



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 2016

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 2016 RMB'000	Oct – Dec 2015 RMB'000	Change %	Jan - Dec 2016 RMB'000	Jan - Dec 2015 RMB'000	Change %
Revenue	548,866	857,328	(36.0)	3,509,605	3,313,902	5.9
Cost of sales	(316,222)	(494,227)	(36.0)	(2,051,897)	(1,940,318)	5.8
Gross profit	232,644	363,101	(36.0)	1,457,708	1,373,584	6.1
Other operating income	(14,212)	(1,374)	N.M.	118,926	28,424	318.4
Distribution and selling expenses	(310,626)	(205,674)	51.0	(760,699)	(570,242)	33.4
Administrative expenses	(40,894)	(22,618)	80.8	(166,775)	(111,578)	49.5
Other operating expenses	(110)	(631)	(82.6)	(110)	(631)	(82.6)
Finance costs	(8,144)	(244,894)	(96.7)	(43,876)	(226,996)	(80.7)
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	(141,342)	(112,090)	26.1	605,174	492,561	22.9
Changes in fair value of the option derivatives in relation to convertible bonds	19,877	44,883	(65.7)	133,285	(91,915)	(245.0)
Profit before income tax	(121,465)	(67,207)	80.7	738,459	400,646	84.3
Income tax expense	15,378	(37,303)	(141.2)	(160,774)	(194,577)	(17.4)
Profit for the year	(106,087)	(104,510)	1.5	577,685	206,069	180.3
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	(106,087)	(104,510)	1.5	577,685	206,069	180.3
Profit for the year attributable to:						
Equity holders of the Parent	(105,985)	(104,506)		578,161	206,673	
Non-controlling interests	(102)	(4)		(476)	(604)	
	(106,087)	(104,510)		577,685	206,069	
Total comprehensive income for the year attributable to:						
Equity holders of the Parent	(105,985)	(104,506)		578,161	206,673	
Non-controlling interest	(102)	(4)		(476)	(604)	
	(106,087)	(104,510)		577,685	206,069	

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
	2016	2015		2016	2015	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property plant and equipment	(23,441)	(19,234)	21.9	(72,609)	(62,614)	16.0
Amortisation of:						
- land use rights	(592)	(625)	(5.3)	(2,391)	(1,174)	103.7
- subsidy	-	-	-	-	-	-
Net exchange (loss)/gain (Note 1)	(12,603)	5,038	(350.2)	(3,521)	17,615	(120.0)
Share-based payment expenses under ESOS scheme (Note 2)	(1,918)	(1,791)	7.1	(27,174)	(12,142)	123.8

Other operating income

Government grants	99	855	(88.4)	230	859	(73.2)
Interest income – banks	315	657	(52.1)	1,795	1,999	(10.2)
Exchange (loss)/gain	(11,904)	(4,178)	184.9	16,691	21,681	(23.0)
Gain on disposal of Property, Plant and Equipment	4	58	(93.1)	4	58	(93.1)
Gain on restructuring of convertible bonds (Note 3)	-	-	-	91,618	-	100.0
Fair value gain on straight debt component of convertible loan at inception (Note 4)	(285)	-	100.0	7,847	-	100.0
Others	(2,441)	1,234	(297.8)	741	3,827	(80.6)
Total	(14,212)	(1,374)	N.M.	118,926	28,424	318.4

N.M. – Not meaningful

Note 1:-

The net exchange gains/(losses) in FY2016 and FY2015 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 2:-

In April 2016, the Company has cancelled a tranche of ESOS option granted to one of the Company's director, Huang Yushan. In accordance to FRS 102 share-based payment, the cancellation shall be accounted as an acceleration of vesting, which resulted in an immediate recognition of ESOS expenses amount to approximately RMB12.2 million.

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 conversation ability of the convertible loan is subject to the approval of shareholders in an Extraordinary General Meeting, which has not been convened as at 31 December 2016.

