	485,154	151,818	9,674	9,955
Net current assets/(liabilities)	546,712	595,132	(5,441)	(9,470)
Non-current liabilities				
Convertible bonds	-	332,318	-	-
Deferred tax liabilities	20,241	20,241	20,241	20,241
Total non-current liabilities	20,241	352,559	20,241	20,241
Net assets	1,350,751	833,608	207,071	117,660
Equity				
Equity attributable to equity holders of the Parent				
Share capital	282,578	167,897	282,578	167,897
Retained profits/(Accumulated losses)	990,554	620,492	(77,727)	(50,237)
Other reserves	73,549	40,295	2,220	-
Total shareholder's funds	1,346,681	828,684	207,071	117,660
Non-controlling interests	4,070	4,924	-	-
Total equity	1,350,751	833,608	207,071	117,660

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

	<u>31 Dec 2013</u>	<u>31 Dec 2012</u>
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
Secured	13,000	44,000
Unsecured	349,455	74
	<u>362,455</u>	<u>44,074</u>
Amount repayable after one year		
Secured	-	-
Unsecured	-	332,318
	<u>-</u>	<u>332,318</u>
	<u>362,455</u>	<u>376,392</u>

Details of collaterals:-

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

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

	<u>4Q</u>		<u>12-months (FY)</u>	
	Oct – Dec 2013	Oct – Dec 2012	Jan - Dec 2013	Jan - Dec 2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit before income tax	90,722	89,824	555,537	398,198
Adjustments for:				
Depreciation of property, plant and equipment	24,013	10,662	34,498	15,609
Amortisation of land use rights	198	817	1,193	1,235
Amortisation of subsidy	34	34	134	134
Gain on disposal of subsidiary	163	-	(5,079)	-
ESOS expenses	2,220	-	2,220	-
Property, plant and equipment written off	277	28	277	28
Interest expenses	4,761	6,152	19,102	16,730
Interest income	(178)	(358)	(1,028)	(822)
	<u>122,210</u>	<u>107,159</u>	<u>606,854</u>	<u>431,112</u>
Operating cash flows before working capital changes				
Decrease/(Increase) in deposits pledged with banks	(9,190)	4,650	(3,709)	6,769
Decrease/(increase) in inventories	63,054	31,142	5,368	(16,366)
(Increase)/decrease in operating receivables	84,635	(50,327)	(341,955)	(257,997)
(Decrease)/increase in operating payables	5,361	(48,632)	10,522	18,858
	<u>266,070</u>	<u>43,992</u>	<u>277,080</u>	<u>182,376</u>
Cash generated from operations				

	<u>4Q</u>		<u>12-months (FY)</u>	
	Oct – Dec 2013 RMB'000	Oct – Dec 2012 RMB'000	Jan - Dec 2013 RMB'000	Jan - Dec 2012 RMB'000
Income tax paid	(54,268)	(44,057)	(138,502)	(111,093)
Interest paid	12,376	5,124	(1,965)	(5,454)
Net cash generated from operating activities	<u>224,178</u>	<u>5,059</u>	<u>136,613</u>	<u>65,829</u>
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(256,702)	(35,902)	(279,030)	(173,647)
Disposal of subsidiary	(152)	-	4,944	-
Interest received	178	358	1,028	822
Net cash used in investing activities	<u>(256,676)</u>	<u>(35,544)</u>	<u>(273,058)</u>	<u>(172,825)</u>
Cash flows from financing activities:				
Proceeds from share issue	-	-	117,750	-
Share issue costs	81	-	(3,069)	-
Convertible bonds issued	-	(4,429)	-	238,571
Bank loans obtained	-	2,000	25,500	86,000
Bank loans repaid	(8,000)	(22,600)	(56,500)	(117,700)
Amount owing to the then shareholders	2,116	(41,905)	2,116	(35,819)
Amount owing to related parties	-	74	(74)	(461)
Net cash (used in)/generated from financing activities	<u>(5,803)</u>	<u>(66,860)</u>	<u>85,723</u>	<u>170,591</u>
Net (decrease)/increase in cash and cash equivalents	(38,301)	(97,345)	(50,722)	63,595
Cash and cash equivalents at beginning of period/year	<u>120,320</u>	<u>230,086</u>	<u>132,741</u>	<u>69,146</u>
Cash and cash equivalent at end of period/year	<u>82,019</u>	<u>132,741</u>	<u>82,019</u>	<u>132,741</u>
Cash and cash equivalents comprise:				
Cash and bank balances	82,019	132,741	82,019	132,741
Fixed deposits	9,310	5,601	9,310	5,601
	<u>91,329</u>	<u>138,342</u>	<u>91,329</u>	<u>138,342</u>
Less Fixed deposits pledged	<u>(9,310)</u>	<u>(5,601)</u>	<u>(9,310)</u>	<u>(5,601)</u>
	<u>82,019</u>	<u>132,741</u>	<u>82,019</u>	<u>132,741</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
Group								
Balance at 1 January 2012	167,897	373,868	-	(31,413)	44,411	554,763	4,492	559,255
Profit for the year	-	289,694	-	-	-	289,694	432	290,126
Total comprehensive income for the year	-	(15,772)	-	-	-	(15,772)	-	(15,772)
Transfer to statutory reserve	-	(27,297)	-	-	27,297	-	-	-
Balance at 31 December 2012	167,897	620,492	-	(31,413)	71,708	828,684	4,924	833,608
Issue of shares	114,681	-	-	-	-	114,681	-	114,681
Issue of shares under share option scheme	-	-	2,220	-	-	2,220	-	2,220
Profit for the year	-	401,096	-	-	-	401,096	(128)	400,968
Total comprehensive income for the year	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	(31,034)	-	-	31,034	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	(726)	(726)
Balance at 31 December 2013	282,578	990,554	2,220	(31,413)	102,742	1,346,681	4,070	1,350,751

