



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

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER PERIOD ENDED 31 MARCH 2014

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

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

	1Q		Change
	Jan - Mar	Jan - Mar	
	2014	2013	
	RMB'000	RMB'000	%
Revenue	477,555	374,524	27.5
Cost of sales	(290,168)	(223,904)	29.6
Gross profit	187,387	150,620	24.4
Other operating income	6,959	5,801	20.0
Distribution and selling expenses	(70,698)	(31,849)	122.0
Administrative expenses	(22,080)	(20,858)	5.9
Other operating expenses	-	-	-
Finance costs	(4,771)	(4,912)	(2.9)
Profit before taxation	96,797	98,802	(2.0)
Income tax expense	(28,397)	(28,544)	(0.5)
Profit for the period	68,400	70,258	(2.6)
Other comprehensive income	-	-	-
Total comprehensive income for the period	68,400	70,258	(2.6)
Profit for the period attributable to:			
Equity holders of the parent	68,557	70,529	
Non-controlling interests	(157)	(271)	
	68,400	70,258	
Total comprehensive income for the period attributable to:			
Equity holders of the parent	68,557	70,529	
Non-controlling interests	(157)	(271)	
	68,400	70,258	

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

	1Q		
	Jan - Mar 2014	Jan - Mar 2013	Change
	RMB'000	RMB'000	%
Depreciation of property plant and equipment	(8,631)	(7,131)	21.0
Amortisation of:			
- land use rights	(293)	(346)	(15.3)
- subsidy	(34)	(33)	3.0
Net exchange gain/(loss)	886	(2,255)	N.M.

Other operating income

Government grants	2	3,894	N.M.
Interest income - banks	274	289	(5.2)
Exchange gain	6,579	1,521	332.5
Others	104	97	7.2
Total	6,959	5,801	20.0

N.M. – Not meaningful

Note :-

The exchange losses in 1Q2014 and 1Q2013 were mainly attributable to the revision of translation rate due to appreciation of Renminbi against United States Dollar and Singapore dollar.

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

	Group		Company	
	31 Mar 14	31 Dec 13	31 Mar 14	31 Dec 13
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	745,470	738,065	22	13
Land use rights	54,764	55,057	-	-
Subsidy	100	134	-	-
Subsidiaries	-	-	1,848	1,848
Amount owing by subsidiaries	-	-	237,496	230,892
Deferred tax assets	1,678	1,678	-	-
Total non-current assets	802,012	794,934	239,366	232,753
Current assets				
Inventories	48,462	45,957	-	-
Trade and other receivables	859,168	921,484	-	54
Cash and cash equivalents	181,153	91,329	2,340	4,179
Total current assets	1,088,783	1,058,770	2,340	4,233
Current liabilities				
Trade and other payables	50,021	85,977	9,756	9,674
Note payables	6,250	1,550	-	-
Current tax payable	30,687	32,730	-	-
Bank borrowings	8,000	13,000	-	-
Convertible bonds	353,866	349,455	-	-
Total current liabilities	448,824	482,712	9,756	9,674
Net current assets/(liabilities)	639,959	576,058	(7,416)	(5,441)
Non-current liabilities				
Deferred tax liabilities	20,241	20,241	20,241	20,241
Total non-current liabilities	20,241	20,241	20,241	20,241
Net assets	1,421,730	1,350,751	211,709	207,071
Equity				
Equity attributable to equity holders of the Parent				
Share capital	282,578	282,578	282,578	282,578
Retained profits/(Accumulated losses)	1,050,593	990,554	(75,668)	(77,727)
Other reserves	84,647	73,549	4,799	2,220
Total shareholders' funds	1,417,818	1,346,681	211,709	207,071
Non-controlling interests	3,912	4,070	-	-
Total equity	1,421,730	1,350,751	211,709	207,071