(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 16	31 Dec 15	31 Dec 16	31 Dec 15
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,078,120	939,503	19	11
Land use rights	110,296	112,688	-	-
Subsidiaries	-	-	85,987	61,094
Amount owing by subsidiaries	-	-	490,967	311,040
Deferred tax assets	-	1,654	-	-
Deposit paid for non-current assets	787,802	595,777	-	-
Total non-current assets	1,976,218	1,649,622	576,973	372,145
Current assets				
Inventories	44,503	54,688	-	-
Trade receivables	1,153,722	953,898	-	-
Other receivables	481,057	375,463	135	114
Cash and cash equivalents	297,749	142,986	46,904	4,245
Total current assets	1,977,031	1,527,035	47,039	4,359
Current liabilities				
Trade payables	24,508	29,290	1,662	1,394
Other payables	203,493	57,042	140,996	23,014
Note payables	-	55,500	-	-
Current tax payable	9,622	41,800	-	-
Bank borrowings	263,708	130,000	-	-
Convertible loan	134,660	-	134,660	-
Straight bonds	193,416	-	-	-
Convertible bonds	527,663	1,032,930	-	-
Total current liabilities	1,357,070	1,346,562	277,318	24,408
Net current assets/(liabilities)	619,961	180,473	(230,279)	(20,049)
Non-current liabilities				
Bank borrowings	173,425	-	-	-
Deferred tax liabilities	20,241	20,241	20,241	20,241
Total non-current liabilities	193,666	20,241	20,241	20,241
Net assets	2,402,513	1,809,854	326,453	331,855
Equity				
Equity attributable to equity holders of the Company				
Share capital	440,948	440,948	440,948	440,948
Retained profits/(Accumulated losses)	1,729,527	1,203,901	(164,342)	(131,766)
Other reserves	229,870	162,361	49,847	22,673
Total shareholder's funds	2,400,345	1,807,210	326,453	331,855
Non-controlling interests	2,168	2,644	-	-
Total equity	2,402,513	1,809,854	326,453	331,855

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

	31 Dec 2016	31 Dec 2015
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
Secured	398,368	130,000
Unsecured	721,079	1,032,930
	<u>1,119,447</u>	<u>1,162,930</u>
Amount repayable after one year		
Secured	173,425	-
Unsecured	-	-
	<u>173,425</u>	<u>-</u>
	<u>1,292,872</u>	<u>1,162,930</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

	4Q		12-months (FY)	
	Oct – Dec	Oct – Dec	Jan - Dec	Jan - Dec
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit before income tax	(121,465)	(67,207)	738,459	400,646
Adjustments for:				
Depreciation of property, plant and equipment	23,441	19,234	72,609	62,614
Change in Fair value of the convertible bonds	(19,877)	(44,883)	(133,285)	91,915
Fair value gain on convertible loan at inception	285	-	(7,847)	-
Amortisation of land use rights	592	(625)	2,391	1,174
Share-based payment expenses under ESOS scheme	1,918	1,791	27,174	12,142
Loss/(gain) on disposal of property, plant and equipment	94	(58)	94	(58)
Interest expenses	8,145	244,894	43,876	226,996
Interest income	(315)	(657)	(1,795)	(1,999)
Unrealised exchange loss	18,458	-	18,458	-
Gain on restructuring of convertible bonds	-	-	(91,618)	-
	<u>(88,724)</u>	<u>152,489</u>	<u>668,516</u>	<u>793,430</u>
Operating cash flows before working capital changes	(88,724)	152,489	668,516	793,430
(Increase)/decrease in deposits pledged with banks	(165,380)	(15,148)	(135,233)	18,490

