



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

**HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016**

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

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

	<u>2Q</u>			<u>HALF YEAR (HY)</u>		
	<u>Apr – Jun</u>	<u>Apr – Jun</u>	<u>Change</u>	<u>Jan – Jun</u>	<u>Jan – Jun</u>	<u>Change</u>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
<b>Revenue</b>	1,128,744	924,767	22.1	1,852,450	1,506,978	22.9
Cost of sales	(657,264)	(537,047)	22.4	(1,084,275)	(881,800)	23.0
<b>Gross profit</b>	471,480	387,720	21.6	768,175	625,178	22.9
Other operating income	27,312	(3,417)	N.M.	134,131	9,016	N.M.
Distribution and selling expenses	(166,439)	(111,727)	49.0	(280,782)	(173,702)	61.6
Administrative expenses	(54,468)	(16,893)	222.4	(93,067)	(57,829)	60.9
Other operating expenses	-	-	-	-	-	-
Finance costs	(12,140)	(103,321)	(88.3)	(18,451)	(169,221)	(89.1)
<b>Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds</b>	265,745	152,362	74.4	510,006	233,442	118.5
Changes in fair value of the option derivatives in relation to convertible bonds	(37,398)	39,977	(193.5)	120,490	107,577	12.0
<b>Profit before income tax</b>	228,347	192,339	18.7	630,496	341,019	84.9
Taxation	(70,774)	(66,288)	6.8	(112,835)	(107,130)	5.3
Net profit for the period	157,573	126,051	25.0	517,661	233,889	121.3
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	157,573	126,051	25.0	517,661	233,889	121.3
<b>Profit for the period attributable to:</b>						
Equity holders of the parent	157,687	126,150		517,907	234,325	
Non-controlling interests	(114)	(99)		(246)	(436)	
	157,573	126,051		517,661	233,889	

**Total comprehensive income for the period attributable to:**

Equity holders of the parent	157,687	126,150	517,907	234,325
Non-controlling interests	(114)	(99)	(246)	(436)
	<u>157,573</u>	<u>126,051</u>	<u>517,661</u>	<u>233,889</u>

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

	<u>2Q</u>			<u>Half Year (HY)</u>		
	<u>Apr – Jun</u>	<u>Apr – Jun</u>	Change	<u>Jan – Jun</u>	<u>Jan – Jun</u>	Change
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation	(15,796)	(15,735)	0.4	(32,188)	(31,495)	2.2
Amortisation of land use rights	(600)	(579)	3.6	(1,200)	(1,179)	1.8
ESOS expenses (Note 1)	(15,390)	(2,580)	496.5	(20,792)	(5,159)	303.3
Net exchange gain/(loss) (Note 2)	8,093	2,609	210.2	8,126	1,848	339.7

Other operating income

Government grants	103	4	N.M.	107	4	N.M.
Interest income - banks	894	484	84.7	1,005	883	13.8
Exchange gain	15,427	(4,019)	483.9	30,237	7,938	280.9
Gain on restructuring of convertible bonds (Note 3)	-	-	-	91,618	-	100.0
Fair value gain on convertible loan at inception (Note 4)	8,132	-	100.0	8,132	-	100.0
Others	2,756	114	N.M.	3,032	191	N.M.
Total	27,312	(3,417)	N.M.	134,131	9,016	N.M.

N.M. – Not meaningful

Note 1:-

In April 2016, the Company has cancelled a tranche of ESOS options granted to one of the Company's director, Huang Yushan. In accordance with FRS 102 Share-based Payments, the cancellation shall be accounted as an acceleration of vesting, which resulted in an immediate recognition of ESOS expenses amounting to approximately RMB 12.2 million.

Note 2:-

The net exchange gain in HY2016 and 2Q2016 were mainly attributable to appreciation of net assets of the Group denominated in foreign currency namely United States dollar and Singapore dollar against Renminbi.