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

	<u>31 Mar 2014</u>	<u>31 Dec 2013</u>
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
Secured	8,000	13,000
Unsecured	353,866	349,455
	<u>361,866</u>	<u>362,455</u>
Amount repayable after one year		
Secured	-	-
Unsecured	-	-
	<u>-</u>	<u>-</u>
	<u>361,866</u>	<u>362,455</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 flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	<u>1Q</u>	
	Jan - Mar 2014	Jan - Mar 2013
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit before income tax	96,797	98,802
Adjustments for:		
Depreciation of property, plant and equipment	8,631	7,131
Amortisation of land use rights	293	346
Amortisation of subsidy	34	33
Share-based payment expense under ESOS scheme	2,579	-
Interest expense	4,771	4,912
Interest income	(274)	(289)
Operating cash flows before working capital changes	<u>112,831</u>	<u>110,935</u>
Decrease in deposits pledged with banks	9,030	2,492
Increase in inventories	(2,506)	(13,796)
Decrease/(increase) in operating receivables	62,316	(65,714)
Decrease in operating payables	<u>(31,256)</u>	<u>(38,261)</u>
Cash generated from/(used in) operations	150,415	(4,344)
Income tax paid	(30,440)	(16,036)
Interest paid	(360)	(4,912)
Net cash generated from/(used) in operating activities	<u>119,616</u>	<u>(25,292)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(16,036)	(1,287)

	1Q	
	Jan - Mar 2014 RMB'000	Jan - Mar 2013 RMB'000
Interest received	274	289
Net cash used in investing activities	<u>(15,762)</u>	<u>(998)</u>
Cash flows from financing activities:		
Proceeds from share issue	-	117,750
Shares issue costs	-	(3,150)
Bank loans obtained	-	3,000
Bank loans repaid	(5,000)	(2,000)
Amount owing to related parties	-	528
Net cash (used in)/generated from financing activities	<u>(5,000)</u>	<u>116,128</u>
Net increase in cash and cash equivalents	98,854	89,838
Cash and cash equivalents at beginning of period	82,019	132,741
Cash and cash equivalents at end of period	<u>180,873</u>	<u>222,579</u>
Cash and cash equivalents comprise:		
Cash and bank balances	180,873	222,579
Fixed deposits	280	3,108
	<u>181,153</u>	<u>225,687</u>
Less: Fixed deposits pledged	(280)	(3,108)
	<u>180,873</u>	<u>222,579</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	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
<u>Group</u>								
Balance at 1 January 2013	167,897	620,492	-	(31,413)	71,708	828,684	4,924	833,608
Profit for the year and representing total comprehensive income for the year	-	401,097	-	-	-	401,097	(788)	400,309
Issuance of shares	117,750	-	-	-	-	117,750	-	117,750
Share issuance expenses	(3,069)	-	-	-	-	(3,069)	-	(3,069)
Share-based payment expenses under ESOS scheme	-	-	2,220	-	-	2,220	-	2,220
Disposal of a subsidiary	-	-	-	-	-	-	(67)	(67)
Transfer to statutory reserve	-	(31,034)	-	-	31,034	-	-	-
Balance at 31 December 2013	282,578	990,555	2,220	(31,413)	102,742	1,346,682	4,069	1,350,751
Profit for the period and representing total comprehensive income for the period	-	68,557	-	-	-	68,557	(157)	68,400
Share-based payment expenses under ESOS scheme	-	-	2,579	-	-	2,579	-	2,579
Transfer to statutory reserve	-	(8,519)	-	-	8,519	-	-	-
Balance at 31 March 2014	282,578	1,050,593	4,799	(31,413)	111,261	1,417,818	3,912	1,421,730

	Share capital	Accumulated losses	Share option Reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Company</u>				
Balance at 1 January 2013	167,897	(28,527)	-	139,370
Issue of shares	117,750	-	-	117,750
Share issue costs	(3,069)	-	-	(3,069)
Share-based payment expenses under ESOS scheme	-	-	2,220	2,220
Profit for the year representing total comprehensive income for the year	-	(49,200)	-	(49,200)
Balance at 31 December 2013	282,578	(77,727)	2,220	207,071
Share-based payment expenses under ESOS scheme	-	-	2,579	2,579
Profit for the period representing total comprehensive income for the period	-	2,059	-	2,059
Balance at 31 March 2014	282,578	(75,668)	4,799	211,709

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.

There were no outstanding convertible securities and treasury shares as at 31 March 2014 and 31 December 2013.

1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 Mar 2014	As at 31 Dec 2013
Total number of ordinary shares issued and fully paid	587,344,828	587,344,828

The Company does not have treasury shares as at 31 March 2014 and 31 December 2013.

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 the Company and are consistent with the audited financial statements for the financial year ended 31 December 2013.

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 2014 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).**

Earning per share (EPS)	Group	
	Jan – Mar 2014	Jan – Mar 2013
EPS based on average number of ordinary shares (RMB cents)	11.7	13.1
EPS on a fully diluted basis (RMB cents)	11.7	13.1
Weighted average number of ordinary shares ('000)	587,345	537,944
Weighted average number of ordinary shares – diluted ('000)	587,345	537,944

Basic earnings per share for 1Q2014 are calculated based on the Group's profit after taxation of RMB 68,557,000 on actual number of ordinary shares issued of 587,344,828.

