



**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 2018**

**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>		
	Apr – Jun 2018	Apr – Jun 2017	Change	Jan – Jun 2018	Jan – Jun 2017	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Revenue</b>	1,014,466	939,949	7.9	1,742,553	1,575,036	10.6
Cost of sales	(632,968)	(586,748)	7.9	(1,096,055)	(973,346)	12.6
<b>Gross profit</b>	381,498	353,201	8.0	646,498	601,690	7.4
Other operating income	(9,595)	(2,617)	266.6	11,088	6,364	74.2
Distribution and selling expenses	(148,529)	(172,307)	(13.8)	(299,226)	(285,896)	4.7
Administrative expenses	(17,903)	(13,984)	28.0	(61,375)	(55,570)	10.4
Other operating expenses	-	-	-	-	-	-
Finance costs	(9,189)	(15,919)	(42.3)	(25,029)	(28,431)	(12.0)
<b>Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds</b>	196,282	148,374	32.3	271,956	238,157	14.2
Changes in fair value of the option derivatives in relation to convertible bonds	-	-	-	-	(7,077)	(100.0)
<b>Profit before income tax</b>	196,282	148,374	32.2	271,956	231,080	17.7
Taxation	(51,937)	(43,387)	19.7	(84,753)	(73,350)	15.5
Net profit for the period	144,345	104,987	37.5	187,203	157,730	18.7
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	144,345	104,987	37.5	187,203	157,730	18.7
<b>Profit for the period attributable to:</b>						
Equity holders of the parent	144,383	105,054		187,502	157,840	
Non-controlling interests	(38)	(67)		(299)	(110)	
	144,345	104,987		187,203	157,730	

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

Equity holders of the parent	144,383	105,054	187,502	157,840
Non-controlling interests	(38)	(67)	(299)	(110)
	<u>144,345</u>	<u>104,987</u>	<u>187,203</u>	<u>157,730</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>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation	(28,213)	(8,698)	224.4	(55,087)	(26,774)	105.7
Amortisation of land use rights	(452)	(607)	(25.5)	(905)	(1,206)	(25.0)
ESOS expenses	(2,712)	(3,825)	(29.1)	(6,707)	(8,168)	(17.9)
Net exchange loss	(6,056)	(3,549)	70.6	(30)	(5,228)	(99.4)

Other operating income

Government grants	318	4	N.M.	318	443	(28.2)
Interest income - banks	620	961	(35.5)	1,167	1,341	(12.9)
Exchange gain	(16,033)	(7,797)	105.6	4,022	68	N.M.
Others	5,500	4,215	30.5	5,581	4,512	23.7
Total	(9,595)	(2,617)	266.6	11,088	6,364	74.2

N.M. – Not meaningful

Note:-

The net exchange losses in HY2018 and HY2017 were mainly attributable to appreciation of net assets of the Group denominated in Singapore Dollar and exchange gains/(losses) from operation arising from exchange rate differences between United States Dollar and Renminbi.