Note 3:-

The gain arises as a result of the restructuring of the convertible bonds on 1 March 2016.

Note 4:-

The gain arises as a result of the difference in fair value and the proceeds received for convertible loan from a shareholder. The conversion ability of the convertible loan is subject to the approval of shareholders in an Extraordinary General Meeting, which has not been convened as at 30 June 2016.

**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**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 16</b>	<b>31 Dec 15</b>	<b>30 June 16</b>	<b>31 Dec 15</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	921,336	939,503	22	11
Land use rights	111,488	112,688	-	-
Subsidiaries	-	-	61,094	61,094
Amount owing by subsidiaries	-	-	481,502	311,040
Deferred tax assets	1,654	1,654	-	-
Deposit paid for non-current assets	526,092	595,777	-	-
<b>Total non-current assets</b>	<b>1,560,570</b>	<b>1,649,622</b>	<b>542,618</b>	<b>372,145</b>
<b>Current assets</b>				
Inventories	154,245	54,688	-	-
Trade receivables	1,042,686	953,898	-	-
Other receivables	301,822	375,463	58	114
Cash and cash equivalents	587,266	142,986	3,530	4,245
<b>Total current assets</b>	<b>2,086,019</b>	<b>1,527,035</b>	<b>3,588</b>	<b>4,359</b>
<b>Current liabilities</b>				
Trade payables	59,381	29,290	-	1,394
Other payables	65,433	57,042	18,117	23,014
Note payables	500	55,500	-	-
Current tax payable	72,922	41,800	-	-
Bank borrowings	243,500	130,000	-	-
Convertible loan	123,705	-	123,705	-
Straight bonds	184,342	-	-	-
Convertible bonds	540,458	1,032,930	-	-
<b>Total current liabilities</b>	<b>1,290,241</b>	<b>1,346,562</b>	<b>141,822</b>	<b>24,408</b>
<b>Net current assets/(liabilities)</b>	<b>795,778</b>	<b>180,473</b>	<b>(138,234)</b>	<b>(20,049)</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	20,241	20,241	20,241	20,241
<b>Total non-current liabilities</b>	<b>20,241</b>	<b>20,241</b>	<b>20,241</b>	<b>20,241</b>
<b>Net assets</b>	<b>2,336,107</b>	<b>1,809,854</b>	<b>384,143</b>	<b>331,855</b>
<b>Equity</b>				
Equity attributable to equity holders of the Parent				
Share capital	440,948	440,948	440,948	440,948
Retained profits/(Accumulated losses)	1,689,863	1,203,901	(100,270)	(131,766)
Other reserves	202,898	162,361	43,465	22,673
<b>Total shareholder's funds</b>	<b>2,333,709</b>	<b>1,807,210</b>	<b>384,143</b>	<b>331,855</b>
Non-controlling interests	2,398	2,644	-	-
<b>Total equity</b>	<b>2,336,107</b>	<b>1,809,854</b>	<b>384,143</b>	<b>331,855</b>

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

	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amount repayable in one year or less or on demand		
Secured	243,500	130,000
Unsecured	848,505	1,032,930
	<u>1,092,005</u>	<u>1,162,930</u>
Amount repayable after one year		
Secured	-	-
Unsecured	-	-
	<u>-</u>	<u>-</u>
	<u>1,092,005</u>	<u>1,162,930</u>