	Share capital	Share option reserves	Accumulated losses	Total equity
	RMB'000		RMB'000	RMB'000
Company				
Balance at 1 January 2012	167,897	-	(28,527)	139,370
Losses for the year	-	-	(21,710)	(21,710)
Total comprehensive income for the year	-	-	-	-
Balance at 31 December 2012	167,897	-	(50,237)	117,660
Issue of shares	117,750	-	-	117,750
Share issue costs	(3,069)	-	-	(3,069)
Issue of shares under share option scheme	-	2,220	-	2,220
Losses for the year	-	-	(27,490)	(27,490)
Total comprehensive income for the year	-	-	-	-
Balance at 31 December 2013	282,578	2,220	(77,727)	207,071

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, 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.

Issued and fully paid	Resultant number of shares	Resultant capital (RMB)
Balance at 1 January 2013	265,172,414	167,896,912
New placement of 28,500,000 ordinary shares of S\$0.82 on 20 March 2013 net of share issue costs of RMB 3,069,000	28,500,000	114,680,650
Balance at 30 June 2013	293,672,414	282,577,562
Share split exercise of every one (1) share into two (2) shares on 27 September 2013 *	293,672,414	-
Balance at 31 December 2013	587,344,828	282,577,562

* Number of shares as at 31 December 2013 changed from 293,672,414 to 587,344,828 as a result of the share split exercise of every one (1) share in the capital of the Company into two (2) shares on 27 September 2013.

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 2013	As at 31 Dec 2012
Total number of ordinary shares issued and fully paid	587,344,828	265,172,414

The Company does not have treasury shares as at 31 December 2013 and 31 December 2012.

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 set up 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 2012.

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 and after 1 January 2013 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)	4Q		12-months (FY)	
	Oct – Dec 2013	Oct – Dec 2012	Jan – Dec 2013	Jan – Dec 2012
EPS based on average number of ordinary shares (RMB cents)	10.3	12.3	69.7	54.6
EPS on a fully diluted basis (RMB cents)	10.3	12.3	69.7	54.6
Weighted average number of ordinary shares ('000)	575,163	530,344	575,163	530,344
Weighted average number of ordinary shares – diluted ('000)	575,163	530,344	575,163	530,344

Basic earnings per share for 4Q2013 and FY2013 are calculated based on the Group profit after taxation of RMB 59,442,000 and RMB 401,097,000 respectively on weighted average number of ordinary shares of 575,163,000 which is computed based on 287 days of placement shares issued of 57,000,000.