**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	
	30 June 18	31 Dec 17	30 June 18	31 Dec 17
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	1,469,334	1,350,757	24	14
Land use rights	107,892	108,797	-	-
Subsidiaries	-	-	100,032	100,032
Amount owing by subsidiaries	-	-	768,296	769,086
Deposit paid for non-current assets	735,080	510,935	-	-
<b>Total non-current assets</b>	<b>2,312,306</b>	<b>1,970,489</b>	<b>868,352</b>	<b>869,132</b>
<b>Current assets</b>				
Inventories	54,755	38,282	-	-
Trade receivables	1,394,729	1,345,669	-	-
Other receivables	489,211	399,389	131	172
Cash and cash equivalents	422,601	693,625	15,706	4,802
<b>Total current assets</b>	<b>2,361,296</b>	<b>2,476,965</b>	<b>15,837</b>	<b>4,974</b>
<b>Current liabilities</b>				
Trade payables	62,191	106,488	-	11,035
Other payables	139,844	94,116	38,200	26,385
Obligation under finance leases	5,026	5,026	-	-
Current tax payable	52,797	43,625	-	-
Bank borrowings	75,600	77,560	-	-
Convertible loan	141,946	141,867	141,867	141,867
Straight bonds	223,055	212,758	-	-
Amount owing to subsidiaries	-	-	70,917	50,501
Exchangeable bonds	521,449	521,449	-	-
<b>Total current liabilities</b>	<b>1,221,908</b>	<b>1,202,889</b>	<b>250,984</b>	<b>229,788</b>
<b>Net current assets/(liabilities)</b>	<b>1,139,388</b>	<b>1,274,076</b>	<b>(235,147)</b>	<b>(224,814)</b>
<b>Non-current liabilities</b>				
Obligation under finance leases	3,080	5,719	-	-
Bank borrowings	146,099	130,240	-	-
Deferred tax liabilities	20,241	20,241	20,241	20,241
<b>Total non-current liabilities</b>	<b>169,420</b>	<b>156,200</b>	<b>20,241</b>	<b>20,241</b>
<b>Net assets</b>	<b>3,282,274</b>	<b>3,088,365</b>	<b>612,964</b>	<b>624,077</b>
<b>Equity</b>				
Equity attributable to equity holders of the Parent				
Share capital	755,344	755,344	755,344	755,344
Retained profits/(Accumulated losses)	2,258,549	2,077,139	(215,174)	(197,354)
Other reserves	266,650	253,851	72,794	66,087
<b>Total shareholder's funds</b>	<b>3,280,543</b>	<b>3,086,334</b>	<b>612,964</b>	<b>624,077</b>
Non-controlling interests	1,731	2,031	-	-
<b>Total equity</b>	<b>3,282,274</b>	<b>3,088,365</b>	<b>612,964</b>	<b>624,077</b>

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

	<b>30 Jun 2018</b>	<b>31 Dec 2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amount repayable in one year or less or on demand		
Secured	222,572	224,453
Unsecured	744,504	734,207
	<u>967,076</u>	<u>958,660</u>
Amount repayable after one year		
Secured	149,179	135,959
Unsecured	-	-
	<u>149,179</u>	<u>135,959</u>
	<u>1,116,255</u>	<u>1,094,619</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>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</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	196,282	148,374	271,956	231,080
Adjustments for:				
Depreciation of property, plant and equipment	28,213	8,698	55,087	26,774
Fair value of the option derivatives in relation to the convertible bonds	-	-	-	7,077
Amortisation of land use rights	452	607	905	1,206
Share-based payment expense under ESOS scheme	2,712	3,825	6,707	8,168
Interest expenses	5,220	15,919	25,029	28,431
Interest income	(620)	(961)	(1,167)	(1,341)
	<u>232,259</u>	<u>176,462</u>	<u>358,517</u>	<u>301,395</u>
Operating cash flows before working capital changes				
Decrease in deposits pledged with banks	2,677	31,561	2,677	143,404
Increase in inventories	(15,016)	(23,547)	(16,473)	(35,471)
(Increase)/decrease in operating receivables	(284,873)	(90,678)	(138,883)	156,412
(Decrease)/increase in operating payables	(16,643)	(22,934)	1,430	(75,515)

	<u>2Q</u>		<u>Half Year (HY)</u>	
	Apr - Jun 2018 RMB'000	Apr - Jun 2017 RMB'000	Jan - Jun 2018 RMB'000	Jan - Jun 2017 RMB'000
Cash generated from/(used in) operations	(81,596)	70,864	207,268	490,225
Income tax paid	(33,963)	(28,886)	(75,582)	(51,527)
Interest paid	(5,220)	(11,742)	(25,029)	(18,217)
Net cash (used)/generated from operating activities	<u>(120,779)</u>	<u>30,236</u>	<u>106,657</u>	<u>420,481</u>
<b>Cash flows from investing activities:</b>				
Acquisition of property, plant and equipment	(172,557)	(164,870)	(173,663)	(164,901)
Deposit paid for non-current assets	(224,040)	116,016	(224,145)	108,721
Interest received	620	961	1,167	1,341
Net cash used in investing activities	<u>(395,977)</u>	<u>(47,893)</u>	<u>(396,641)</u>	<u>(54,839)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from share issue	-	-	-	316,316
Share issue costs	-	-	-	(1,920)
Bank loans obtained	30,600	110,000	45,600	132,000
Bank loans repaid	(10,000)	(138,500)	(20,000)	(263,708)
Repayment of finance lease liabilities	(1,239)	-	(2,639)	-
Net cash (used in)/generated from financing activities	<u>19,361</u>	<u>(28,500)</u>	<u>22,962</u>	<u>182,688</u>
Net (decrease)/increase in cash and cash equivalents	(497,395)	(46,157)	(267,022)	548,330
Cash and cash equivalents at beginning of period	915,996	726,355	685,623	131,868
Cash and cash equivalents at end of period	<u>418,601</u>	<u>680,198</u>	<u>418,601</u>	<u>680,198</u>
Cash and cash equivalents comprise:				
Cash and bank balances	418,601	680,198	418,601	680,198
Fixed deposits	4,000	18,800	4,000	18,800
	<u>422,601</u>	<u>698,998</u>	<u>422,601</u>	<u>698,998</u>
Less: Fixed deposits pledged	(4,000)	(18,800)	(4,000)	(18,800)
	<u>418,601</u>	<u>680,198</u>	<u>418,601</u>	<u>680,198</u>

