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 2017

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		
	Jan - Mar 2017	Jan - Mar 2016	Change
	RMB'000	RMB'000	%
Revenue	635,087	723,706	(12.2)
Cost of sales	(386,598)	(427,011)	(9.5)
Gross profit	248,489	296,695	(16.2)
Other operating income	8,981	106,819	(91.6)
Distribution and selling expenses	(113,589)	(114,343)	(0.7)
Administrative expenses	(41,586)	(38,599)	7.7
Finance costs	(12,512)	(6,311)	98.3
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	89,783	244,261	(63.2)
Changes in fair value of the option derivatives in relation to convertible bonds	(7,077)	157,888	(104.5)
Profit before income tax	82,706	402,149	(79.4)
Income tax expense	(29,963)	(42,061)	(28.8)
Profit for the period	52,743	360,088	(85.4)
Other comprehensive income	-	-	-
Total comprehensive income for the period	52,743	360,088	(85.4)
Profit for the period attributable to:			
Equity holders of the Parent	52,786	360,220	
Non-controlling interests	(43)	(132)	
	52,743	360,088	
Total comprehensive income for the period attributable to:			
Equity holders of the Parent	52,786	360,220	
Non-controlling interests	(43)	(132)	
	52,743	360,088	

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

	1Q		
	Jan – Mar 2017	**Jan – Mar 2016**	**Change**
	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	(18,076)	(16,392)	10.2
Amortisation of land use rights	(599)	(600)	(0.2)
Net exchange gain/(loss) (Note 1)	(1,679)	33	N.M.
Share-based payment expenses under ESOS scheme	(4,343)	(5,402)	(19.6)

Other operating income

Government grants	439	4	N.M.
Interest income – banks	380	111	242.3
Exchange gain	7,865	14,810	(46.9)
Gain on restructuring of convertible bonds (Note 2)	-	91,618	(100.0)
Others	297	276	7.6
Total	8,981	106,819	(91.6)

N.M. – Not meaningful

Note 1:-
The net exchange gains/(losses) in 1Q2017 and 1Q2016 were mainly attributable to appreciation of net assets of the Group denominated in foreign currency namely United States Dollar and Singapore Dollar against Renminbi.

Note 2:-
The gain arose as a result of the restructuring of the convertible bonds on 1 March 2016.

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 17	31 Dec 16	31 Mar 17	31 Dec 16
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,060,075	1,078,120	17	18
Land use rights	109,698	110,296	-	-
Subsidiaries	-	-	85,987	85,987
Amount owing by subsidiaries	-	-	591,503	548,203
Deposit paid for non-current assets	795,097	787,802	-	-
Total non-current assets	1,964,870	1,976,218	677,507	634,208
Current assets				
Inventories	56,428	44,504	-	-
Trade receivables	1,020,648	1,153,722	-	-
Other receivables	367,041	481,057	127	135
Cash and cash equivalents	780,393	297,749	234,783	46,904
Total current assets	2,224,510	1,977,032	234,910	47,039
Current liabilities				
Trade payables	82,611	41,285	-	3,570
Other payables	93,420	187,327	27,342	139,088
Note payables	-	-	-	-
Current tax payable	16,944	9,622	-	-
Bank borrowings	160,500	263,708	-	-
Convertible loan	134,669	134,660	139,711	134,660
Straight bonds	196,419	193,416	-	-
Amount owing to subsidiaries	-	-	54,435	14,035
Exchangeable bonds	534,740	527,663	-	-
Total current liabilities	1,219,303	1,357,681	221,488	291,353
Net current assets/(liabilities)	1,005,207	619,351	13,422	(244,314)
Non-current liabilities				
Bank borrowings	176,451	173,425	-	-
Deferred tax liabilities	20,241	20,241	20,241	20,241
Total non-current liabilities	196,692	193,666	20,241	20,241
Net assets	2,773,385	2,401,903	670,688	369,653
Equity				
Equity attributable to equity holders of the Parent				
Share capital	755,344	440,948	755,344	440,948
Retained profits/(Accumulated losses)	1,778,687	1,728,917	(138,846)	(121,142)
Other reserves	237,229	229,870	54,190	49,847
Total shareholders' funds	2,771,260	2,399,735	670,688	369,653
Non-controlling interests	2,125	2,168	-	-
Total equity	2,773,385	2,401,903	670,688	369,653

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

	31 Mar 2017	31 Dec 2016
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
Secured	295,169	398,368
Unsecured	731,159	721,079
	1,026,328	1,119,447
Amount repayable after one year		
Secured	176,451	173,425
Unsecured	-	-
	176,451	173,425
	1,202,779	1,292,872

