



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

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR  
THE THIRD QUARTER PERIOD ENDED 30 SEPTEMBER 2019**

**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 comparative statement for the corresponding period of the immediately preceding financial year

	<b>3Q</b>			<b>9-months (9M)</b>		
	<b>Jul – Sept 2019</b>	<b>Jul – Sept 2018</b>	<b>Change %</b>	<b>Jan – Sept 2019</b>	<b>Jan – Sept 2018</b>	<b>Change %</b>
	<b>RMB'000</b>	<b>RMB'000</b>		<b>RMB'000</b>	<b>RMB'000</b>	
<b>Revenue</b>	1,112,946	1,089,033	2.2	2,548,622	2,733,642	(6.8)
Cost of sales	(727,404)	(709,952)	2.5	(1,691,601)	(1,806,007)	(6.3)
<b>Gross profit</b>	<b>385,542</b>	<b>379,081</b>	<b>1.7</b>	<b>857,021</b>	<b>927,635</b>	<b>(7.6)</b>
Other operating income	25,048	27,372	(8.5)	65,385	38,460	70.0
Distribution and selling expenses	(140,033)	(118,829)	17.8	(395,601)	(320,111)	23.6
Administrative expenses	(57,042)	(63,891)	(10.7)	(153,699)	(125,266)	22.7
Finance costs	(16,976)	(15,445)	9.9	(46,797)	(40,474)	15.6
<b>Profit before income tax and changes in fair value of the convertible bonds</b>	<b>196,539</b>	<b>208,288</b>	<b>(5.6)</b>	<b>326,309</b>	<b>480,244</b>	<b>(32.1)</b>
Changes in fair value of the convertible bonds	-	-	-	-	-	-
<b>Profit before income tax</b>	<b>196,539</b>	<b>208,288</b>	<b>(5.6)</b>	<b>326,309</b>	<b>480,244</b>	<b>(32.1)</b>
Taxation	(54,220)	(52,861)	2.6	(105,809)	(137,614)	(23.1)
Net profit for the period	142,319	155,427	(8.4)	220,500	342,630	(35.6)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>142,319</b>	<b>155,427</b>	<b>(8.4)</b>	<b>220,500</b>	<b>342,630</b>	<b>(35.6)</b>
<b>Profit for the period attributable to:</b>						
Equity holders of the parent	142,355	155,469		220,735	342,971	
Non-controlling interests	(36)	(42)		(235)	(341)	
	<b>142,319</b>	<b>155,427</b>		<b>220,500</b>	<b>342,630</b>	

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

Equity holders of the parent	142,355	155,469	220,735	342,971
Non-controlling interests	(36)	(42)	(235)	(341)
	<u>142,319</u>	<u>155,427</u>	<u>220,500</u>	<u>342,630</u>

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

	<b>3Q</b>			<b>9-months (9M)</b>		
	<b>Jul – Sept 2019</b>	<b>Jul – Sept 2018</b>	<b>Change</b>	<b>Jan – Sept 2019</b>	<b>Jan – Sept 2018</b>	<b>Change</b>
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation	(29,178)	(32,275)	112.3	(92,840)	(87,362)	6.3
Amortisation of land use rights	(600)	(453)	(24.4)	(1,799)	(1,358)	32.5
ESOS expenses	-	(3,871)	(9.6)	(4,846)	(10,578)	(54.2)
Net exchange loss	(6,627)	(3,178)	108.5	(6,029)	(3,208)	87.9

Other Operating Income

Government grants	56	767	(92.7)	57	1,085	(94.7)
Interest income- banks	314	842	(62.7)	777	2,009	(61.3)
Exchange gain	26,329	25,023	5.2	62,906	29,045	116.6
Others	(1,651)	740	(323.1)	1,645	6,321	(74.0)
Total	25,048	27,372	(8.5)	65,385	38,460	70.0