### Reconciliation of liabilities arising from financing activities

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

	Bank borrowings RMB'000	Finance leases RMB'000	Convertible loan RMB'000	Straight bonds RMB'000	Exchangeable bonds RMB'000
At 1 January 2018	207,800	10,745	141,867	212,757	521,449
<u>Cash flow</u>					
Additions	45,600	-	-	-	-
Repayments of principal/interests	(20,000)	(2,639)	(7,646)	-	-
<u>Non-cash changes</u>					
Fair value loss on derivative on convertible loan	-	-	-	-	-
Changes in fair value of exchangeable bonds	-	-	-	-	-
Accrued interest	2,846	-	10,354	10,298	-
Exchange translation	(14,547)	-	(2,629)	-	-
At 30 June 2018	221,699	8,106	141,946	223,055	521,449

**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 2017	440,948	1,728,917	49,847	(31,413)	211,436	2,399,735	2,168	2,401,903
Issue of shares	204,982	-	-	-	-	204,982	-	204,982
Share issuance expenses	(1,920)	-	-	-	-	(1,920)	-	(1,920)
Profit for the year and representing total comprehensive income for the year	-	355,963	-	-	-	355,963	(137)	355,826
Share-based payment expenses under ESOS scheme	-	-	16,240	-	-	16,240	-	16,240
Reclassification of an amount previously classified as other payables to "Director of the Company" used to subscribe in the rights issue of the Company	-	-	-	-	-	-	111,334	111,334
Completion of rights issue on 13 March 2017	-	-	-	-	-	-	(111,334)	(111,334)
Transfer of non-controlling interest into share capital on completion of rights issue	111,334	-	-	-	-	111,334	-	111,334
Transfer to statutory reserve	-	(7,741)	-	-	7,741	-	-	-
<b>Balance at 31 December 2017</b>	<b>755,344</b>	<b>2,077,139</b>	<b>66,087</b>	<b>(31,413)</b>	<b>219,177</b>	<b>3,086,334</b>	<b>2,031</b>	<b>3,088,365</b>
Profit for the period and representing total comprehensive income for the period	-	187,502	-	-	-	187,502	(299)	187,203
Share-based payment expenses under ESOS scheme	-	-	6,707	-	-	6,707	-	6,707
Transfer to statutory reserve	-	(6,092)	-	-	6,092	-	-	-
<b>Balance at 30 June 2018</b>	<b>755,344</b>	<b>2,258,549</b>	<b>72,794</b>	<b>(31,413)</b>	<b>225,269</b>	<b>3,280,543</b>	<b>1,731</b>	<b>3,282,274</b>

<u>Company</u>	<u>Share capital</u> RMB'000	<u>Accumulated losses</u> RMB'000	<u>Share option reserve</u> RMB'000	<u>Total equity</u> RMB'000
Balance at 1 January 2017	440,948	(121,142)	49,847	369,653
Share-based payment expenses under ESOS scheme	-	-	16,240	16,240
Issue of shares	314,396	-	-	314,396
Loss for the year representing total comprehensive income for the year	-	(76,212)	-	(76,212)
Balance at 31 December 2017	755,344	(197,354)	66,087	624,077
Share-based payment expenses under ESOS scheme	-	-	6,707	6,707
Profit for the period representing total comprehensive income for the period	-	(17,820)	-	(17,820)
Balance at 30 June 2018	755,344	(215,174)	72,794	612,964

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

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

The Company granted four tranches of options under ESOS Scheme on 9 April 2015, 20 May 2016, 24 May 2017 and 25 May 2018 that give holders the right to subscribe for ordinary shares as detailed below:

Date of grant	Exercise price of Option Granted (SGD per share)	Expiry date
9 April 2015	0.33*	8 April 2025
9 April 2015	0.26*	8 April 2025
20 May 2016	0.49*	19 May 2026
24 May 2017	0.18	23 May 2027
25 May 2018	0.22 <sup>(1)</sup> /0.18 <sup>(2)</sup>	24 May 2028

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

<sup>(1)</sup> Exercise price of option granted to directors (other than associate of controlling shareholder) and employees.