Basic earnings per share for 4Q2012 and FY2012 are calculated based on the Group profit after taxation of RMB 65,450,000 and RMB 289,694,000 respectively on adjusted pro-forma number of ordinary shares issued of 530,344,828 (265,172,414 shares split into 2 shares each)

The Company had no dilutive equity instruments as at 31 December 2013 and 31 December 2012. Therefore, the fully diluted earnings per share for FY2013 and FY2012 were the same as the basic earnings per share for FY2013 and FY2012 respectively.

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 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Number of ordinary shares	587,344,828	530,344,828	587,344,828	530,344,828
NAV per ordinary share in the Company (RMB cents)	229.3	156.3	35.3	22.2

For Comparative purpose, the net asset value per shares as at 31 December 2012 for both Company and Group were calculated based on the adjusted pro-forma number of ordinary shares issued of 530,344,828 (265,172,414 shares split into 2 shares each).

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

Our revenue increased by approximately RMB630.9 million or 38.5% from RMB1.6 billion in FY2012 to RMB2.3 billion in FY2013. This increase was attributable to the increased sale from all of our product segments, with an increase of RMB519.2 million from sales of beverage, RMB33.6 million and RMB78.1 million from sales of canned products in both overseas and domestic markets respectively. The increase in sales volume of canned products from FY2012 to FY2013 is mainly due to increased production capacities and increased orders secured from our existing major customers in both overseas and PRC. In addition, the increase in sales volume of beverage is mainly due to expansion of distribution network in PRC.

Breakdown of revenue by segments:

	4Q			12-months (FY)		
	Oct – Dec 2013	Oct – Dec 2012	Change	Jan – Dec 2013	Jan – Dec 2012	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Canned products						
- overseas	135,891	143,333	(5.2)	689,533	655,939	5.1
- domestic	46,498	25,804	80.2	189,208	111,147	70.2
Beverage	370,619	236,541	56.7	1,392,384	873,173	59.5
Total	553,008	405,678	36.3	2,271,125	1,640,259	38.5

Gross profit

Largely in line with the increase in our sales, our gross profit increased by approximately RMB249.8 million or 39.3%, from RMB635.4 million in FY2012 to RMB885.2 million in FY2013. Our overall gross profit margin (GPM) improved by 0.3 percentage points, from 38.7% in FY2012 to 39.0% in FY2013. The improvement of our overall GPM was a result of an increase in GPM of canned products in domestic market partially offset by a decrease in GPM of canned products in overseas market. These improvements in GPM were largely attributable to the increase in the average selling price and the decrease in GPM were mainly due to higher cost of raw materials from FY2012 to FY2013.

Operating expenses

Distribution and selling expenses increased by approximately RMB54.3 million or 31.1%, from RMB174.1 million in FY2012 to RMB228.4 million in FY2013. This was due mainly to an increase of RMB7.4 million in employee benefit costs, RMB22.8 million in transportation costs and RMB23.6 million in advertising, promotion, sales rebate and bar code expenses. Increase in transportation cost is mainly attributed to increase in domestic sales of beverage products and domestic canned products in PRC in FY2013. The advertising, promotion, rebate and bar code expenses were mainly attributed to domestic sales of beverage and canned products in PRC market.

Administrative expenses increased by approximately RMB47.9 million or 89.1%, from RMB53.7 million in FY2012 to RMB101.6 million in FY2013. This was mainly due to increase of RMB3.4 million in employee benefit costs, RMB12.8 million in depreciation, RMB1.4 million in rental expenses, RMB 9.8 million and RMB1.4 million in expenses in relation to the proposed spin-off of the beverage business segment and R&D expenses respectively, taxation of land use rights of RMB3.6 million and RMB14.7 million in exchange loss due to appreciation of RMB during the period under review.

Finance cost

Finance costs increased by approximately RMB2.4 million or 14.2%, from RMB16.7 million in FY2012 to RMB19.1 million in FY2013. The increase was mainly due to interest on zero coupon convertible bonds (the "CB") which was accrued for 12 months in FY2013 as compared to 3 months in FY2012.

Profit before income tax

Profit before income tax increased by approximately RMB152.3 million or 38.2%, from RMB398.2 million in FY2012 to RMB550.5 million in FY2013. The increase was due to an increase in revenue offset by an increase in operating expenses and finance costs.

Review of statement of financial position

Property, plant and equipment increased by approximately RMB238.1 million from RMB529.3 million in FY2012 to RMB767.4 million in FY2013 as a result of the construction in progress in Sichuan and Hubei plants and acquisition of production equipment in Shanxi plant.

