



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 2020

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**

	2Q			HALF YEAR (HY)		
	Apr – Jun	Apr – Jun	Change	Jan – Jun	Jan – Jun	Change
	2020	2019		2020	2019	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	304,544	948,575	(67.9)	491,713	1,435,676	(65.8)
Cost of sales	(375,305)	(632,442)	(40.7)	(502,151)	(964,197)	(47.9)
Gross (loss)/profit	(70,761)	316,133	(122.4)	(10,438)	471,479	(102.2)
Other operating income	1,941	4,840	(59.9)	45,228	5,551	n.m.
Distribution and selling expenses	(236,126)	(166,767)	41.6	(255,489)	(255,568)	(0.0)
Administrative expenses	(20,919)	(27,344)	(23.5)	(73,618)	(55,103)	33.6
Other operating expenses	(9,910)	-	n.m.	(9,919)	-	n.m.
Finance costs	(24,800)	(15,625)	58.7	(50,630)	(29,821)	69.8
(Loss)/profit before income tax	(360,575)	111,237	n.m.	(354,866)	136,538	n.m.
Taxation	29,819	-	-	37,591	(51,589)	n.m.
Net (loss)/profit for the period	(330,756)	111,237	n.m.	(317,275)	84,949	n.m.
Other comprehensive income	-	(36,922)	n.m.	-	-	0.0
Total comprehensive income for the period	(330,756)	74,315	n.m.	(317,275)	84,949	n.m.
Profit for the period attributable to:						
Equity holders of the parent	(330,701)	74,472		(317,165)	85,148	
Non-controlling interests	(55)	(157)		(110)	(199)	
	(330,756)	74,315		(317,275)	84,949	
Total comprehensive income for the period attributable to:						
Equity holders of the parent	(330,701)	74,472		(317,165)	85,148	
Non-controlling interests	(55)	(157)		(110)	(199)	
	(330,756)	74,315		(317,275)	84,949	

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>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation and amortisation	(41,560)	(27,765)	49.7	(78,868)	(64,861)	21.6
ESOS expenses	-	(1,831)	(100.0)	-	(4,846)	(100.0)

Other operating income

	<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>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Government grants	232	-	n.m.	260	10	n.m.
Interest income - banks	322	266	21.2	543	463	17.0
Exchange gain/(loss)	-	229	(100.0)	-	(872)	n.m.
Fair value changes on bonds	-	-	-	41,850	-	n.m.
Others	1,387	4,345	(68.1)	2,575	5,950	(56.7)
Total	1,941	4,840	(59.9)	45,228	5,551	n.m.

n.m. – Not meaningful

Note:-

The net exchange losses in HY2020 and HY2019 were mainly due to exchange gains/(losses) from operation arising from exchange rate differences mainly 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 20	31 Dec 19	30 June 20	31 Dec 19
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,838,758	1,608,168	14	17
Land use rights	-	-	-	-
Subsidiaries	-	-	258,784	258,784
Amount owing by subsidiaries	-	-	489,965	560,370
Deferred tax assets	-	-	-	-
Deposit paid for non-current assets	290,895	553,600	-	-
Total non-current assets	<u>2,129,653</u>	<u>2,161,768</u>	<u>748,763</u>	<u>819,171</u>
Current assets				
Inventories	60,061	10,675	-	-
Trade receivables	1,476,886	1,346,276	-	-
Other receivables	568,475	978,824	12,338	331
Cash and cash equivalents	591,009	600,189	404	1,528
Total current assets	<u>2,696,431</u>	<u>2,935,964</u>	<u>12,742</u>	<u>1,859</u>
Current liabilities				
Trade payables	113,467	15,842	-	-
Other payables	149,532	103,167	42,150	81,914
Lease liabilities	347	302	-	-
Current tax payable	1,211	42,387	196	229
Bank borrowings	225,268	234,838	-	-
Loan from a shareholder (note)	160,034	147,224	160,034	147,224
Straight bonds	255,980	247,052	-	-
Amount owing to subsidiaries	-	-	49,848	47,768
Exchangeable bonds	464,312	484,792	-	-
Total current liabilities	<u>1,370,151</u>	<u>1,275,604</u>	<u>252,228</u>	<u>277,135</u>
Net current assets/(liabilities)	1,326,280	1,660,360	(239,486)	(275,276)
Non-current liabilities				
Lease liabilities	1,091	1,288	-	-
Deferred tax liabilities	332,401	381,124	20,242	50,944
Total non-current liabilities	<u>333,492</u>	<u>382,412</u>	<u>20,242</u>	<u>50,944</u>
Net assets	<u>3,122,441</u>	<u>3,439,716</u>	<u>489,035</u>	<u>492,951</u>
Equity				
Equity attributable to equity holders of the Parent				
Share capital	791,500	791,500	791,500	791,500
Retained profits/(Accumulated losses)	2,025,347	2,346,340	(378,943)	(375,027)
Other reserves	293,454	289,626	76,478	76,478
Total shareholder's funds	<u>3,110,301</u>	<u>3,427,466</u>	<u>489,034</u>	<u>492,951</u>
Non-controlling interests	12,140	12,250	-	-
Total equity	<u>3,122,441</u>	<u>3,439,716</u>	<u>489,034</u>	<u>492,951</u>