<sup>(2)</sup> Exercise price of option granted to associate of controlling shareholder.

Number of options outstanding under ESOS scheme as at 30 June 2018 was 56,603,750.

Save for the above, there were no other outstanding convertible securities treasury shares and subsidiary holdings as at 30 June 2018 and 31 December 2017.



**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.**

	<b>As at 30 Jun 2018</b>	<b>As at 31 Dec 2017</b>
Total number of ordinary shares issued and fully paid	979,410,658	979,410,658

The Company does not have treasury shares as at 30 June 2018 and 31 December 2017.

**1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable

**1(d)(v) A statement showing all sales, transfer, cancellation and/or use of subsidiary holdings 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 2017.

**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.**

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). The new framework is referred to as "Singapore Financial Reporting Standards (International)" ("SFRS(I)") hereinafter.

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 which did not result in substantial changes to the Group's accounting policies nor had any significant impact on the amount 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 2018	Apr – Jun 2017	Jan – Jun 2018	Jan – Jun 2017
EPS based on average number of ordinary shares (RMB cents)	14.7	13.7	19.1	20.5
EPS on a fully diluted basis (in RMB cents)	14.7	13.6	19.1	20.5
Weighted average number of ordinary shares (000)	979,410	768,103	979,410	768,103
Weighted average number of ordinary shares – diluted (000)	981,438	770,731	981,438	770,731

Basic earnings per share for 2Q2018 and HY2018 are calculated based on the Group profit after taxation of RMB 144,383,000 and RMB 187,502,000 respectively on actual number of ordinary shares of 979,410,658.

For comparative purpose, the basic earnings per share for 2Q2017 and HY2017 were calculated based on the Group profit after taxation of RMB 105,054,000 and RMB 157,840,000 respectively on weighted average number of ordinary shares of 768,103,000.

The fully diluted earnings per share for 2Q2018 and HY2018 were calculated based on the Group profit after taxation of RMB 144,383,000 and RMB 187,502,000 respectively on weighted average number of ordinary shares of 981,438,000 after adjusting for the outstanding options under ESOS scheme.

For comparative purpose, the diluted earnings per share for 2Q2017 and HY2017 were calculated based on the Group profit after taxation of RMB 105,054,000 and RMB 157,840,000 respectively on weighted average number of ordinary shares of 770,731,000 after adjusting for the outstanding options under ESOS scheme.

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 18	31 Dec 17	30 Jun 18	31 Dec 17
Number of ordinary shares	979,410,658	979,410,658	979,410,658	979,410,658
NAV per ordinary share in the Company (RMB cents)	335.1	315.3	62.6	63.7

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 RMB167.5 million or 10.6% from RMB1,575.0 million in HY2017 to RMB1,742.6 million in HY2018. The increase was attributable to the increase of RMB178.1 million in sale of beverage and RMB10.1 million from sales of canned products in domestic market, partially offset by a decrease of RMB20.6 million from sales of canned products in overseas markets. The increase in sales revenue of beverage and canned products in domestic market from HY2017 to HY2018 was mainly due to steady expansion of distribution network in People's Republic of China ("China").

Breakdown of revenue by segments:

	<u>2Q</u>			<u>Half Year (HY)</u>		
	<u>Apr – Jun</u> <u>2018</u>	<u>Apr – Jun</u> <u>2017</u>	<u>Change</u>	<u>Jan – Jun</u> <u>2018</u>	<u>Jan – Jun</u> <u>2017</u>	<u>Change</u>
<u>Product segment</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
<u>Canned products</u>						
- overseas	161,501	179,060	(9.8)	258,123	278,748	(7.4)
- domestic	137,068	128,755	6.5	211,047	200,989	5.0
<u>Beverage</u>	715,897	632,134	13.3	1,273,383	1,095,299	16.3
<u>Total</u>	1,014,466	939,949	7.9	1,742,553	1,575,036	10.6