N.M. – Not meaningful

**Note :-**

The net exchange gains in 9M2019 and 9M2018 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**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sept 19</b>	<b>31 Dec 18</b>	<b>30 Sept 19</b>	<b>31 Dec 18</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	1,285,804	1,353,360	18	21
Land use rights	105,189	106,988	-	-
Subsidiaries	-	-	329,604	329,604
Amount owing by subsidiaries	-	-	488,473	542,592
Deferred tax assets	5,832	5,832	-	-
Deposit paid for non-current assets	577,305	577,300	-	-
<b>Total non-current assets</b>	<b>1,974,130</b>	<b>2,043,480</b>	<b>818,095</b>	<b>872,217</b>
<b>Current assets</b>				
Inventories	55,782	24,323	-	-
Trade receivables	1,973,236	1,584,684	-	-
Other receivables	418,613	340,650	5,874	158
Cash and cash equivalents	557,453	621,793	3,130	8,199
<b>Total current assets</b>	<b>3,005,084</b>	<b>2,571,450</b>	<b>9,004</b>	<b>8,357</b>
<b>Current liabilities</b>				
Trade payables	64,442	102,729	-	21,115
Other payables	204,791	114,312	83,810	35,842
Obligation under finance lease	18,672	3,405	-	-
Current tax payable	59,060	45,133	-	-
Bank borrowings	195,571	200,897	-	-
Loan from a shareholder (note)	147,405	144,819	123,916	144,819
Straight bonds	251,326	234,245	-	-
Amount due to subsidiaries	-	-	25,267	70,538
Exchangeable bonds	484,792	484,792	-	-
<b>Total current liabilities</b>	<b>1,426,059</b>	<b>1,330,332</b>	<b>232,993</b>	<b>272,314</b>
<b>Net current assets/(liabilities)</b>	<b>1,579,025</b>	<b>1,241,118</b>	<b>(223,989)</b>	<b>(263,957)</b>
<b>Non-current liabilities</b>				
Obligation under finance lease	10,014	2,321	-	-
Deferred tax liabilities	27,741	27,741	27,741	20,241
<b>Total non-current liabilities</b>	<b>37,755</b>	<b>30,062</b>	<b>27,741</b>	<b>20,241</b>
<b>Net assets</b>	<b>3,515,400</b>	<b>3,254,536</b>	<b>566,365</b>	<b>588,019</b>
<b>Equity</b>				
Equity attributable to equity holders of the Parent				
Share capital	790,863	755,344	790,863	755,344
Retained profits/(Accumulated losses)	2,424,031	2,217,486	(307,840)	(245,821)
Other reserves	299,143	280,108	83,342	78,496
<b>Total shareholder's funds</b>	<b>3,514,037</b>	<b>3,252,938</b>	<b>566,365</b>	<b>588,019</b>
Non-controlling interests	1,363	1,598	-	-
<b>Total equity</b>	<b>3,515,400</b>	<b>3,254,536</b>	<b>566,365</b>	<b>588,019</b>

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

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

	<b>30 Sept 2019</b>	<b>31 Dec 2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amount repayable in one year or less or on demand		
Secured	361,648	345,716
Unsecured	736,118	722,442
	<u>1,097,766</u>	<u>1,068,158</u>
Amount repayable after one year		
Secured	10,014	2,321
Unsecured	-	-
	<u>10,014</u>	<u>2,321</u>
	<u><u>1,107,780</u></u>	<u><u>1,070,479</u></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 flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>3Q</b>		<b>9-months (9M)</b>	
	<b>Jul – Sept 2019</b>	<b>Jul – Sept 2018</b>	<b>Jan – Sept 2019</b>	<b>Jan – Sept 2018</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	196,539	208,288	326,309	480,244
Adjustments for:				
Depreciation of property, plant and equipment	29,178	32,275	92,840	87,362
Amortisation of land use rights	600	453	1,799	1,358
Share-based payment expenses under ESOS scheme	-	3,871	4,846	10,578
Interest expenses	16,976	15,445	46,797	40,474
Interest income	(314)	(842)	(777)	(2,009)
Operating cash flows before working capital changes	<u>242,979</u>	<u>259,490</u>	<u>471,814</u>	<u>618,007</u>
(Increase)/decrease in deposits pledged with banks	-	(1,903)	7,529	774
Decrease/(increase) in inventories	127,894	9,380	(31,459)	(7,093)
Increase in operating receivables	(336,429)	(261,383)	(466,515)	(400,266)
(Decrease)/increase in operating payables	<u>(24,106)</u>	<u>44,012</u>	<u>52,191</u>	<u>45,442</u>
Cash generated from operations	10,338	49,596	33,560	256,864
Income tax paid	(27,334)	(51,938)	(91,881)	(127,520)
Interest paid	(3,357)	2,827	(17,787)	(22,202)
Net cash generated (used in)/from operating activities	<u>(20,353)</u>	<u>485</u>	<u>(76,108)</u>	<u>107,142</u>