Details of collaterals:-

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 flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<u>2Q</u>		<u>Half Year (HY)</u>	
	<b>Apr - Jun</b>	<b>Apr - Jun</b>	<b>Jan - Jun</b>	<b>Jan - Jun</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities:</b>				
Profit before income tax	228,347	192,339	630,496	341,019
Adjustments for:				
Depreciation of property, plant and equipment	15,796	15,735	32,188	31,495
Fair value of the option derivatives in relation to the convertible bonds	37,398	(39,977)	(120,490)	(107,577)
Fair value gain on financial liability at inception	(8,132)	-	(8,132)	-
Amortisation of land use rights	600	579	1,200	1,179
Share-based payment expense under ESOS scheme	15,390	2,580	20,792	5,159
Gain on restructuring of convertible bonds	-	-	(91,618)	-
Interest expenses	12,140	103,321	18,451	169,221
Interest income	(894)	(484)	(1,005)	(883)
	<u>300,645</u>	<u>274,093</u>	<u>481,882</u>	<u>439,613</u>
Operating cash flows before working capital changes	300,645	274,093	481,882	439,613
Decrease/(increase) in deposits pledged with banks	15,000	(15,000)	30,147	29,138
Increase in inventories	(83,645)	(123,800)	(99,557)	(119,237)
Increase in operating receivables	(98,972)	(161,937)	(9,987)	(223,697)

	<u>2Q</u>		<u>Half Year (HY)</u>	
	Apr - Jun 2016 RMB'000	Apr - Jun 2015 RMB'000	Jan - Jun 2016 RMB'000	Jan - Jun 2015 RMB'000
(Decrease)/increase in operating payables	(20,285)	(59,342)	(16,518)	35,964
Cash generated from/(used in) operations	112,743	(85,986)	385,967	161,781
Income tax paid	(39,913)	(31,588)	(81,713)	(47,951)
Interest paid	(6,842)	(4,436)	(10,013)	(5,747)
Net cash generated from/(used in) operating activities	<u>65,988</u>	<u>(122,010)</u>	<u>294,241</u>	<u>108,083</u>
<b>Cash flows from investing activities:</b>				
Acquisition of property, plant and equipment	(11,499)	(27,038)	(14,021)	(29,629)
Refund from deposit paid for non-current assets	70,560	-	70,560	-
Deposit paid for non-current assets	-	-	(6,035)	-
Interest received	894	484	1,005	883
Net cash generated from/(used in) investing activities	<u>59,955</u>	<u>(26,554)</u>	<u>51,509</u>	<u>(28,746)</u>
<b>Cash flows from financing activities:</b>				
Bank loans obtained	143,500	75,000	243,500	110,000
Bank loans repaid	(65,000)	(37,400)	(130,000)	(59,800)
Proceeds from convertible loan	129,179	-	129,179	-
Repayment of straight bond 1	(101,802)	-	(101,802)	-
Dividends paid	(12,200)	-	(12,200)	-
Net cash generated from financing activities	<u>93,677</u>	<u>37,600</u>	<u>128,677</u>	<u>50,200</u>
Net increase/(decrease) in cash and cash equivalents	219,620	(110,964)	474,427	129,537
Cash and cash equivalents at beginning of period	<u>367,146</u>	<u>414,935</u>	<u>112,339</u>	<u>174,434</u>
Cash and cash equivalents at end of period	<u>586,766</u>	<u>303,971</u>	<u>586,766</u>	<u>303,971</u>
Cash and cash equivalents comprise:				
Cash and bank balances	586,766	303,971	586,766	303,971
Fixed deposits	500	20,000	500	20,000
	<u>587,266</u>	<u>323,971</u>	<u>587,266</u>	<u>323,971</u>
Less: Fixed deposits pledged	(500)	(20,000)	(500)	(20,000)
	<u>586,766</u>	<u>303,971</u>	<u>586,766</u>	<u>303,971</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**