**Gross profit**

Largely in line with the increase in the Group's sales, the Group's gross profit increased by approximately RMB44.8 million or 7.4%, from RMB601.7 million in HY2017 to RMB646.5 million in HY2018. Our overall gross profit margin (GPM) decreased by 1.1 percentage points, from 38.2% in HY2017 to 37.1% in HY2018. The decrease of Group's overall GPM was a result of a decrease in GPM of beverage segment partially offset by an increase in GPM of domestic canned products segment. The decrease in GPM of beverage product segment was mainly attributable to higher cost of raw materials and lower average selling price for a limited range of products compared to HY2017 as a result of our price adjustment exercise to maintain market competitiveness.

**Operating expenses**

**Distribution and selling expenses** increased by approximately RMB13.3 million or 4.7%, from RMB285.9 million in HY2017 to RMB299.2 million in HY2018. This was mainly due to an increase of RMB21.2 million in advertising and promotion expenses, partially offset by a decrease in transportation costs of RMB3.4 million and packaging of RMB2.2 million. Increase in advertising and promotion expenses was mainly attributed to our increased promotional activities to promote our domestic sales of beverage and canned products compared to HY2017.

**Administrative expenses** increased by approximately RMB5.8 million or 10.4%, from RMB55.6 million in HY2017 to RMB61.4 million in HY2018. This was mainly due to increase in depreciation of RMB12.8 million partially offset by a decrease in exchange loss of RMB1.2 million, share-based payment expenses under ESOS scheme of RMB1.5 million and professional fees of RMB5.8 million in relation to rights issue exercise in March 2017.

**Finance costs**

Finance costs decreased by approximately RMB3.4 million or 12.0%, from RMB28.4 million in HY2017 to RMB25.0 million in HY2018. The decrease in finance costs was mainly due to lower bank borrowings in HY2018 compared to HY2017.

**Profit before taxation**

Profit before taxation increased by approximately RMB40.9 million or 17.7%, from RMB231.1 million in HY2017 to RMB272.0 million in HY2018. The increase was mainly due to a increase in revenue and other operating income coupled with an increase in distribution and selling expenses and administrative expenses, partially offset by a decrease in finance costs and changes in fair value of the option derivatives in relation to convertible bonds.

**Review of Balance Sheet**

Property, plant and equipment increased by approximately RMB118.5 million from RMB1,350.8 million in FY2017 to RMB1,469.3 million in HY2018 as a result of the acquisition and completion of property, plant and equipment in Shanxian, Sichuan and Hubei plants, partially offset by depreciation charged during the period under review.

Deposit paid for non-current assets increased by approximately RMB224.2 million, from RMB510.9 million in FY2017 to RMB735.1 million in HY2018 which was mainly attributable to acquisition of property, plant and equipment in Hubei and Anhui plants.

Our inventories increased by approximately RMB16.5 million from RMB38.3 million in FY2017 to RMB54.8 million in HY2018. 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 RMB49.0 million from RMB1,345.7 million in FY2017 to RMB1,394.7 million in HY2018. As at 31 July 2018, approximately RMB233.6 million of trade receivables as at 30 June 2018 had been collected.

Other receivables decreased by approximately RMB89.8 million from RMB399.4 million in FY2017 to RMB489.2 million in HY2018. Other receivables comprised VAT receivables, export tax refund and prepayment for advertisement expenses.

Cash and cash equivalents stood at RMB422.6 million as at 30 June 2018. The decrease in cash and cash equivalents from FY2017 was mainly due to acquisition of property, plant and equipment, deposit paid for non-current assets and bank loan repayment, partially offset by cash generated in operating activities and bank loan obtained.

Current liabilities increased by RMB19.0 million from RMB1,202.9 million in FY2017 to RMB1,221.9 million in HY2018. The increase was mainly attributable to an increase in other payables of RMB45.7 million, current tax payable of RMB9.2 million and straight bonds of RMB10.3 million, partially offset by a decrease in trade payables of RMB44.3 million and bank borrowings of RMB2.0 million.

Equity interest increased by RMB193.9 million from RMB3,088.4 million as at 31 December 2017 to RMB3,282.3 million as at 30 June 2018. The increase was mainly attributable to net profits generated in HY2018.