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

	1Q	
	Jan - Mar 2017 RMB'000	Jan - Mar 2016 RMB'000
Cash flows from operating activities:		
Profit before income tax	82,706	402,149
Adjustments for:		
Depreciation of property, plant and equipment	18,076	16,392
Fair value of the option derivatives in relation to the convertible bonds	7,077	(157,888)
Amortisation of land use rights	599	600
Share-based payment expenses under ESOS scheme	4,343	5,402
Gain on restructuring of convertible bonds	-	(91,618)
Interest expense	12,512	6,311
Interest income	(380)	(111)
Operating cash flows before working capital changes	124,933	181,237
Decrease in deposits pledged with banks	111,843	15,147
(Increase)/decrease in inventories	(11,924)	(15,912)
Decrease in operating receivables	247,090	88,985
(Decrease)/Increase in operating payables	(52,581)	3,767
Cash generated from operations	419,361	273,224
Income tax paid	(22,641)	(41,800)
Interest paid	(6,475)	(3,171)
Net cash generated from operating activities	390,245	228,253

	1Q	
	Jan - Mar 2017 RMB'000	**Jan - Mar 2016 RMB'000**
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(31)	(2,522)
Deposit paid for non-current assets	(7,295)	(6,035)
Interest received	380	111
Net cash used in investing activities	(6,946)	(8,446)
Cash flows from financing activities:		
Proceeds from share issue	316,316	-
Share issue costs	(1,920)	-
Bank loans obtained	22,000	100,000
Bank loans repaid	(125,208)	(65,000)
Net cash generated from financing activities	211,188	35,000
Net increase in cash and cash equivalents	594,487	254,807
Cash and cash equivalents at beginning of period	131,868	112,339
Cash and cash equivalents at end of period	726,355	367,146
Cash and cash equivalents comprise:		
Cash and bank balances	726,355	367,146
Fixed deposits	54,038	15,500
	780,393	382,646
Less: Fixed deposits pledged	(54,038)	(15,500)
	780,393	367,146

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
Group								
Balance at 1 January 2016	440,948	1,203,901	22,673	(31,413)	171,101	1,807,210	2,644	1,809,854
Profit for the year and representing total comprehensive income for the year	-	577,551	-	-	-	577,551	(476)	577,075
Share-based payment expenses under ESOS scheme	-	-	27,174	-	-	27,174	-	27,174
Dividend paid during the year	-	(12,200)	-	-	-	(12,200)	-	(12,200)
Transfer to statutory reserve	-	(40,335)	-	-	40,335	-	-	-
Balance at 31 December 2016	440,948	1,728,917	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 period and representing total comprehensive income for the period	-	52,786	-	-	-	52,786	(43)	52,743
Share-based payment expenses under ESOS scheme	-	-	4,343	-	-	4,343	-	4,343
Transfer to statutory reserve	-	(3,016)	-	-	3,016	-	-	-
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
Balance at 31 March 2017	755,344	1,778,687	54,190	(31,413)	214,452	2,771,260	2,125	2,773,385

Company	Share capital RMB'000	Accumulated losses RMB'000	Share option reserves RMB'000	Total equity RMB'000
Balance at 1 January 2016	440,948	(131,766)	22,673	331,855
Share-based payment expenses under ESOS scheme	-	-	27,174	27,174
Loss for the year representing total comprehensive income for the year	-	10,624	-	10,624
Balance at 31 December 2016	440,948	(121,142)	49,847	369,653
Issue of shares	316,316	-	-	316,316
Shares issuance expenses	(1,920)	-	-	(1,920)
Share-based payment expenses under ESOS scheme	-	-	4,343	4,343
Profit for the period representing total comprehensive income for the period	-	(17,704)	-	(17,704)
Balance at 31 March 2017	755,344	(138,846)	54,190	670,688

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 and subsidiary holding 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.

Issued and fully paid	**Resultant number of shares**	**Resultant capital (RMB'000)**
Balance at 1 January 2017	673,344,828	440,948
Right issue of 306,065,830 ordinary shares of S$0.21 on 10 March 2017 net of share issue costs of RMB 1,920,000	306,065,830	314,396
Balance at 31 March 2017	979,410,658	755,344

The Company granted three tranches of option under ESOS Scheme on 9 April 2015 and 20 May 2016 that give holders the right to subscribe for ordinary shares as detailed below:-

Date of grant	Exercise price of option granted (SGD per share)	Expiry date
9 April 2015	0.33	8 April 2025
9 April 2015	0.26	8 April 2025
20 May 2016	0.49	19 May 2026

Number of options outstanding under ESOS Scheme as at 31 March 2017 was 31,803,750.

Save for the above, there were no outstanding convertible securities and treasury shares as at 31 March 2017 and 31 December 2016.

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 2017	As at 31 Dec 2016
Total number of ordinary shares issued and fully paid	979,410,658	673,344,828

The Company does not have treasury shares as at 31 March 2017 and 31 December 2016.