Group	Share capital	Retained profits	Share Option Reserve	Merger reserve	Statutory common reserve	Attributable to equity holders of the Company	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	440,948	1,035,167	10,531	(31,413)	133,162	1,588,395	3,248	1,591,643
Profit for the year and representing total comprehensive income for the year	-	206,673	-	-	-	206,673	(604)	206,069
Share-based payment expenses under ESOS scheme	-	-	12,142	-	-	12,142	-	12,142
Transfer to statutory reserve	-	(37,939)	-	-	37,939	-	-	-
Balance at 31 December 2015	440,948	1,203,901	22,673	(31,413)	171,101	1,807,210	2,644	1,809,854
Profit for the period and representing total comprehensive income for the period	-	517,907	-	-	-	517,907	(246)	517,661
Share-based payment expenses under ESOS scheme	-	-	20,792	-	-	20,792	-	20,792
Transfer to statutory reserve	-	(19,745)	-	-	19,745	-	-	-
Dividends paid	-	(12,200)	-	-	-	(12,200)	-	(12,200)
<b>Balance at 30 June 2016</b>	<b>440,948</b>	<b>1,689,863</b>	<b>43,465</b>	<b>(31,413)</b>	<b>190,846</b>	<b>2,333,709</b>	<b>2,398</b>	<b>2,336,107</b>

Company	Share capital	Accumulated losses	Share option reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	440,948	(100,859)	10,531	350,620
Share-based payment expenses under ESOS scheme	-	-	12,142	12,142
Loss for the year representing total comprehensive income for the year	-	(30,907)	-	(30,907)
Balance at 31 December 2015	440,948	(131,766)	22,673	331,855
Share-based payment expenses under ESOS scheme	-	-	20,792	20,792
Profit for the period representing total comprehensive income for the period	-	43,696	-	43,696
Dividends paid	-	(12,200)	-	(12,200)
Balance at 30 June 2016	440,948	(100,270)	43,465	384,143

**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.**

During the current financial period, there is no change in the share capital of the Company.

The Company has granted three tranches of options under ESOS Scheme on 9 April 2015 and 20 May 2016 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

Number of options outstanding under ESOS schemes as at 30 June 2016 was 40,613,750.

Save for the above, there were no other outstanding convertible securities and treasury shares as at 30 June 2016 and 31 December 2015.

**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 30 Jun 2016	As at 31 Dec 2015
Total number of ordinary shares issued and fully paid	673,344,828	673,344,828

The Company does not have treasury shares as at 30 June 2016 and 31 December 2015.

**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 out in Note 5 of this announcement, the accounting policies and methods of computation have been consistently applied by the Group and by the Company and are consistent with the audited financial statements for the financial year ended 31 December 2015.

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 revised Financial Reporting Standard (“FRS”) and Interpretation of FRS (“INT FRS”) that are effective for annual periods beginning on and after 1 January 2016 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 period.

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).**

Earnings per share (EPS)	<u>2Q</u>		<u>Half Year (HY)</u>	
	Apr – Jun 2016	Apr – Jun 2015	Jan – Jun 2016	Jan – Jun 2015
EPS based on average number of ordinary shares (RMB cents)	23.4	18.7	76.9	34.8
EPS on a fully diluted basis (in RMB cents)	23.2	18.7	76.2	34.8
Weighted average number of ordinary shares (000)	673,345	673,345	673,345	673,345
Weighted average number of ordinary shares – diluted (000)	679,359	673,345	679,359	673,345

Basic earnings per share for 2Q2016 and HY2016 are calculated based on the Group profit after taxation of RMB 157,687,000 and RMB 517,907,000 respectively on actual number of ordinary shares issued of 673,344,828.

For comparative purpose, the basic earnings per share for 2Q2015 and HY2015 were calculated based on the Group profit after taxation of RMB 126,150,000 and RMB 234,325,000 respectively on actual number of ordinary shares issued of 673,344,828.

The fully diluted earnings per share for 2Q2016 and HY2016 were calculated based on the Group profit after taxation of RMB 157,687,000 and RMB 517,907,000 respectively on number of ordinary shares of 679,358,562 after adjusting for the outstanding options under ESOS scheme.

For comparative purpose, the diluted earnings per share for 2Q2015 and HY2015 were calculated based on the Group profit after taxation of RMB 126,150,000 and RMB 234,325,000 respectively on actual number of ordinary shares issued of 673,344,828.