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

In HY2018, operating cash flows before working capital changes amounted to RMB358.5 million. The Group used net cash of RMB151.2 million in its operating activities. Working capital changes comprised an increase in inventories of RMB16.5 million and operating receivables of RMB138.9 million partially offset by a decrease in deposit pledged with banks of RMB2.7 million and an increase in operating payables of RMB1.4 million. Net cash used in investing activities amounted to RMB396.6 million in HY2018, which was due mainly to installation and commissioning of plant and equipment in Shanxian, construction in progress at Anhui plant and deposit paid for non-current assets for Anhui and Hubei plants. In addition, net cash generated from financing activities amounted to RMB23.0 million in HY2018, which was due to bank loan obtained partially offset by repayment of bank loans.

#### **Convertible bonds**

Group	30 June 2018 RMB'000	31 December 2017 RMB'000	Variance RMB'000
2012 Convertible Bond	365,442	365,442	-
2011 Convertible Bond	156,007	156,007	-
	521,449	521,449	-

The valuation of the Exchangeable Bonds was computed by an independent valuer, based on the binominal method in deriving the fair value of the Exchangeable Bonds.

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

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

Our current result is in line with our statement made under paragraph 10 in our first quarter results announcement released on 15 May 2018.

**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 the first half of 2018 (“1H18”), the National Bureau of Statistic of China reported that China’s gross domestic product (“GDP”)\* increased by 6.8% year-on-year to RMB 41,896.1 billion as the economy maintained steady growth momentum. Total retail sales of consumer goods in 1H18 rose 9.4% to RMB 18,001.8 billion with retail sales of consumer goods in urban areas rising 9.2% to RMB 15,409.1 billion while retail sales in rural areas rose 10.5% to RMB 2,592.7 billion. In 1H18, the national per capita disposable income also rose 8.7% to RMB14,063.

As a result of rising disposable incomes, increasing health awareness and change in consumption pattern, consumers have shown increasing demand for convenient products and functional health food through online and offline spending. The Group has responded to this trend by steadily expanding its product range and distribution channel in order to appeal to a broader customer base 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 in order to enhance its brand visibility and grow its market share in China.

In June 2018, the Company announced that it has expanded its presence further in China for its own-branded products by rolling out Garden Fresh juices, Grandness canned fruits and First snack products across Meiyijia (美宜佳) convenience stores and Meiyiduo (美宜多) supermarkets in China. Meiyijia is one of the leading and fastest growing convenience chain stores in China. It has more than 15 million online customers and more than 13,000 stores as at May 2018, covering 13 provinces and 68 cities across China\*\*.

In August 2018, the Company’s wholly-owned subsidiary Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Ltd. entered into a joint venture agreement with Dongqi Shenzhen Trading Company Limited (the “Partner”) (深圳市东启商贸有限公司) to incorporate a new joint venture company (“JV Co”) in order to distribute food and beverage products into new channels to be established by the Partner, including supermarkets and convenience stores within major petrol stations in China. Apart from juices, the JV Co may also distribute other beverages products such as energy drinks and coffee.

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

**Update on proposed listing of Garden Fresh**

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

Source :

\* [http://www.stats.gov.cn/english/PressRelease/201807/t20180716\\_1609894.html](http://www.stats.gov.cn/english/PressRelease/201807/t20180716_1609894.html)

\*\* <http://www.meiyijia.com.cn/about/profile.htm>

**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 2018 to be false or misleading in any material aspect.

**15. Use of net proceeds**

The Board refers to the issuance of 306,065,830 shares by the Company in March 2017 (“Right Issue 2017”). As at 30 June 2018, the Group had utilised the net proceeds from the Rights Issue 2017 as follows :-

<b>Use of net proceeds</b>	<b>Allocation (%)</b>	<b>Amount allocated (RMB'000)</b>	<b>Accumulated amount utilized (RMB'000)</b>	<b>Balance (RMB'000)</b>
(a) Capital expenditure for Group's non-beverage business	60	191,700	186,750	4,950
(b) Distribution network expansion and general working capital	40	127,800	127,800	-
- Distribution network expansion		100,000	100,000	-
- Bank loan repayment		24,800	24,800	-
- Operating expenses		3,000	3,000	-
<b>Total</b>	<b>100</b>	<b>319,500</b>	<b>314,550</b>	<b>4,950</b>

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

**16. 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  
14 August 2018