Our inventories decreased by approximately RMB6.4 million from RMB52.4 million in FY2012 to RMB46.0 million in FY2013. The decrease in inventories over the period under review was a result of effective inventory management.

Trade and other receivables increased by approximately RMB338.7 million from RMB555.9 million in FY2012 to RMB894.6 million in FY2013. Trade receivable increased from RMB427.3 million in FY2012 to RMB633.4 million in FY2013. The increase was mainly attributable to our increased domestic canned products and beverage business activities in the period under review.

Cash and cash equivalents stood at RMB82.2 million as at 31 December 2013, the decrease in cash and cash equivalents was mainly due to acquisition of property, plant and equipment and bank loan repayments partially offset by the issuance of new shares and bank loans obtained during the period under review.

Current liabilities increased by RMB333.4 million from RMB151.8 million in FY2012 to RMB485.2 million in FY2013. The increase was mainly attributable to an increase in tax payable of RMB16.1 million, trade and other payable of RMB6.0 million and convertible bonds from amortization process of RMB349.5 million partially offset by a decrease of RMB7.2 million in note payables and RMB31.0 million in bank borrowings.

Non-current liabilities decreased by RMB332.4 million from RMB352.6 million in FY2012 to RMB20.2 million in FY2013. The decrease was mainly attributable to reclassification of convertible bonds from non-current to current liabilities.

Equity holders interest increased by RMB517.1 million from RMB833.6 million as at 31 December 2012 to RMB1.4 billion as at 31 December 2013. The increase was mainly attributable to net profit in FY2013.

Review of cash flow statement

In FY2013, operating cash flows before working capital changes amounted to RMB620.7 million. We used net cash of RMB329.5 million in our operating activities. Working capital changes comprised an increase in deposit pledged with bank of RMB3.7 million, operating receivables of RMB324.0 million and operating payables of RMB10.8 million, a decrease in inventories of RMB5.4 million. Net cash used in investing activities amounted to RMB269.9 million in FY2013, which was due mainly to construction in progress and acquisition of property, plant and equipments in Sichuan and Hubei plants. In addition, net cash generated from financing activities amounted to RMB85.7 million in FY2013, which was mainly due to issuance of new shares and bank loan obtained of RMB114.7 million and RMB25.5 million respectively partially offset by repayment of bank loans of RMB56.5 million and the then shareholders of RMB2.1 million.

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

Our current result is in line with our statement made under paragraph 10 in our third quarter results announcement released on 14 November 2013.

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.

According to China's National Bureau of Statistics ("NBS"), per capita disposable income for urban residents in China increased by 9.7% to RMB26,955 in 2013 while total retail sales of consumer goods also rose 13.1% year-on-year in 2013 to approximately RMB23,438.0 billion, reflecting sustained growth in consumer spending in the domestic economy. In particular, sales of "Grain, Oil, Foodstuff, Beverages, Tobacco and Liquor" category rose 13.9% to approximately RMB1,483.3 billion in 2013 from a year ago.

The rising disposal income per capita, increasing demand for health promoting products as a result of heightened health awareness in China are positive factors which may offer tremendous growth opportunities for the food and beverage ("F&B") industries in China. As such, the Group remains optimistic about the growth prospects of its own-branded products including 鲜绿园® ("Garden Fresh") juices and 振鹏达® ("Grandness") canned fruits in China.

To capitalize on the potential growth opportunities ahead for Garden Fresh juices, the Group will continue to focus on four key areas to drive growth, namely:-

1. Advertising and promotional activities to further increase awareness and brand value of Garden Fresh juices and Grandness canned products;
2. Sales and marketing efforts to expand its distribution network for domestic and international markets;
3. Expansion of production capacity at strategic locations and
4. Research and development efforts to expand its range of products in order to appeal to a broader group of consumers.

The Group's sustained efforts in building brand value have yielded positive results as evidenced by the growing brand awareness and brand equity. In November 2013, the Group announced that its in-house brand Garden Fresh has been valued at RMB3.5 billion according to a Brand Value Data Certificate issued Asia Brand Association Experts Committee and Asia Brand Research Centre.