	4Q		12-months (FY)	
	Oct – Dec	Oct – Dec	Jan - Dec	Jan - Dec
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Decrease/(increase) in inventories	43,971	45,023	10,185	(3,945)
(Increase)/decrease in operating receivables	(57,094)	368,411	(305,418)	42,985
Increase/(decrease) in operating payables	<u>102,193</u>	<u>(139,724)</u>	<u>74,477</u>	<u>(90,729)</u>
Cash generated from operations	(165,034)	411,051	312,527	760,231
Income tax paid	(39,420)	(41,489)	(191,298)	(174,287)
Interest paid	<u>(6,921)</u>	<u>(1,178)</u>	<u>(25,197)</u>	<u>(8,057)</u>
Net cash (used in)/generated from operating activities	<u>(211,375)</u>	<u>368,384</u>	<u>96,032</u>	<u>577,888</u>
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(161,536)	(5,004)	(177,145)	(146,668)
Proceeds from disposal of PPE	50	4,663	50	4,663
Deposit for non-current assets	(153,314)	(570,777)	(214,557)	(570,777)
Interest received	<u>315</u>	<u>657</u>	<u>1,795</u>	<u>1,999</u>
Net cash used in investing activities	<u>(314,485)</u>	<u>(570,461)</u>	<u>(389,857)</u>	<u>(710,783)</u>
Cash flows from financing activities:				
Bank loans obtained	8,162	-	326,393	135,000
Bank loans repaid	(14,878)	-	(195,000)	(64,200)
Straight bonds repaid	-	-	(101,802)	-
Long term loan obtained	-	10,000	166,785	-
Convertible loan obtained	-	-	129,178	-
Dividend paid	<u>-</u>	<u>-</u>	<u>(12,200)</u>	<u>-</u>
Net cash (used in)/generated from financing activities	<u>(6,716)</u>	<u>10,000</u>	<u>313,354</u>	<u>70,800</u>
Net (decrease)/increase in cash and cash equivalents	(532,576)	(192,077)	19,529	(62,095)
Cash and cash equivalents at beginning of period/year	<u>664,444</u>	<u>304,416</u>	<u>112,339</u>	<u>174,434</u>
Cash and cash equivalent at end of period/year	<u>131,868</u>	<u>112,339</u>	<u>131,868</u>	<u>112,339</u>
Cash and cash equivalents comprise:				
Cash and bank balances	131,868	112,339	131,868	112,339
Fixed deposits	<u>165,881</u>	<u>30,647</u>	<u>165,881</u>	<u>30,647</u>
	297,749	142,986	297,749	142,986
Less Fixed deposits pledged	<u>(165,881)</u>	<u>(30,647)</u>	<u>(165,881)</u>	<u>(30,647)</u>
	<u>131,868</u>	<u>112,339</u>	<u>131,868</u>	<u>112,339</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 2015	440,948	1,035,167	10,531	(31,413)	133,162	1,588,395	3,248	1,591,643
Share-based payment expenses under ESOS scheme	-	-	12,142	-	-	12,142	-	12,142
Profit for the year, representing total comprehensive income for the year	-	206,673	-	-	-	206,673	(604)	206,069
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
Share-based payment expenses under ESOS scheme	-	-	27,174	-	-	27,174	-	27,174
Profit for the year representing total comprehensive income for the year	-	578,161	-	-	-	578,161	(476)	577,685
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	1,729,527	49,847	(31,413)	211,436	2,400,345	2,168	2,402,513

	Share capital	Share option reserves	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Balance at 1 January 2015	440,948	10,531	(100,859)	350,620
Share-based payment expenses under ESOS scheme	-	12,142	-	12,142
Losses for the year	-	-	(30,907)	(30,907)
Balance at 31 December 2015	440,948	22,673	(131,766)	331,855
Share-based payment expenses under ESOS scheme	-	27,174	-	27,174
Losses for the year	-	-	(20,376)	(20,376)
Dividends paid during the year	-	-	(12,200)	(12,200)
Balance at 31 December 2016	440,948	49,847	(164,342)	326,453

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 year, there is no change in the share capital of the Company.

The Company has granted three tranches of option 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 option outstanding under ESOS Scheme as at 31 December 2016 was 31,803,750.

Save for the above, there were no outstanding convertible securities and treasury shares as at 31 December 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 31 Dec 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 31 December 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 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 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 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 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 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 2016	Oct – Dec 2015	Jan – Dec 2016	Jan – Dec 2015
EPS based on average number of ordinary shares (RMB cents)	(15.7)	(15.5)	85.9	30.7
EPS on a fully diluted basis (RMB cents)	(15.7)	(15.5)	85.0	30.7
Weighted average number of ordinary shares (‘000)	673,344	673,344	673,344	673,344
Weighted average number of ordinary shares – diluted (‘000)	680,240	676,649	680,240	676,649

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 RMB578,161,000 respectively on actual number of ordinary shares of 673,344,000.