Note: Refer to convertible loan from Soleado Holdings Pte. Ltd. ("Soleado")

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

	30 Jun 2020	31 Dec 2019
	RMB'000	RMB'000
Amount repayable in one year or less or on demand		
Secured	48,347	349,666
Unsecured	881,726	730,152
	<u>930,072</u>	<u>1,079,818</u>
Amount repayable after one year		
Secured	1,091	5,361
Unsecured	-	-
	<u>1,091</u>	<u>5,361</u>
	<u>931,164</u>	<u>1,085,179</u>

Details of collaterals:-

The secured bank borrowings are secured by a mortgage over the Group's factory and warehouse premises, land use rights, security deposits, personal guarantee by director of the Company, Huang Yupeng and corporate guarantees.

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>Q2</u>		<u>HALF-YEAR (HY)</u>	
	Apr - Jun 2020 RMB'000	Apr - Jun 2019 RMB'000	Jan - Jun 2020 RMB'000	Jan - Jun 2019 RMB'000
Cash flows from operating activities:				
(Loss)/profit before income tax	(360,575)	111,237	(354,866)	136,538
Adjustments for:				
Depreciation and amortisation	41,560	27,765	78,868	64,861
Share-based payment expense under ESOS scheme	-	1,831	-	4,846
Interest expenses	24,741	15,625	50,447	29,821
Interest income	(322)	(266)	(543)	(463)
Changes in fair value of bonds	-	-	(41,850)	-
Exchange gains	(13,632)	-	(16,850)	-
Loss on disposal of fixed assets	9,129	-	9,129	-
Operating cash flows before working capital changes	(299,099)	156,192	(275,665)	235,603
Increase in inventories	(35,318)	(152,668)	(49,386)	(159,353)
Decrease/(increase) in operating receivables	288,591	139,075	279,743	(122,557)
Increase/(decrease) in operating payables	56,371	(9,491)	98,599	69,529
Cash generated from operations	10,545	133,108	53,288	23,222
Income tax paid	(20,240)	(16,774)	(45,144)	(64,547)
Net cash generated from operating activities	(9,695)	116,334	8,147	(41,325)
Cash flows from investing activities:				
Acquisition of property, plant and equipment	-	589	(17,718)	(14,768)
Deposit paid for non-current assets	-	(1)	-	(14,880)
Interest received	322	266	542	463
Net cash generated from/(used in) investing activities	322	854	(17,175)	(29,185)
Cash flows from financing activities:				
Proceeds from share issue	-	16,955	-	16,955
Bank loans obtained	20,000	22,222	43,000	47,222
Bank loans repaid	(76)	(3,154)	(152)	(4,244)
Repayment of finance lease liabilities	(20,000)	(5,600)	(43,000)	(43,670)
Interest paid	-	(7,636)	-	(14,430)
Net cash (used in)/generated from financing activities	(76)	22,787	(152)	1,833
Net (decrease)/ increase in cash and cash equivalents	(9,449)	139,975	(9,180)	(68,677)
Cash and cash equivalents at beginning of period	600,458	405,612	600,189	614,264
Cash and cash equivalents at end of period	591,009	545,587	591,009	545,587