	<u>3Q</u>		<u>9-months (9M)</u>	
	Jul – Sept 2019 RMB'000	Jul – Sept 2018 RMB'000	Jan – Sept 2019 RMB'000	Jan – Sept 2018 RMB'000
<b>Cash flows from investing activities:</b>				
Acquisition of property, plant and equipment	(10,516)	(149,727)	(25,284)	(323,390)
Deposit paid for non-current assets	14,875	158,080	(5)	(66,065)
Interest received	314	842	777	2,009
Net cash generated from/(used in) investing activities	<u>4,673</u>	<u>9,195</u>	<u>(24,512)</u>	<u>(387,446)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from share issue	18,564	-	35,519	-
Bank loans obtained	12,644	8,070	59,866	53,670
Bank loans repaid	(1,000)	(24,399)	(44,670)	(44,398)
Repayment of finance lease liabilities	<u>(2,662)</u>	<u>(2,251)</u>	<u>(6,906)</u>	<u>(4,890)</u>
Net cash generated from/(used in) financing activities	<u>27,546</u>	<u>(18,580)</u>	<u>43,809</u>	<u>4,382</u>
Net increase/(decrease) in cash and cash equivalents	11,866	(8,900)	(56,811)	(275,922)
Cash and cash equivalents at beginning of period	<u>545,587</u>	<u>418,601</u>	<u>614,264</u>	<u>685,623</u>
Cash and cash equivalents at end of period	<u>557,453</u>	<u>409,701</u>	<u>557,453</u>	<u>409,701</u>
Cash and cash equivalents comprise:				
Cash and bank balances	557,453	409,701	557,453	409,701
Fixed deposits	-	7,228	-	7,228
	<u>557,453</u>	<u>416,929</u>	<u>557,453</u>	<u>416,929</u>
Less: Fixed deposits pledged	-	(7,228)	-	(144,127)
	<u>557,453</u>	<u>409,701</u>	<u>557,453</u>	<u>409,701</u>

#### Reconciliation of 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 2019	200,897	5,726	144,819	234,245	484,792
<u>Cash flow</u>					
Additions	29,999	29,867	-	-	-
Repayments of principal/interests	(23,741)	(6,906)	(20,929)	-	-
<u>Non-cash changes</u>					
Accrued interest	10,173	-	17,759	17,081	-
Exchange translation	(21,758)	-	5,756	-	-
At 30 September 2019	<u>195,570</u>	<u>28,687</u>	<u>147,405</u>	<u>251,326</u>	<u>484,792</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 2018	755,344	2,077,139	66,087	(31,413)	219,177	3,086,344	2,031	3,088,365
Profit for the year and representing total comprehensive income for the year	-	154,195	-	-	-	154,195	(433)	153,762
Share-based payment expenses under ESOS scheme	-	-	12,409	-	-	12,409	-	12,409
Transfer to statutory reserve	-	(13,848)	-	-	13,848	-	-	-
<b>Balance at 31 December 2018</b>	<b>755,344</b>	<b>2,217,485</b>	<b>78,496</b>	<b>(31,413)</b>	<b>233,025</b>	<b>3,252,938</b>	<b>1,598</b>	<b>3,254,536</b>
Issue of shares	35,519	-	-	-	-	35,519	-	35,519
Profit for the period and representing total comprehensive income for the period	-	220,735	-	-	-	220,735	(235)	220,500
Share-based payment expenses under ESOS scheme	-	-	4,846	-	-	4,846	-	4,846
Transfer to statutory reserve	-	(14,189)	-	-	14,189	-	-	-
<b>Balance at 30 September 2019</b>	<b>790,863</b>	<b>2,424,031</b>	<b>83,342</b>	<b>(31,413)</b>	<b>247,214</b>	<b>3,514,037</b>	<b>1,363</b>	<b>3,515,400</b>