The Group will continue to participate in various exhibitions and tradeshows in order to expand its distribution network and increase awareness of our in-house brands. Over the past few years, the Group has regularly showcased its beverage and canned products at one of the largest F&B tradeshows held annually in Chengdu, Sichuan Province China ("Chengdu Tradeshow"). As at 31 December 2013, the Group has expanded its distributor base for Garden Fresh juices nationwide comprising more than 200 distributors and covering more than 20 provinces in China. In the upcoming Chengdu Tradeshow to be held during the first half of 2014, the Group intends to seize the opportunity to introduce new products and expand its distributor base further.

Barring unforeseen circumstances, the Group remains optimistic about its overall performance in FY2014.

Update on Proposed Spin-off

On 1 July 2013, the Group announced that it is proposing to spin-off its beverage business segment under its wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited and its group of subsidiaries for a listing on an internationally recognised stock exchange ("Proposed Spin-Off").

During the quarter ended 31 December 2013 ("4Q13"), the Group has engaged relevant professional parties including international investment bankers and legal counsels to commence work related to the Proposed Spin-Off. The Company will keep shareholders updated on material developments or as and when appropriate.

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.

No dividend has been declared/recommendeded.

13. Interested Person Transactions (“IPT”)

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

14. Use of net proceeds

The Board of Directors of Sino Grandness Food Industry Group Limited (the “Company”) refers to the issuance of CB by its wholly owned subsidiary Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (“GF HK”). As at 24 February 2014, the Group had fully utilized the net proceeds of approximately RMB236.0 million from the issuance of CB. The amount was utilized to finance the Group’s beverage business activities in the PRC, including working capital, capital expenditure and operating expenses.

In addition, the Board refers to the issuance of 28,500,000 shares by the Company in March 2013. As at 24 February 2014, the Group had utilized approximately RMB77.6 million out of the net proceeds of approximately RMB114.6 million. The amount was utilized in accordance to its intended usage to finance the Group’s domestic canned products business activities, including working capital, capital expenditure and sales and marketing expenses. The Company will make further announcements on the use of net proceeds from the placement 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)

15. **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. Our 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 2013 RMB'000	Group Year ended 31 December 2012 RMB'000	Increase/ %
Canned products			
- overseas	689,533	655,939	5.1
- domestic	189,208	111,147	70.2
Beverage	1,392,384	873,173	59.5
Total	2,271,125	1,640,259	38.5

GROSS PROFIT

Product segment	Group Year ended 31 December 2013 RMB'000	Group Year ended 31 December 2012 RMB'000	Increase/ (Decrease) %
Canned products			
- overseas	212,294	212,617	(0.2)
- domestic	83,312	48,772	70.8
Beverage	589,559	374,010	57.6
Total	885,165	635,399	39.3

RESULTS BY GEOGRAPHICAL LOCATIONS OF OUR CUSTOMERS

Geographical locations	Group Year ended 31 December 2013 RMB'000	Group Year ended 31 December 2012 RMB'000	Increase/ (Decrease) %
Europe ⁽¹⁾	617,114	537,705	14.8
North America ⁽²⁾	50,230	65,150	(22.9)
China	1,581,592	984,320	60.6
Others ⁽³⁾	22,189	53,084	(58.2)
Total	2,271,125	1,640,259	38.5

(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 Singapore, 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.

16. 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

17. A breakdown of sales as follows:

	31 Dec 2013 RMB'000	31 Dec 2012 RMB'000	Change %
Revenue reported for first half year	971,801	756,149	28.5
Operating profit after tax before deducting non-controlling interests reported for first half year	172,973	139,194	24.3
Revenue reported for second half year	1,299,324	884,110	47.0
Operating profit after tax before deducting non-controlling interests reported for second half year	222,282	150,932	47.3

18. 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 2013 RMB	31 Dec 2012 RMB
<u>Ordinary shares</u>		
Interim dividend paid	NA	NA
Final dividend paid	NA	NA
Final dividend proposed	NA	NA
Total	NA	NA

19. 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	53	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	50	Sister of Huang Yupeng	Executive Director - appointed with effect from 20 Apr 2007	Not applicable

Fang Kunrong	53	Brother-in-law of Huang Yupeng	Responsible for Human Resource and Administration of the Group Administration Manager – appointed with effect from 20 Apr 2007 Responsible for administration matters of the Group	Not applicable
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BY ORDER OF THE BOARD
 HUANG YUPENG
 CHAIRMAN AND CEO
 26 February 2014