Basic earnings per share for 4Q2015 and FY2015 are calculated based on the Group loss after taxation of RMB104,506,000 and profit after taxation of RMB206,673,000 respectively on actual number of ordinary shares of 673,344,000.

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 RMB578,161,000 respectively on weighted average number of ordinary shares of 680,240,000 after adjusting for the outstanding options under ESOS scheme.

The fully diluted earnings per share for 4Q2015 and FY2015 were calculated based on the Group loss after taxation of RMB104,506,000 and profit after taxation of RMB206,673,000 respectively on weighted average number of ordinary shares of 676,649,000 after adjusting for the outstanding option under ESOS scheme.

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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
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)	356.8	268.8	48.5	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

The Group's revenue increased by approximately RMB195.7 million or 5.9% from RMB3,313.9 million in FY2015 to RMB3,509.6 million in FY2016. This increase was attributable to the increased sale of RMB212.0 million from beverage segment and RMB24.6 million from sales of canned products in domestic market, partially offset by a decrease in sales of canned products in overseas with RMB40.9 million. The increase in sales volume of beverage and canned products in domestic market from FY2015 to FY2016 was mainly due to expansion of distribution network in PRC.

Breakdown of revenue by segments:

	4Q			12-months (FY)		
	Oct – Dec 2016	Oct – Dec 2015	Change	Jan – Dec 2016	Jan – Dec 2015	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Canned products						
- overseas	60,829	108,647	(44.0)	535,366	576,224	(7.1)
- domestic	82,919	105,356	(21.3)	443,225	418,628	5.9
Beverage	405,118	643,325	(37.0)	2,531,014	2,319,050	9.1
Total	548,866	857,328	(36.0)	3,509,605	3,313,902	5.9

Gross profit

Largely in line with the increase in the Group's sales, the Group's gross profit increased by approximately RMB84.1 million or 6.1%, from RMB1,373.6 million in FY2015 to RMB1,457.7 million in FY2016. The Group's overall gross profit margin (GPM) improved by 0.1 percentage points, from 41.4% in FY2015 to 41.5% in FY2016. Improvement of the Group's overall GPM was a result of a marginal increase in GPM of canned products in overseas market, partially offset by a marginal decrease in GPM of both beverage segment and canned products in domestic market. The improvements in GPM were largely attributable to the higher average selling price for overseas canned products. However, decrease in GPM of both domestic canned products and beverage products were mainly due to higher cost of raw materials from FY2015 to FY2016.

Operating expenses

Distribution and selling expenses increased by approximately RMB190.5 million or 33.4%, from RMB570.2 million in FY2015 to RMB760.7 million in FY2016. This was due mainly to an increase of RMB27.8 million in transportation costs, RMB59.0 million in advertising expenses and RMB106.0 million in promotion expenses. Increase in transportation cost was mainly attributed to increase in domestic sales of beverage products and domestic canned products in PRC in FY2016. The increase in advertising and promotion expenses was in line with the Group's efforts to invest in advertising and promotion activities as well as sales and marketing initiatives to promote the Group's own branded products in PRC market.

Administrative expenses increased by approximately RMB55.2 million or 49.5%, from RMB111.6 million in FY2015 to RMB166.8 million in FY2016. This was mainly due to increase of RMB15.3 million in professional and legal fees in respect of the proposed listing of the beverages business on an internationally recognized stock exchange, RMB15.0 million in share-based payment expenses under ESOS scheme, RMB16.1 million in exchange loss and RMB8.0 million in depreciation.

Finance cost

Finance costs decreased by approximately RMB183.1 million or 80.7%, from RMB227.0 million in FY2015 to RMB43.9 million in FY2016. Non-cash interest cost relating to convertible bonds stood at RMB219.0 in FY2015. In view of the restructured convertible bonds and the new terms of the restructured convertible bonds (further explained and “Convertible Bond” below), the entire convertible bonds had been classified and measured at fair value and the changes in fair value were accounted as “Change in fair value of the convertible bonds” in FY2016. The increase in cash interest cost was mainly due to increased bank borrowing in FY2016 compared to FY2015.