Company	Share capital	Accumulated losses	Share option reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	755,344	(197,354)	66,087	624,077
Share-based payment expenses under ESOS scheme	-	-	12,409	12,409
Loss for the year representing total comprehensive income for the year	-	(48,467)	-	(48,467)
<b>Balance at 31 December 2018</b>	<b>755,344</b>	<b>(245,821)</b>	<b>78,496</b>	<b>588,019</b>
Issue of shares	35,519	-	-	35,519
Share-based payment expenses under ESOS scheme	-	-	4,846	4,846
Loss for the period representing total comprehensive income for the period	-	(62,019)	-	(62,019)
<b>Balance at 30 September 2019</b>	<b>790,863</b>	<b>(307,840)</b>	<b>83,342</b>	<b>566,365</b>

**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 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 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 issued 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 immediately preceding financial year.**

<b>Issued and fully paid</b>	<b>Resultant number of shares</b>	<b>Resultant capital (RMB'000)</b>
Balance at 1 January 2019	979,410,658	755,344
Placement (1) issue ordinary shares at S\$0.04 on 13 June 2019	85,000,000	16,955
Placement (2) issue ordinary shares at S\$0.043 on 27 August 2019	85,000,000	18,564
Balance at 30 September 2019	1,149,410,658	790,863

The Company has 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
	Prior adjustment	Post adjustment	
9 April 2015	0.33*	0.30*	8 April 2025
9 April 2015	0.26*	0.24*	8 April 2025
20 May 2016	0.49*	0.45*	19 May 2026
24 May 2017	0.18	0.18	23 May 2027
25 May 2018	0.22 <sup>(1)</sup> /0.18 <sup>(2)</sup>	0.22 <sup>(1)</sup> /0.18 <sup>(2)</sup>	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.

<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 September 2018 was 59,750,801.

Save for the above, there were no outstanding convertible securities and treasury shares and subsidiary holdings as at 30 September 2019 and 31 December 2018.

**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 Sept 2019</b>	<b>As at 31 Dec 2018</b>
Total number of ordinary shares issued and fully paid	1,149,410,658	979,410,658

The Company does not have treasury shares as at 30 September 2019 and 31 December 2018.

**1(d) (iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares 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 up 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 2018.

**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.**

As required by the listing requirements of the Singapore Exchange, the Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018. In adopting the new framework, the Group is required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group has also concurrently applied new major FRSI(I) 9 *Financial Instruments* ("SFRS(I) 9") and SFRS(I) 15 *Revenue from Contracts with Customers* ("SFRS(I) 15").

The impact arising from the adoption of SFRS(I)s on the Group's financial statements are as follows:

**SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)**

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ended 31 December 2018), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. There is no significant impact on the Group's financial statements.

**SFRS(I) 15 Revenue from Contracts with Customers**

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. SFRS(I) 15 superseded the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations. The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group adopted SFRS(I) 15 using the retrospective approach with practical expedients. The Group's contracts with customers contain product sales and also consideration payable to customers.



Each of these components is either recognised as revenue or operating expenses. With the adoption of SFRS(I) 15, the consideration payable to customers which were previously recognised as expenses would be required to be recognised as part of the transaction price and hence to be reclassified and netted off against revenue.

Promotional incentives and rebates expenses previously recognised as expenses have been reclassified and netted off against revenue. Transportation expenses previously recognised as expenses have been reclassified to cost of sales.

#### SFRS(I) 9 Financial Instruments

SFRS(I) 9 *Financial Instruments* replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. SFRS(I) 9 includes revised guidance on the classification and measurement of financial instruments, including classification and measurement of financial assets, impairment of financial assets and hedge accounting.

The Group adopted the new standard on 1 January 2018 and elected to apply the short term exemption under SFRS(I) 1, which allowed the Group not to restate the comparative information in its FY2018 financial statements. Accordingly, requirements of FRS 39 continue to apply to financial instruments up to the financial year ended 31 December 2017.

SFRS(I) 9 requires the Group to record expected credit losses on its loans and receivables, either on a 12 month or lifetime basis. The Group applied the simplified approach and assessed that there is no significant expected credit losses on the Group's trade receivables.