	<u>Q2</u>		<u>HALF-YEAR (HY)</u>	
	Apr - Jun 2020	Apr - Jun 2019	Jan - Jun 2020	Jan - Jun 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents comprise:				
Cash and bank balances	591,009	545,587	591,009	545,587
Fixed deposits	-	-	-	-
	<u>591,009</u>	<u>545,587</u>	<u>591,009</u>	<u>545,587</u>
Less: Fixed deposits pledged	-	-	-	-
	<u>591,009</u>	<u>545,587</u>	<u>591,009</u>	<u>545,587</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 2020	234,838	1,590	147,224	247,052	484,792
<u>Cash flow</u>					
Drawdown of bank borrowings	43,000	-	-	-	-
Repayment of bank borrowings	(43,000)	(152)	-	-	-
Interest paid	-	(60)	-	-	-
<u>Non-cash changes</u>					
Changes in fair value of exchangeable bonds	-	-	-	-	(41,850)
Accrued interest	9,540	60	10,550	8,928	21,369
Exchange translation	(19,110)	-	2,260	-	-
At 30 June 2020	<u>225,268</u>	<u>1,438</u>	<u>160,034</u>	<u>255,980</u>	<u>464,312</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Share capital	Retained profits	Share option Reserve	Merger reserve	Statutory common reserve	Attributable to equity holders of the Company	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	755,345	2,163,140	78,497	(31,414)	233,025	3,198,593	13,849	3,212,442
Issue of shares	36,155	-	-	-	-	36,155	-	36,155
Profit for the year and representing total comprehensive income for the year	-	194,736	-	-	-	194,736	(1,599)	193,137
Share-based payment expenses under ESOS scheme	-	-	(2,018)	-	-	(2,018)	-	(2,018)
Transfer to statutory reserve	-	(11,536)	-	-	11,536	-	-	-
Balance at 31 December 2019	791,500	2,346,340	76,479	(31,414)	244,561	3,427,466	12,250	3,439,716
Profit for the period and representing total comprehensive income for the period	-	(317,165)	-	-	-	(317,165)	(110)	(317,275)
Transfer to statutory reserve	-	(3,828)	-	-	3,828	-	-	-
Balance at 30 June 2020	791,500	2,025,347	76,479	(31,414)	248,389	3,110,300	12,140	3,122,441

Company	Share capital	Accumulated losses	Share option reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	755,345	(363,671)	78,496	470,169
Issue of shares	36,155	-	-	36,155
Share-based payment expenses under ESOS scheme	-	-	(2,018)	(2,018)
Loss for the year representing total comprehensive income for the year	-	(11,355)	-	(11,355)
Balance at 31 December 2019	791,500	(375,026)	76,478	492,951
Profit for the period representing total comprehensive income for the period	-	(3,917)	-	(3,917)
Balance at 30 June 2020	791,500	(378,943)	76,478	489,034

- (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.**

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 ⁽¹⁾ /0.18 ⁽²⁾	24 May 2028

*As announced by the Company on 25 October 2018, the exercise price of these options granted were adjusted due to issuance of right issue in March 2017.

- ⁽¹⁾ Exercise price of option granted to directors (other than associate of controlling shareholder) and employees.
⁽²⁾ Exercise price of option granted to associate of controlling shareholder.

Number of options outstanding under ESOS scheme as at 30 June 2020 was 51,776,822.

As shown in the above, there were no other outstanding convertible securities treasury shares and subsidiary holdings as at 30 June 2020 and 31 December 2019.

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

	As at 30 Jun 2020	As at 31 Dec 2019
Total number of ordinary shares issued and fully paid	1,149,410,658	1,149,410,658

The Company does not have treasury shares as at 30 June 2020 and 31 December 2019.

- 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.

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 2019.

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 Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2019.

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 (HYP)</u>	
	Apr – Jun 2020	Apr – Jun 2019	Jan – Jun 2020	Jan – Jun 2019
EPS based on average number of ordinary shares (RMB cents)	(28.8)	7.6	(27.6)	8.7
EPS on a fully diluted basis (in RMB cents)	(28.8)	7.6	(27.6)	8.7
Weighted average number of ordinary shares (000)	1,149,411	983,602	1,149,411	983,602
Weighted average number of ordinary shares – diluted (000)	1,149,411	983,602	1,149,411	983,602

Basic earnings per share for 2Q2020 and HY2020 are calculated based on the Group's loss after taxation attributable to shareholders of RMB 330,701,000 and RMB 317,165,000 respectively on weighted average number of ordinary shares of 1,149,410,658.

For comparative purpose, the basic earnings per share for 2Q2019 and HY2019 were calculated based on the Group profit after taxation of RMB 74,472,000 and RMB 85,148,000 and respectively on weighted average number of ordinary shares of 983,602,000 which is computed based on 18 days of new shares issued of 85,000,000.

The fully diluted earnings per share for 2Q2020 and HY2020 were calculated based on the Group's loss after taxation attributable to shareholders of RMB 330,701,000 and RMB 317,165,000 respectively on weighted average number of ordinary shares of 1,149,410,658.