For comparative purpose, the basic earnings per share for 1Q2013 are calculated based on the Group's profit after taxation of RMB 70,529,000 on weighted average number of ordinary shares of 537,944,000 which is computed based on 12 days of 28,500,000 (before share split exercise conducted by the Company in September 2013) placement shares issued in March 2013.

The Company had no dilutive equity instruments as at 31 March 2014 and 31 March 2013. Therefore, the fully diluted earnings per share for 1Q2014 and 1Q2013 were the same as the basic earnings per share for 1Q2014 and 1Q2013 respectively.

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

Net asset value (NAV)	Group		Company	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
Number of ordinary shares	587,344,828	587,344,828	587,344,828	587,344,828
NAV per ordinary share in the Company (RMB cents)	241.4	229.3	36.0	35.3

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 RMB103.1 million or 27.5% from RMB374.5 million in 1Q2013 to RMB477.6 million in 1Q2014. This increase was attributable to the increase of RMB97.8 million and RMB10.7 million from sales of beverage and canned products in domestic market respectively, partially offset by a decrease of RMB5.4 million from sales of canned products in overseas market. The increase in sales volume of canned products and beverage in domestic market from 1Q2013 to 1Q2014 were mainly due to expansion of distribution network in PRC.

Breakdown of revenue by segments:

	1Q		Change
	Jan - Mar 2014	Jan - Mar 2013	
Product segment	RMB'000	RMB'000	%
Canned products			
- overseas	102,469	107,878	(5.0)
- domestic	40,457	29,785	35.8
Beverage	334,629	236,861	41.3
Total	477,555	374,524	27.5

Gross profit

Largely in line with the increase in our sales, our gross profit increased by approximately RMB36.8 million or 24.4%, from RMB150.6 million in 1Q2013 to RMB187.4 million in 1Q2014. Our overall gross profit margin (GPM) decreased by 1.0 percentage points, from 40.2% in 1Q2013 to 39.2% in 1Q2014. The decrease of our overall GPM was a result of a decrease in GPM of overseas canned products and beverage segments partially offset by an increase in GPM of domestic canned product segment. The decrease in GPM of beverage product segments was mainly attributable to different product mix and decrease in GPM of overseas canned products segment was mainly attributable to higher cost of raw materials in 1Q2014 when compared to 1Q2013.

Operating expenses

Distribution and selling expenses increased by approximately RMB38.9 million or 122.0%, from RMB31.8 million in 1Q2013 to RMB70.7 million in 1Q2014. This was due mainly to an increase of RMB5.2 million in transportation cost, RMB0.7 million in packaging expenses, RMB1.1 million in employee benefit costs and RMB31.2 million in advertising and promotion expenses. Increase in transportation costs in 1Q2014 was mainly attributed to increase in domestic sales of beverage and canned products in People's Republic of China. Increase in advertising and promotion expenses was mainly attributed to media broadcasting in conjunction with Spring Food and Beverage exhibition in Chengdu for our domestic sales of beverage products in PRC market.

Administrative expenses increased by approximately RMB1.2 million or 5.9%, from RMB20.9 million in 1Q2013 to RMB22.1 million in 1Q2014. This was mainly due to an increase in depreciation of RMB1.0 million, RMB1.9 million in foreign exchange losses and RMB2.6 million in share-based payment expenses under ESOS scheme, partially offset by a decrease of RMB 3.7 million in tax on land use rights.

Finance costs

Finance costs decreased by approximately RMB0.1 million or 2.9%, from RMB4.9 million in 1Q2013 to RMB4.8 million in 1Q2014. The increase was mainly due to lower bank borrowing in 1Q2014 compare to 1Q2013.

Profit before taxation

Profit before income tax decreased by approximately RMB2.0 million or 2.0%, from RMB98.8 million in 1Q2013 to RMB96.8 million in 1Q2014. Decrease in profit was due to an increase in revenue offset by an increase in distribution cost partially offset by decrease in administrative expenses and finance costs.

Review of statement of financial position

Property, plant and equipment increased by approximately RMB7.4 million from RMB738.1 million in FY2013 to RMB745.5 million in 1Q2014 as a result of the acquisition of plant and equipment in Hubei plant and depreciation charged during the period under review.