7. **Net assets 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	
	30 Jun 16	31 Dec 15	30 Jun 16	31 Dec 15
Number of ordinary shares	673,344,828	673,344,828	673,344,828	673,344,828
NAV per ordinary share in the Company (RMB cents)	346.9	268.8	57.0	49.3



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 RMB345.5 million or 22.9% from RMB1,507.0 million in HY2015 to RMB1,852.5 million in HY2016. This increase was attributable to the increase of RMB293.4 million from sale of beverage, RMB38.2 million from sales of canned products in domestic market and RMB13.9 million from sales of canned products in overseas markets. The increase in sales volume of beverage and canned products in domestic markets from HY2015 to HY2016 was mainly due to expansion of distribution network in People's Republic of China ("PRC"). Increase in sales revenue of canned products in overseas market was mainly due to increase in demand from existing customers.

### Breakdown of revenue by segments:

	2Q		Change	Half Year (HY)		Change
	Apr – Jun 2016	Apr – Jun 2015		Jan – Jun 2016	Jan – Jun 2015	
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<u>Canned products</u>						
- overseas	191,800	188,186	1.9	297,642	283,744	4.9
- domestic	142,970	111,317	28.4	213,318	175,155	21.8
<u>Beverage</u>	793,974	625,264	27.0	1,341,490	1,048,079	28.0
<u>Total</u>	1,128,744	924,767	22.1	1,852,450	1,506,978	22.9

### Gross profit

Largely in line with the increase in the Group's sales, the Group's gross profit increased by approximately RMB143.0 million or 22.9%, from RMB625.2 million in HY2015 to RMB768.2 million in HY2016. Our overall gross profit margin (GPM) remained at 41.5% from HY2015 to HY2016. Our overall GPM has remained unchanged mainly due to an increase in the GPM of canned products in overseas market, partially offset by a decrease in GPM of beverage segment and canned product in domestic markets. The improvement in GPM of canned products in overseas market segment was mainly due to higher average selling price in HY2016 compared to HY2015. The decrease in GPM of canned products in domestic market segment was mainly due to higher cost of production. The decrease in GPM of beverage segment was mainly due to change in product mix in HY2016 compared to HY2015.

### Operating expenses

Distribution and selling expenses increased by approximately RMB107.1 million or 61.6%, from RMB173.7 million in HY2015 to RMB280.8 million in HY2016. This was mainly due to an increase of RMB42.4 million in transportation costs and RMB58.9 million in advertising and promotion expenses respectively. Increase in transportation costs in HY2016 was mainly attributed to increase in domestic sales of beverage and canned products in PRC. Increase in advertising and promotion expenses was mainly attributed to our domestic sales of beverage and canned products in PRC market.

Administrative expenses increased by approximately RMB35.3 million or 60.9%, from RMB57.8 million in HY2015 to RMB93.1 million in HY2016. This was mainly due to increase in exchange loss of RMB16.0 million, share-based payment expenses under ESOS scheme of RMB15.6 million.

### **Finance costs**

Finance costs decreased by approximately RMB150.7 million or 89.1%, from RMB169.2 million in HY2015 to RMB18.5 million in HY2016. Non-cash interest expenses relating to convertible bonds stood at RMB163.5 million in HY2015. In view of the restructured convertible bonds and the probability factor valuation method (further explained under “Convertible Bond” below), the movements on the straight bond and the option derivatives were accounted as “Change in fair value of the option derivatives in relation to convertible bonds” in HY2016 as it would not be meaningful to separately recognize the finance costs and fair value of option derivatives. The increase in cash interest was mainly due to higher bank borrowings in HY2016 as compared to HY2015.

### **Profit before taxation**

Profit before taxation increased by approximately RMB289.5 million or 84.9%, from RMB341.0 million in HY2015 to RMB630.5 million in HY2016. The increase was due to an increase in revenue and a decrease in finance cost, partially offset by an increase in operating expenses and changes in fair value of the option derivatives in relation to convertible bonds.