For comparative purpose, the diluted earnings per share for 2Q2019 and HY2019 were calculated based on the Group profit after taxation of RMB 74,472,000 and RMB 85,148,000 respectively on weighted average number of ordinary shares of 983,602,000 which is computed based on 18 days of new shares issued of 85,000,000.

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 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Number of ordinary shares	1,149,410,658	1,149,410,658	1,149,410,658	1,149,410,658
NAV per ordinary share in the Company (RMB cents)	271.7	299.3	42.5	42.9

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 decreased by approximately RMB944.0 million or 65.8% from RMB1,435.7 million in HY2019 to RMB491.7 million in HY2020. The decrease was attributable to the decrease of RMB840.7 million in sale of beverage and RMB68.2 million from sales of canned products in overseas market respectively. The sharp decrease in sales revenue across all product segments from HY2019 to HY2020 was mainly due to the COVID-19 lockdowns that restricted the in-store sales.

Breakdown of revenue by segments:

	2Q			Half Year (HY)		
	Apr – Jun 2020	Apr – Jun 2019	Change	Jan – Jun 2020	Jan – Jun 2019	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<u>Canned products</u>						
- overseas	47,580	132,599	(64.1)	98,181	166,340	(41.0)
- domestic	51,558	78,500	(34.3)	88,587	123,660	(28.4)
<u>Beverage</u>	205,406	737,476	(72.1)	304,945	1,145,676	(73.4)
Total	304,544	948,575	(67.9)	491,713	1,435,676	(65.8)

Gross profit

Largely in line with the decrease in the Group's sales, the Group's gross profit decreased by approximately RMB481.9 million or 102.2%, from RMB471.5 million profit in HY2019 to RMB10.4 million loss in HY2020.

Our overall Gross Profit Margin (GPM) decreased by 34.9 percentage points, from 32.8% in HY2019 to -2.1% in HY2020 as a result of weakened demand across the board which affected the product profitability. The decrease is in line with the slowdown in sales due to COVID-19 pandemic and product rebate offered ranging from 3% to 6% for sales order more than RMB20 million and above. The product rebates took effect since May 2020 till year end.

Other operating income

The RMB45.2 million of the other operating income for the year mainly comprises fair value gains in relation to Exchangeable Bonds resulting of RMB41.9 million and net exchange gains arising from operation.

Please refer to the 1Q2020 Quarterly Announcements for more details.

Operating expenses

Distribution and selling expenses were maintained at similar levels with approximately RMB255.6 million in HY2019 to RMB255.5 million in HY2020, despite low revenue in HY2020. This is due to distribution and selling cost increases proportionately with the higher frequency of delivering rebated products to customers for fulling sales order of RMB20 million and above. In addition to that, most of the customers demanded for small quantity of products to be delivered amid of COVID-19 uncertainty whereby Company continues to deliver the products regardless fulfilling minimum quantity delivery.

Administrative expenses increased by approximately RMB18.5 million or 33.6%, from RMB55.1 million in HY2019 to RMB73.6 million in HY2020. The increase in administrative expenses is relatively significant despite of plunge in revenue due to manufacturing plants' depreciation being charged-out as administrative expenses instead of cost of sales as factories production were halted in relation to COVID-19 pandemic.

Finance costs

Finance costs increased by approximately RMB20.8 million or 69.8%, from RMB29.8 million in HY2019 to RMB50.6 million in HY2020. The increase in finance costs was mainly due to additional interest accrued during HY2020.

Profit/(Loss) before taxation

Profit before taxation decreased by approximately RMB491.4 million, from RMB136.5 million in HY2019 to a loss before taxation of RMB354.9 million in HY2020. The decrease was due to the above analysis.

Review of Balance Sheet

Property, plant and equipment increased by approximately RMB230.6 million from RMB1,608.2 million in FY2019 to RMB1,838.8 million in HY2020 as a result of completion of construction of the Group's production plant and machinery for its canned food and fruit beverage in Anhui, Hubei and Sichuan. , which corresponded with the decrease in deposits paid from non-current assets.

There deposits paid for non-current assets in HY2020 reduced from RMB553.6 million to RMB290.9 million in FY2019 which was mainly due to reasons as mentioned above.

Inventories increased by approximately RMB49.4 million from RMB10.7 million in FY2019 to RMB60.0 million in HY2020. This is due to the stocking up of products in warehouse as the movement of the products were affected by COVID-19 restriction.