Upon applying SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9, certain comparatives have been restated. The effects on the Group's financial statements are as follows:

	<b>As previously reported RMB'000</b>	<b>9M 2018 Effects of adoption RMB'000</b>	<b>As restated RMB'000</b>
<b>Revenue</b>	2,919,768	(186,126)	2,733,642
Cost of sales	(1,806,007)	-	(1,806,007)
<b>Gross profit</b>	1,113,761	(186,126)	927,635
Other operating income	38,460	-	38,460
Distribution and selling expenses	(506,237)	186,126	(320,111)
Administrative expenses	(125,266)	-	(125,266)
Finance costs	(40,474)	-	(40,474)
<b>Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds</b>	480,244	-	480,244
Changes in fair value of the option derivatives in relation to convertible loans and convertible bonds	-	-	-
<b>Profit before income tax</b>	480,244	-	480,244
Income tax expense	(137,614)	-	(137,614)
<b>Profit after income tax</b>	342,630	-	342,630
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	342,630	-	342,630

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)	3Q		9-months (9M)	
	Jul – Sept 2019	July – Sept 2018	Jan – Sept 2019	Jan – Sept 2018
EPS based on average number of ordinary shares (RMB cents)	14.1	15.9	21.8	35.0
EPS on a fully diluted basis (in RMB cents)	14.1	15.9	21.8	35.0
Weighted average number of ordinary shares ('000)	1,013,178	979,410	1,013,178	979,410
Weighted average number of ordinary shares – diluted ('000)	1,013,178	980,917	1,013,178	980,917

Basic earnings per share for 3Q2019 and 9M2019 are calculated based on the Group's profit after taxation of RMB 142,355,000 and RMB 220,735,000 respectively on weighted average number of ordinary shares issued of 1,013,178,000 which is computed based on 110 days of new shares issued of 85,000,000 under the placement (1) and 35 days of new shares issued of 85,000,000 under the placement (2)

For comparative purpose, the basic earning per shares for 3Q2018 and 9M2018 were calculated based on the Group's profit after taxation of RMB 155,469,000 and RMB 342,971,000 respectively on actual number of ordinary shares issued of 979,410,658.

The fully diluted earnings per share for 3Q2019 and 9M2019 were calculated based on the Group's profit after taxation of RMB 142,355,000 and RMB 220,735,000 respectively on weighted average number of ordinary shares of 1,013,178,000 after adjusting for the outstanding options under ESOS scheme.

For comparative purpose, the fully diluted earnings per share for 3Q2018 and 9M2018 were calculated based on the Group profit after taxation of RMB 155,469,000 and RMB 342,871,000 respectively on weighted average number of ordinary shares of 980,917,000 after adjusting for the outstanding options 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	
	30 Sept 19	31 Dec 18	30 Sept 19	31 Dec 18
Number of ordinary shares	1,149,410,658	979,410,658	1,149,410,658	979,410,658
NAV per ordinary share in the Company (RMB cents)	305.8	335.1	49.3	60.0

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 RMB185.0 million or 6.8% from RMB2,733.6 million in 9M2018 to RMB2,548.6 million in 9M2019. This decrease was attributable to the decrease of RMB110.9 million and RMB139.1 million from sales of canned products in domestic and overseas market respectively, partially offset by an increase of RMB65.0 million from sale of beverage product. The decrease in sales revenue of canned products in both domestic and overseas market were mainly due to slow down macro economy in People's Republic of China ("PRC") resulted by the trade war between PRC and US. However, the increase in sales revenue of beverage was mainly resulted by new product packaging and product mix.