### **Review of Balance Sheet**

Property, plant and equipment decreased by approximately RMB18.2 million from RMB939.5 million in FY2015 to RMB921.3 million in HY2016 as a result of the acquisition of property, plant and equipment offset by depreciation charged during the period under review.

Deposit paid for non-current assets decreased by approximately RMB69.7 million, from RMB595.8 million in FY2015 to RMB 526.1 million in HY2016 which was mainly attributable to refund of deposit of RMB 70.6 million paid for plant and machinery of Shanxi plant from the supplier who was unable to meet the Company’s requirements and specifications.

Our inventories increased by approximately RMB99.5 million from RMB54.7 million in FY2015 to RMB154.2 million in HY2016. The increase in inventories over the period under review was in line with Group’s increased business activities. Higher inventory was mainly due to the seasonal harvesting of asparagus and loquat which occurs in second quarter of each year.

Trade receivables increased by approximately RMB88.8 million from RMB953.9 million in FY2015 to RMB1,042.7 million in HY2016. The increase in trade receivables was in line with the increase business activities in HY2016 compared to HY2015. The Group did not have any trade receivables exceeding 120 days and the total amount collected as at 31 July 2016 was approximately RMB401.4 million.

Other receivables decreased by approximately RMB73.7 million from RMB375.5 million in FY2015 to RMB301.8 million in HY2016. Other receivables comprised VAT receivables, export tax refund and prepayment for advertisement expenses.

Cash and cash equivalents stood at RMB587.3 million as at 30 June 2016. The increase in cash and cash equivalents was mainly due to bank loan and convertible loans obtained, refund from deposit paid for non-current assets and net cash generated from operating activities partially offset by acquisition of property, plant and equipment and bank loan and straight bond repayment and dividends payment during the period under review.

Current liabilities decreased by RMB56.4 million from RMB1,346.6 million in FY2015 to RMB1,290.2 million in HY2016. The decrease was mainly attributable to a decrease in note payables of RMB55.0 million and convertible bonds of RMB308.1 million, partially offset by an increase in trade payables of RMB30.1 million, other payables of RMB8.4 million, current tax payable of RMB31.1 million, bank borrowing of RMB113.5 million and convertible loan of RMB123.7 million.

Equity interest increased by RMB526.2 million from RMB1,809.9 million as at 31 December 2015 to RMB2,336.1 million as at 30 June 2016. The increase was mainly attributable to net profits in HY2016.

### **Review of cash flow statement**

In HY2016, operating cash flows before working capital changes amounted to RMB481.9 million. The Group used net cash of RMB95.9 million in its operating activities. Working capital changes comprised an increase in inventories of RMB99.6 million and operating receivables of RMB10.0 million, partially offset by a decrease in deposit pledged with banks of RMB30.1 million and operating payables of RMB16.5 million. Net cash generated from investing activities amounted to RMB51.5 million in HY2016, which was due mainly to refund of deposit paid for non-current assets of RMB70.6 million, partially offset by acquisition of property, plant and equipment and deposits paid for non-current assets. In addition, net cash generated from financing activities amounted to RMB128.7 million in HY2016, which was due to bank and convertible loan obtained, partially offset by dividends payment, repayment of bank loan and straight bond in HY2016.

### **Convertible bonds**

<b>The Group</b>	<b>30 June 2016 RMB'000</b>	<b>31 December 2015 RMB'000</b>	<b>Variance RMB'000</b>
<b>2012 Convertible Bond</b>	<b>410,862</b>	<b>768,937</b>	<b>(358,075)</b>
<b>2011 Convertible Bond</b>	<b>129,596</b>	<b>263,993</b>	<b>(134,397)</b>
	<b>540,458</b>	<b>1,032,930</b>	<b>(492,472)</b>

As stated in the 2015 annual report of the Company, the convertible bonds had been restructured on 29 February 2016 (1 March 2016 being the formalized restructuring date). Out of the 100% of old convertible bonds, 60% had been restructured into new Exchangeable Bonds that are convertible in the event of an Initial Public Offering (“IPO”) while the remaining 40% was restructured into a new Straight Bonds.