Our inventories increased by approximately RMB2.5 million from RMB46.0 million in FY2013 to RMB48.5 million in 1Q2014. The increase in inventories over the period under review was due to our increased business activities.

Trade and other receivables decreased by approximately RMB62.3 million from RMB921.5 million in FY2013 to RMB859.2 million in 1Q2014. Trade receivable decreased from RMB633.6 million in FY2013 to RMB543.3 million in 1Q2014. The decrease was mainly attributable to improvement in receivables aging.

Cash and cash equivalents stood at RMB181.2 million as at 31 March 2014, the increase in cash and cash equivalent was mainly due to net cash generated in operating activities partially offset by acquisition of property, plant and equipment and bank loan repayment.

Current liabilities decreased by RMB33.9 million from RMB482.7 million in FY2013 to RMB448.8 million in 1Q2014. The decrease was mainly attributable to a decrease in trade and other payables of RMB36.0 million, bank borrowing of RMB5.0 million and current tax payable of RMB2.0 million partially offset by an increase in note payable of RMB4.7 million and RMB4.4 million in convertible bonds which was mainly attributable to accretion of the convertible bonds at amortized cost.

Equity holders interest increased by RMB71.1 million from RMB1.3 billion as at 31 December 2013 to RMB1.4 billion as at 31 March 2014. The increase was mainly attributable to increase in net profit in 1Q2014.

Review of cash flow statement

In 1Q2014, operating cash flows before working capital changes amounted to RMB112.8 million. We generated net cash of RMB42.0 million in our operating activities. Working capital changes comprised a decrease in deposits pledged with banks of RMB9.0 million, decrease in operating payables of RMB26.8 million, decrease in operating receivables of RMB62.3 million and an increase in inventories of RMB2.5 million. Net cash used in investing activities amounted to RMB15.7 million in 1Q2014, which was due mainly to acquisition of plant and equipment in Hubei plant. In addition, net cash used in financing activities amounted to RMB5.0 million in 1Q2014, which was mainly due to repayment of bank loans.

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 full year results announcement released on 26 February 2014.

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.

PRC's economy continued to grow steadily during the first three months of 2014 ("1Q14") as the National Bureau of Statistics ("NBS") reported that PRC's gross domestic product ("GDP") rose 7.4% compared to the same period last year.

NBS also reported that in 1Q14 per capita disposable income for urban and rural households in PRC increased by 11.1% to RMB5,562 while total retail sales of consumer goods rose 12.0% year-on-year to approximately RMB6,208.1 billion, underscoring the government's efforts to boost economic growth by stimulating domestic consumption.

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

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

1. Advertising and promotional activities to further increase awareness and brand value of our in-house brands in particular Garden Fresh and Grandness;
2. Sales and marketing efforts to expand our distribution network for domestic and export markets;

3. Expansion of production capacity at strategic locations; and
4. Research and development efforts to expand its range of products in order to appeal to a broader group of consumers.

The Group will continue to participate in various exhibitions and tradeshowes in order to expand its distribution network and increase awareness of our products and in-house brands. At the trade exhibition held in Chengdu, Sichuan Province PRC during the last week of March 2014 (“Chengdu Trade Exhibition”), the Group successfully secured new distributors as well as introduced various new products including Garden Fresh aloe-vera beverage product. For non-beverage product range, the Group also developed and introduced new ready to consume products such as canned strawberry, grapes and pineapples as well as new snack food items to target at PRC consumers with a busy lifestyle.

As the Group’s own-branded product range continues to expand, the Group continues to intensify its efforts to market its own-branded products overseas. We have initiated discussions with potential customers and also made preparations to export our beverage products.

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

11. Dividends

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

None

(b) Corresponding period of the immediately preceding financial year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded.

13. Interested Person Transactions (“IPT”)

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

14. 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 first quarter financial results for the period ended 31 March 2014 to be false or misleading in any material aspect.

15. Use of net proceeds

The Board refers to the issuance of 28,500,000 shares by the Company in March 2013. As at 7 May 2014, the Group had utilized approximately RMB89.6 million out of the net proceeds of approximately RMB114.6 million. The amount was utilized in accordance to its intended usage to finance the Group's domestic canned products business activities, including working capital, capital expenditure and sales and marketing expenses. The Company will make further announcements on the use of net proceeds from the placement as and when the funds are materially disbursed.

BY ORDER OF THE BOARD
HUANG YUPENG
CHAIRMAN AND CEO
8 May 2014