Profit before income tax

Profit before income tax increased by approximately RMB337.8 million or 84.3%, from RMB400.6 million in FY2015 to RMB738.5 million in FY2016. The increase was due to an increase in revenue offset by an increase in operating expenses and finance costs, partially offset by a decrease in changes in fair value of the option derivatives in relation to convertible bonds.

Review of statement of financial position

Property, plant and equipment increased by approximately RMB138.6 million from RMB939.5 million in FY2015 to RMB1,078.1 million in FY2016 as a result of the completion of the factory and warehouse premises as well as the ongoing construction in progress in Anhui plant.

Deposit paid for non-current assets increased by approximately RMB192.0 from RMB595.8 million in FY2015 to RMB787.8 million in FY2016 which was mainly attributable to property, plant and equipment in the Group’s Garden Fresh Hubei, being additions of automated glass bottle filling production line, steam supply pipe and ancillary equipment and automated production line and monitoring test system. In addition, deposit was paid for phase 2 construction of workshop and phase 3 construction of warehouse at Anhui plant.

The Group’s inventories decreased by approximately RMB10.2 million from RMB54.7 million in FY2015 to RMB44.5 million in FY2016. The decrease in inventories over the period under review was due to effective inventory control.

Trade receivables increased by approximately RMB199.8 million from RMB953.9 million in FY2015 to RMB1,153.7 million in FY2016. As at 31 December 2016, the Group has approximately RMB128.6 million of trade receivables exceeding 120 days of which had been fully collected as at 31 January 2017. The total amount collected as at 31 January 2017 was approximately RMB185.1 million.

Other receivables increased by approximately RMB105.6 million from RMB375.5 million in FY2015 to RMB481.1 million in FY2016. Other receivables comprised VAT receivables, export tax refund and prepayments for advertisement expenses.

Cash and cash equivalents stood at RMB297.7 million as at 31 December 2016, the increase in cash and cash equivalents was mainly due to bank loans and convertible loan obtained and net cash generated from operations partially offset by acquisition of property, plant and equipment, bank loan and straight bond repayment and dividend payment during the year under review.

Current liabilities increased by RMB10.5 million from RMB1,346.6 million in FY2015 to RMB1,357.1 million in FY2016. The increase was mainly attributable to an increase in other payables of RMB146.5 million, bank borrowings of RMB133.7 million and convertible loan of RMB134.7 million, partially offset by a decrease in trade payables of RMB4.8 million, note payables of RMB55.5 million, current tax payable of RMB32.2 million and convertible bonds of RMB311.9 million (arising from fair value changes and accretion of the convertible bonds at amortized cost).

Non-current liabilities increased by RMB173.4 million as a result of the USD25.0 million from a financial institution.

Equity holders interest increased by RMB592.7 million from RMB1,809.9 million as at 31 December 2015 to RMB2,402.5 million as at 31 December 2016. The increase was mainly attributable to the net profit in FY2016.

Review of cash flow statement

In FY2016, operating cash flows before working capital changes amounted to RMB668.5 million. The Group used net cash of RMB356.0 million in its operating activities. Working capital changes comprised an increase in deposit pledged with bank of RMB135.2 million, operating receivables of RMB305.4 million, operating payables of RMB74.5 million and a decrease in inventory of RMB10.2 million. Net cash used in investing activities amounted to RMB389.9 million in FY2016, which was due mainly to acquisition of property, plant and equipment in Hubei and Anhui plants. In addition, net cash generated from financing activities amounted to RMB313.4 million in FY2016, which was mainly due to new bank and convertible loan obtained partially offset by repayment of bank loans and straight bonds in FY2016.

Convertible bonds

The Group	31 December 2016 RMB'000	31 December 2015 RMB'000	Variance RMB'000
2012 Convertible Bond	372,084	768,937	(396,853)
2011 Convertible Bond	155,579	263,993	(108,414)
	527,663	1,032,930	(505,267)

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 new straight bonds.