The valuation of the new Exchangeable Bonds as at 30 June 2016 was computed by an independent valuer based on the binominal method in deriving the fair value of the Exchangeable Bonds but adjusted using a weighted average probability factor of 70% that the IPO of the Garden Fresh segment will be successful and 30% that the IPO will be unsuccessful. The probability factor has been applied in deriving the valuation of the Exchangeable Bonds as a whole as the Group has submitted an application to the Hong Kong Stock Exchange (“HKSE”) for the Proposed Listing on 31 March 2016 including a draft prospectus as part of the HKSE listing application. As a result of using the probability factor in the valuation, changes in the valuation of the restructured Exchangeable Bonds and old convertible bonds are recognized in “Changes in Option Derivatives” in profit or loss. This is because a higher valuation weightage of 70% was used to apply to the conversion component rather than on the liability component. It would not be meaningful to recognise separately the finance cost and fair value of option derivatives in profit or loss under this probability method.

The reconciliation of the variances is as follows:

<b>Group</b>	<b>Gain on restructuring RMB'000 (Note 1)</b>	<b>Restructured into Straight Bonds RMB'000 (Note 1)</b>	<b>Valuation of Old Convertible Bond up to 1 March 2016 RMB'000 (Note 2)</b>	<b>Valuation of Exchangeable Bond up to 30 June 2016 RMB'000 (Note 3)</b>	<b>Variance RMB'000</b>
2012 Convertible Bond	(72,481)	(178,562)	(152,219)	45,187	(358,075)
2011 Convertible Bond	(19,137)	(101,802)	(23,277)	9,819	(134,397)
	(91,618)	(280,364)	(175,496)#	55,006#	(492,472)

# The sum gives rise to RMB120,490,000, which is the changes in fair value of the option derivatives in relation to convertible bonds for the half year results.

**Note 1:** The valuation of the convertible bonds on the restructuring date (1 March 2016) was as follows:

Group	Old Convertible Bond on 1 March 2016 RMB'000	Restructured into Straight Bonds RMB'000	Restructured into Exchangeable Bonds RMB'000	Gain on restructuring RMB'000
2012 Convertible Bond	616,718	178,562	365,675	72,481
2011 Convertible Bond	240,716	101,802	119,777	19,137
	857,434	280,364	485,452	91,618

**Note 2:** The movement for the old convertible bonds from 1 January 2016 to 1 March 2016 was as follows:

Group	Old Convertible Bond on 1 March 2016 RMB'000	Old Convertible Bond on 1 January 2016 RMB'000	Variance RMB'000
2012 Convertible Bond	616,718	768,937	(152,219)
2011 Convertible Bond	240,716	263,993	(23,277)
	857,434	1,032,930	(175,496)*

\* This include finance costs of RMB20.0 million arising from the liability component.

**Note 3:** The movement for the exchangeable bonds from 1 March 2016 to 30 June 2016 was as follows:

Group	Exchangeable Bond on 30 June 2016 RMB'000	Exchangeable Bond on 1 March 2016 RMB'000	Variance RMB'000
2012 Convertible Bond	410,862	365,675	45,187
2011 Convertible Bond	129,596	119,777	9,819
	540,458	485,452	55,006

If the probability method was not used in computing the valuation of the convertible bonds as at 1 March 2016 and as at 30 June 2016, the liability component and the option derivatives of the convertible bonds would have been as follows:

Group	2012 Convertible Bond (1 March 2016) RMB'000	2011 Convertible Bond (1 March 2016) RMB'000	Total RMB'000
Liability component at amortised cost	316,621	135,166	451,787
Option derivative at fair value	79,646	9,858	89,504
	396,267	145,024	541,291

Group	2012 Convertible Bond (30 June 2016) RMB'000	2011 Convertible Bond (30 June 2016) RMB'000	Total RMB'000
Liability component at amortised cost	334,981	143,003	477,984
Option derivative at fair value	85,496	6,024	91,520
	420,477	149,027	569,504

Finance costs amounting to RMB26.2 million and a fair value loss of the option derivatives in relation to convertible bonds amounting to RMB2.0 million would have been recognised if the probability method was not applied.