#### **Breakdown of revenue by segments:**

	3Q			9 months (9M)		
	Jul – Sept 2019	Jul – Sept 2018	Change	Jan – Sept 2019	Jan – Sept 2018	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Canned products</b>						
- overseas	138,224	157,325	(12.1)	304,564	415,448	(26.7)
- domestic	85,475	153,468	(44.3)	209,135	348,238	(39.9)
<b>Beverage</b>	889,247	778,240	14.3	2,034,923	1,969,956	3.3
<b>Total</b>	<b>1,112,946</b>	<b>1,089,033</b>	<b>2.2</b>	<b>2,548,622</b>	<b>2,733,642</b>	<b>(6.8)</b>

### **Gross profit**

Largely in line with the decrease in the Group's sales, the Group's gross profit decreased by approximately RMB70.6 million or 7.6%, from RMB927.6 million in 9M2018 to RMB857.0 million in 9M2019. The Group's overall gross profit margin (GPM) decreased by 0.3 percentage points, from 33.9% in 9M2018 to 33.6% in 9M2019. The decrease of Group's overall GPM was a result of a decrease in GPM of canned products in both domestic and overseas market segments, partially offset by an increase in GPM of beverage segment. The decrease in GPM of canned product in domestic and overseas market segments were mainly attributable to higher cost of raw materials during the period under review. Increase in GPM of beverage product segment was mainly attributable to introduction of new product mix and higher average selling price in the period under review.

### **Operating expenses**

Distribution and selling expenses increased by approximately RMB75.5 million or 23.6%, from RMB320.1 million in 9M2018 to RMB395.6 million in 9M2019. This was due mainly to an increase of RMB69.8 million in advertising and promotion expenses and RMB11.1 million in transportation. Increase in advertising and promotion cost in 9M2019 were mainly attributed to our increased promotional activities to promote our domestic sales of beverage and canned products compared to 9M2018.

Administrative expenses increased by approximately RMB28.4 million or 22.7%, from RMB125.3 million in 9M2018 to RMB153.7 million in 9M2019. This was mainly due to an increase of RMB36.7 million in exchange losses and RMB7.4 million in depreciation partially offset by a decrease of RMB5.7 million in share-based payment expenses under ESOS scheme.

### **Finance costs**

Finance costs increased by approximately RMB6.3 million or 15.6%, from RMB40.5 million in 9M2018 to RMB46.8 million in 9M2019. The increase in finance costs was mainly due to higher interest accrued on bank borrowings, loan from a shareholder and straight bond in 9M2019 as compared to 9M2018.

### **Profit before taxation**

Profit before taxation decreased by approximately RMB154.0 million or 32.1%, from RMB480.2 million in 9M2018 to RMB326.3 million in 9M2019. The decrease was mainly due to a decrease in revenue coupled with an increase in distribution and selling expenses, administrative expenses and finance costs, partially offset by an increase in other operating income.

### **Review of Balance Sheet**

Property, plant and equipment decreased by approximately RMB236.0 million from RMB1,353.4 million in FY2018 to RMB1,285.8 million as at 9M2019 as a result of depreciation charged during the period under review.

The Group's inventories increased by approximately RMB31.5 million from RMB24.3 million in FY2018 to RMB55.8 million as at 9M2019. Higher inventory was mainly due to the seasonal harvesting of loquat which occurs in second quarter of each calendar year, higher stock of packaging materials and supplemental materials for production of beverage products were maintained in anticipation of subsequent higher self-production in Sichuan, Hubei and Anhui plants.

Trade receivables increased by approximately RMB388.5 million from RMB1,584.7 million in FY2018 to RMB1,973.2 million as at 9M2019. Increased in trade receivable as at 30 September 2019 is mainly due to slow down of macro economy in PRC resulted by the trade war between PRC and US. As at 31 October 2019, approximately RMB256.9 million of trade receivables as at 30 September 2019 had been collected.

Other receivables increased by approximately RMB77.9 million from RMB340.7 million in FY2018 to RMB418.6 million as at 9M2019. Other receivables comprised VAT receivables, export tax refund, deposit and prepayments.

Cash and cash equivalents stood at RMB557.5 million as at 30 September 2019. The decrease in cash and cash equivalents from FY2018 was mainly due to net cash used in operating activities, bank loan repayment, partially offset by cash generated from bank loans obtained and cash from new shares issued.

Current liabilities increased by RMB95.8 million from RMB1,330.3 million in FY2018 to RMB1,426.1 million as at 9M2019. The increase was mainly attributable to an increase in other payables of RMB90.5 million, obligation under finance lease of RMB15.3 million, current tax payable of RMB13.9 million, loan from a shareholder of RMB2.6 million and straight bonds of RMB17.1 million, partially offset by a decrease in trade payables of RMB38.3 million and bank borrowings of RMB5.3 million.