Trade receivables increased by approximately RMB130.6 million from RMB1,346.3 million in FY2019 to RMB1,476.9 million in HY2020, as the Group faced a slowdown collection from its customers and lower revenue that are directly impacted by the downturn caused by COVID-19.

Other receivables decreased by approximately RMB410.3 million from RMB978.8 million in FY2019 to RMB568.5 million in HY2020. Other receivables comprised of VAT receivables, export tax refund and deposits and prepayments.

Cash and cash equivalents stood at RMB591.0 million as at 30 June 2020 (Dec 2019: RMB600.2 million) as the Group is conserving cash to counter the potential effects of COVID-19 pandemic.

Current liabilities increased by RMB94.5 million from RMB1,275.6 million in FY2019 to RMB1,370.2 million in HY2020. The increase was mainly attributable to an increase in trade and other payables, set off by a reduction in current tax payable due to lower profits during the period as well as repayment of bank borrowings.

Equity interest decreased by RMB317.3 million from RMB3,439.7 million as at 31 December 2019 to RMB3,122.4 million as at 30 June 2020. The increase was mainly attributable to net losses generated in HY2020.

Review of cash flow statement

In HY2020, net operating cash outflows before working capital changes amounted to RMB275.7 million, due to its financial losses during the period. On the other hand, the Group actively realises cash from its net working capital to preserve operating liquidity. As a result, net cash generated from operating activities RMB8.1 million in its operating activities.

Net cash used in investing activities amounted to RMB17.7 million in HY2020, which was due mainly to amounts paid for non-current assets for the Group's operating plant in Anhui, Hubei and Sichuan.

Net cash used in financing activities are minimal in HY2020 as the bank loans repaid were supported by new bank loans drawn.

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

Not applicable.

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.

Global macro risks and market volatilities are expected to heighten and shipments disruptions to continue as geopolitical events unfold. Notwithstanding this challenging backdrop, the Group expects the food and beverage industry to remain resilient.

The Group continues to execute its strategy by investing for the future with new manufacturing assets and enhanced capabilities in innovation. The Group will also continue to enhance brand visibility to grow our market share domestically and internationally.

While overall end-consumer demand may be subjected to short term fluctuations, the Group remains well-positioned to meet customer needs, with strong and expanding research and development so as to increase the product offerings and to consider new sales channels.

Moving forward, the Group will continue to execute its strategy of scaling up its production and distribution operations while it continues to explore capital investment plans to strengthen its cashflows. The Group is focused on executing its differentiated strategy to deliver profitable growth and optimal returns.

Update on receipt of letter of demand from Goldman Sachs Investments Holdings (Asia) Limited

On 2 July 2024, the Company received letter of demand from Goldman Sachs Investments Holdings (Asia) Limited dated 28 June 2024 in relation the sums of RMB396,577,356 and USD150,372,476.

The Company disagrees with the amount claimed and considers the demand to be opportunistic due to excessive interest charges. The negotiation with Goldman Sachs Investments Holdings (Asia) Limited on the letter of demand is still ongoing as of now. The Company would make the necessary announcement as and when there is any material development.

Update on overdue loan from a related party - Soleado Holdings Pte. Ltd.

On 5 June 2020, Soleado has, in writing, informed the Company that the shareholders of Soleado may require Soleado to demand settlement or to take legal action against the Company if warranted. In addition, the pledged shares (102 million shares) of the Company owned by Huang Yupeng will be realised if called upon.

The Company is currently in discussion with the lender to extend the repayment of principal and interest. The Company would make the necessary announcement as and when there is any material development. The Company has repaid approximately RMB11.0 million to Soleado from the placement proceeds as details set up in paragraph 15 below.

Update on proposed listing of Garden Fresh

The Company continues in its effort towards 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.

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 for the half year ended 30 June 2020 to enable the Group to conserve cash for working capital purposes.

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 2020 to be false or misleading in any material aspect.

15. Use of net proceeds

The Board refer to the issuance of 85,000,000 shares by the Company in August 2019 (“Placement 2019 (2)”). As at the date of this announcement, the Group had fully utilized the net proceeds from the Placement 2019 (2) as follows :-

Use of net proceeds	Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilized (RMB'000)	Balance (RMB'000)
(a) Repayment of outstanding sums due to Soleado	60	10,965	10,965	-
(b) General working capital	40	7,310	7,310	-
- Operating expenses		7,310	7,310	-
Total	100	18,275	18,275	-

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
13 August 2024