The valuation of the new exchangeable bonds as at 31 December 2016 was computed by an independent valuer based on the binominal method in deriving the fair value of the exchangeable bonds on the basis that the IPO would not be completed by the maturity date (i.e. 28 February 2017) of the exchangeable bonds.

Under the terms of the restructuring agreement in 2016, the holders of the exchangeable bonds had the option to convert their bonds into shares of Garden Fresh Group Holding Co., Limited (the proposed listing vehicle), instead of converting into the shares of the issuer, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (“GFHK” or “Issuer”). As there is no longer any equity element (i.e. there is no conversion into shares of the Issuer), the Management had designated and classified the entire exchangeable bonds of GFHK at fair value through profit or loss, and has measured it at its fair value, with changes in fair value recognised in profit or loss at each reporting date. There was no impact to profit or loss during the financial period as the changes in fair value of the exchangeable bonds had been recognised in profit or loss and presented as such in the statement of profit or loss and other comprehensive income. As a result of classification and measurement of the convertible bonds at fair value using the probability factor in the valuation, changes in the valuation of the restructured exchangeable bonds and old convertible bonds are recognized in fair value of the “Changes in Option Derivatives” in statement of profit or loss.

The reconciliation of the variances is as follows:

Group	Gain on restructuring RMB'000 (Note 1)	Restructured into Straight Bonds RMB'000 (Note 1)	Valuation of Old Convertible Bonds up to 1 March 2016 RMB'000 (Note 2)	Valuation of Exchangeable Bonds up to 31 December 2016 RMB'000 (Note 3)	Variance RMB'000
2012 Convertible Bond	(72,481)	(178,562)	(152,219)	6,409	(396,853)
2011 Convertible Bond	(19,137)	(101,802)	(23,277)	35,802	(108,414)
	(91,618)	(280,364)	(175,496)#	42,211#	(505,267)

The sum gives rise to RMB133,285,000, which is the changes in fair value of the restructured exchangeable bonds in relation to convertible bonds for the year under review.

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 Bonds on 1 March 2016 RMB'000	Old Convertible Bonds 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 included finance costs of RMB20.0 million arising from the liability component.

Note 3: The movement for the exchangeable bonds from 1 March 2016 to 31 December 2016 was as follows:

Group	Exchangeable Bond on 31 December 2016 RMB'000	Exchangeable Bond on 1 March 2016 RMB'000	Variance RMB'000
2012 Convertible Bond	372,084	365,675	6,409
2011 Convertible Bond	155,579	119,777	35,802
	527,663	485,452	42,211

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 11 November 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.

In 2016, the National Bureau of Statistic of China ("NBS") estimated that China's gross domestic product ("GDP") increased by 6.7% year-on-year to RMB 74,412.7 billion. Specifically, the year-on-year growth of GDP for the first quarter was 6.7 percent, 6.7 percent for the second quarter, 6.7 percent for the third quarter, and 6.8 percent for the fourth quarter. The nationwide per capita disposable income was RMB23,821 in 2016, representing year-on-year growth of 8.4% despite economic slowdown. Total retail sales of consumer goods in 2016 rose 10.4% to RMB33,231.6 billion with retail sales in rural area rising 10.8% while retail sales in urban area rising at a relatively slower pace of 10.4%*.

As a result of rising disposable incomes, ageing population, increasing health awareness and change in lifestyles, consumers have shown increasing demand for convenient products and functional health food. Functional health food is a multi-billion dollar market in China. According to the statistics of Hong Kong Trade Development Council, China's health food and nutritional supplement market is worth more than

RMB1 trillion**. Sino Grandness has responded to this trend by steadily expanding its product range in order to appeal to a broader customer base in the China market.

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 to enhance its brand visibility and brand recognition. Additionally, the Group will also explore various strategic collaborations in order to expand its online and offline distribution channels.