Equity interest increased by RMB260.9 million from RMB3,254.5 million as at 31 December 2018 to RMB3,515.4 million as at 30 September 2019. The increase was mainly attributable to net profits generated in 9M2019.

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

In 9M2019, operating cash flows before working capital changes amounted to RMB471.8 million. The Group used net cash of RMB438.3 million in its operating activities. Working capital changes comprised an increase in inventories of RMB31.5 million, operating receivables of RMB466.5 million and operating payables of RMB52.2 million and a decrease in deposit pledged with bank of RMB7.5 million. Net cash used in investing activities amounted to RMB24.5 million in 9M2019, which was due mainly to acquisition of factory and warehouse premises as well as plant and equipment in Anhui plant. In addition, net cash generated from financing activities amounted to RMB43.8 million in 9M2019, which was mainly due to bank loan obtained and proceeds from share issue, partially offset by repayment of bank loans and finance lease.

### **Convertible bonds**

<b>The Group</b>	<b>30 September 2019 RMB'000</b>	<b>31 December 2018 RMB'000</b>	<b>Variance RMB'000</b>
<b>2012 Convertible Bond</b>	<b>339,752</b>	<b>339,752</b>	<b>-</b>
<b>2011 Convertible Bond</b>	<b>145,040</b>	<b>145,040</b>	<b>-</b>
	<b>484,792</b>	<b>484,792</b>	<b>-</b>

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.

**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 half year results announcement released on 13 September 2019.

**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.**

During the first nine months of 2019 (“9M2019”), the National Bureau of Statistic of China (“NBS”) reported that the economy in China continued to grow steadily with its gross domestic product (“GDP”) increasing by 6.2% year-on-year to RMB 69,779.8 billion. In 9M2019, total retail sales of consumer goods in grew by 8.2% to RMB 29,667.4 billion with retail sales of consumer goods in urban areas rising 8.0% to RMB 25,352.4 billion while retail sales in rural areas rose by 9.0% to 4,315.0 billion. Online retail sales of physical goods in 9M2019 rose by 20.5% to 5,777.7 billion yuan, and accounted for 19.5% of the total retail sales of consumer goods in China.\*

As a result of rising health awareness, higher disposable income and lifestyle changes, consumers in China 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.

The on-going trade tension between PRC and US will have impact on the macro economy in PRC and business of the Group, however, 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 grow its market share in China.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2019.

**Update on proposed listing of Garden Fresh**

The Company continues in its effort towards the proposed listing of its beverage business (“Proposed Listing”) on an internationally recognized stock exchange. Accordingly, the Company has on 29 August 2019 announced the engagement of Maxim Group LLC as joint book runner and investment banker in connection with the Proposed Listing of Garden Fresh Holding Co., on a stock exchange in the United States of America. The Company wishes to highlight that there is no assurance that the Proposed Listing will materialise. The Company will keep shareholders updated on any material developments relating to the Proposed Listing as and when appropriate.

**Update on investment agreement entered into between the Company and Guangdong Baoao Equity Investment Partnership (LLP) (the “Investor”)**

The Company is in discussion with the Investor to extend the completion date. The Company will make further announcements as and when appropriate.

Sources :

\* [http://www.stats.gov.cn/english/PressRelease/201910/t20191018\\_1703353.html](http://www.stats.gov.cn/english/PressRelease/201910/t20191018_1703353.html)

\*\* <http://finance.sina.com.cn/roll/2018-07-04/doc-ihevaxi9243473.shtml>

**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/recommended, a statement to that effect.**

No dividend has been declared/recommended for the 9 months ended 30 September 2019 to enable the Group to conserve cash for working capital purposes.

**13. Interested person transaction**

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 third quarter financial results for the period ending 30 September 2019 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 31 October 2019, the Group had 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	5,130	2,180
- Operating expenses		7,310	5,130	2,180
<b>Total</b>	<b>100</b>	<b>18,275</b>	<b>16,095</b>	<b>2,180</b>

The Company will make further announcement on the use of proceeds from the Placement 2019 (2) 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 November 2019