**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 first quarter results announcement released on 12 May 2016.

**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.**

National Bureau of Statistic of China reported that China's Gross Domestic Product increased by 6.7% year-on-year to approximately RMB34,063.7 billion during the first 6 months of 2016 ("1H16"). Total retail sales of consumer goods in 1H16 rose 10.3% to RMB15,613.8 billion with retail sales in rural area rising 11.0% while retail sales in urban area rising at a relatively slower pace of 10.2%. The stronger growth of rural retail sales was reflective of the higher growth in per capital disposable income of rural residents, rising by 8.9% to RMB6,050 as compared to per capital disposable income of urban residents which rose at a slower slower rate at 8.0%. ( Source: [http://www.stats.gov.cn/english/PressRelease/201607/t20160715\\_1377636.html](http://www.stats.gov.cn/english/PressRelease/201607/t20160715_1377636.html) )

As a result of rising disposable incomes, improving living standards and busier lifestyles, PRC consumers have shown increasing demand for convenient, health and wellness related products. Sino Grandness has responded to this trend by steadily expanding its product range for Garden Fresh juices, Grandness canned fruits and Hao Tian Yuan snack food in order to capture a larger market share in the PRC market.

In March 2016, the Group successfully launched various new products under Garden Fresh and Hao Tian Yuan brands during the trade exhibition held in Chengdu, Sichuan Province PRC ("Chengdu Trade Exhibition"). Some of these new products include coconut milk beverage and longan juice under Garden Fresh brand and various dried food such as grilled squid, grilled anchovies and spicy shrimps.

Between April and June 2016, Garden Fresh brand was one of the main sponsors of 中国新歌声 ("Sing! China") for the audition rounds held in Chengdu, Sichuan Province PRC. Sing! China is a popular reality singing talent show in China with a strong following and viewership. In June 2016, Garden Fresh also sponsored the Shenzhen leg of a popular mixed martial arts competition series called 昆仑决世界极限格斗赛. Through executing various brand sponsorship programs which enjoy strong viewerships across China, Garden Fresh brand is expected to experience maximum exposure across multiple platforms including televisions, internet and print media.

Going forward, the Group will sustain its investments in various advertising and promotional activities as well as sales and marketing initiatives in order to grow the brand awareness of its in-house brands. The Group will also continue to promote and expand its distribution network beyond PRC's mainland market to other markets such as Hong Kong, Macau and South East Asia in order to capture a broader customer base and develop its brands in overseas markets.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in 2016.

**Update on proposed listing of Garden Fresh**

As announced on 31 March 2016, the Company's wholly owned subsidiary Garden Fresh Group Holding Co., Ltd ("Garden Fresh") has submitted an application to The Stock Exchange of Hong Kong ("HKSE") for the Proposed Listing on 31 March 2016 ("HKSE Application"). In addition, Garden Fresh has submitted a draft prospectus (the Application Proof) as part of the HKSE Application. The Company will keep shareholders updated on any material developments relating to the proposed listing as and when appropriate.

**11. Dividends**

**Current financial period reported on**

Any dividend declared for the current financial period reported on?

None

**Corresponding period of the immediately preceding financial year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

**Date payable**

Not applicable

**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. Statement pursuant to SGX Listing Rule 705(5) of the Listing Manual**

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited half year financial results for the period ended 30 June 2016 to be false or misleading in any material aspect.

**15. 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.

BY ORDER OF THE BOARD  
HUANG YUPENG  
CHAIRMAN AND CEO  
11 August 2016