In January 2017, the Group announced that it has entered into an agreement with 深圳市微信食品股份有限公司 (“Wechat Food”) to distribute the Company’s full range of own-branded products, including beverage products, canned food and snack food through a mobile internet platform developed by Wechat Food. In January 2017, the Group also announced that it has entered into a strategic agreement with 重庆市礼仪之邦电子商务有限公司 (“LYZB E-Commerce”) to distribute the Group’s full range of own-branded products through LYZB E-Commerce’s mobile internet platform called 集食惠 (“Ji Shi Hui”). Ji Shi Hui is a mobile internet marketing platform which can be accessed through the computer or mobile devices through the mobile application called Ji Shi Hui. It offers interaction between online and offline users and is a dedicated platform for consumers in search of high quality food and beverage products.

According to a market report by CBNDData, the percentage of Chinese internet users who purchased products online has increased rapidly from 35.6% in 2011 to 60.0% in 2015[^]. Over the next few years, retail e-commerce sales in China are expected to grow from approximately USD298.9 billion in 2015 to USD839.5 billion in 2021^{^^}.

The strategic collaborations with Wechat Food and LYZB E-Commerce are in line with the Chinese government’s initiatives to promote the new economy whereby online and offline business models work together to achieve synergies in cost savings and to generate greater turnover. Sino Grandness aims to expand its reach and turnover further in the China market through building a comprehensive distribution network comprising tens of thousands of retail points covering hundreds of cities (百城万店) which connects suppliers of safe and healthy food items with consumers through mobile internet. The recent collaborations with operators of online marketing platforms reflect the strategic move and emphasis which the Group is gradually putting into expanding its online distribution network going forward.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2017.

The Company has been in discussion with bond holders in relation to the restructuring of the Straight Bonds 2 (“SB2”) and Exchangeable Bonds and is confident of finalising the restructuring soon. The Company will keep shareholders updated and make the necessary announcement in due course.

Update on proposed listing of Garden Fresh

The Company continues in its efforts to obtain the approval of the HKSE for the 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/201701/t20170120_1455922.html

**<http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-Health-Food-Market/ccm/en/1/1X000000/1X002L54.htm>

[^]<http://www.cbndata.com/report/87>

^{^^}<https://www.statista.com/statistics/246041/forecast-of-b2c-e-commerce-sales-in-china/>

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?

Yes

Name of dividend	Final
Dividend type	Cash; tax-exempt one-tier
Dividend rate	RMB0.018 per ordinary share
Tax status	Exempt one-tier

(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.

**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. 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 2016 RMB’000	Group Year ended 31 December 2015 RMB’000	Increase/ (Decrease) %
Canned products			
- overseas	535,365	576,224	(7.1)
- domestic	443,226	418,628	5.9
Beverage	2,531,014	2,319,050	9.1
Total	3,509,605	3,313,902	5.9

GROSS PROFIT

Product segment	Group Year ended 31 December 2016 RMB’000	Group Year ended 31 December 2015 RMB’000	Increase/ (Decrease) %
Canned products			
- overseas	161,361	171,380	(5.8)
- domestic	176,378	173,774	1.5
Beverage	1,119,969	1,028,430	8.9
Total	1,457,708	1,373,584	6.1

RESULTS BY GEOGRAPHICAL LOCATIONS OF THE GROUP’S CUSTOMERS

Geographical locations	Group Year ended 31 December 2016 RMB’000	Group Year ended 31 December 2015 RMB’000	Increase/ (Decrease) %
Europe ⁽¹⁾	493,819	537,832	(8.2)
North America ⁽²⁾	33,721	31,080	8.5
China	2,974,239	2,737,679	8.6
Others ⁽³⁾	7,826	7,311	7.0
Total	3,509,605	3,313,902	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.

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 2016 RMB'000	31 Dec 2015 RMB'000	Change %
Revenue reported for first half year	1,852,450	1,506,978	22.9
Operating profit after tax before deducting non-controlling interests reported for first half year	517,661	233,889	121.3
Revenue reported for second half year	1,657,155	1,806,924	(8.3)
Operating profit after tax before deducting non-controlling interests reported for second half year	60,024	(27,820)	(315.8)

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 2016 RMB	31 Dec 2015 RMB
<u>Ordinary shares</u>		
Interim dividend paid	NA	-
Final dividend paid	NA	-
Final dividend proposed	NA	12,200,000
Total	NA	12,200,000

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	55	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	52	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	55	Brother-in-law of Huang Yupeng	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
28 February 2017