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 disclosed in Note 5 of this announcement, the accounting policies and methods of computation have been consistently applied by the Group and the Company and are consistent with the audited financial statements for the financial year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

In the current financial period, the Group adopted the new or revised Financial Reporting Standard ("FRS") and Interpretation of FRS ("INT FRS") that are effective for annual periods beginning on and after 1 January 2017 which did not result in substantial changes to the Group's accounting policies nor had any significant impact on the amounts reported for the current or prior financial year.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (a) based on the weighted average number of ordinary shares on issue; and (b) on a fully diluted basis (detailing any adjustments made to the earnings).

Earnings per share (EPS)	**Group**	
	Jan – Mar 2017	**Jan – Mar 2016**
EPS based on average number of ordinary shares (RMB cents)	7.6	53.5
EPS on a fully diluted basis (RMB cents)	7.6	53.4
Weighted average number of ordinary shares ('000)	691,801	673,345
Weighted average number of ordinary shares – diluted ('000)	697,338	673,345

Basic earnings per share for 1Q2017 are calculated based on the Group's profit after taxation of RMB52,786,000 on weighted average number of ordinary shares of 691,801,000 which is computed based on 22 days of new shares issued of 306,065,830.

For comparative purpose, the basic earnings per share for 1Q2016 are calculated based on the Group's profit after taxation of RMB360,220,000 on actual number of ordinary shares issued of 673,344,828.

The fully diluted earnings per share for 1Q2017 are calculated based on the Group's profit after taxation of RMB52,786,000 on weighted average number of ordinary shares of 697,338,000 after adjusting for the outstanding option under ESOS scheme.

For comparative purpose, the fully diluted earnings per share for 1Q2016 are calculated based on the Group profit after taxation of RMB360,220,000 on actual number of ordinary shares issued of 673,344,828 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**	
	31 Mar 2017	**31 Dec 2016**	**31 Mar 2017**	**31 Dec 2016**
Number of ordinary shares	979,410,658	673,344,828	979,410,658	673,344,828
NAV per ordinary share in the Company (RMB cents)	283.2	356.7	68.5	54.9

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 RMB88.6 million or 12.2% from RMB723.7 million in 1Q2016 to RMB635.1 million in 1Q2017. This decrease was attributable to the decrease of RMB84.4 million and RMB6.2 million from sales of beverage, and canned products in overseas market respectively, partially offset by an increase of RMB1.9 million from sales of canned products in domestic markets. The decrease in sales revenue of beverage from 1Q2016 to 1Q2017 was mainly due to changes in consumption environment of the domestic beverage market in People's Republic of China ("PRC").

Breakdown of revenue by segments:

	1Q		
	Jan - Mar 2017	Jan – Mar 2016	Change
Product segment	RMB'000	RMB'000	%
Canned products			
- overseas	99,688	105,842	(5.8)
- domestic	72,234	70,348	2.9
Beverage	463,165	547,516	(15.4)
Total	635,087	723,706	(12.2)

Gross profit

Largely in line with the decrease in Group's sales, Group's gross profit decreased by approximately RMB48.2 million or 16.2%, from RMB296.7 million in 1Q2016 to RMB248.5 million in 1Q2017. Our overall gross profit margin (GPM) decreased by 1.9 percentage points, from 41.0% in 1Q2016 to 39.1% in 1Q2017. The decrease of Group's overall GPM was a result of a decrease in GPM of all product segments. The decrease in GPM of overseas and domestic canned products segments was mainly attributable to higher cost of raw materials in 1Q2017 when compared to 1Q2016. However, decrease in GPM of beverage product segment was mainly attributable to sales of lower GPM product mix of Qingrun series (清润系列) compared to 1Q2016.

Operating expenses

Distribution and selling expenses decreased by approximately RMB0.7 million or 0.7%, from RMB114.3 million in 1Q2016 to RMB113.6 million in 1Q2017. This was due mainly to a decrease of RMB0.3 million in advertising and promotion expenses, RMB5.3 million in transportation costs and RMB0.5 million in staff benefit costs. Decrease in transportation costs was in line with the decrease in revenue for the period under review.

Administrative expenses increased by approximately RMB3.0 million or 7.7%, from RMB38.6 million in 1Q2016 to RMB41.6 million in 1Q2017. This was mainly due to increase in legal and professional fees of RMB9.8 million, partially offset by a decrease in exchange loss of RMB4.3 million and share-based payment expenses in relation to ESOS of RMB1.1 million.

Finance costs

Finance costs increased by approximately RMB6.2 million or 98.3%, from RMB6.3 million in 1Q2016 to RMB12.5 million in 1Q2017. The increase in finance cost was mainly due to higher bank borrowings in 1Q2017 compared to 1Q2016.

Profit before taxation

Profit before income tax decreased by approximately RMB319.4 million or 79.4%, from RMB402.1 million in 1Q2016 to RMB82.7 million in 1Q2017. Decrease in profit before taxation was due to a decrease in revenue, a decrease in distribution and selling expenses, changes in fair value gain of the option derivatives in relation to convertible bonds and other operating income, partially offset by an increase in administrative expenses and finance costs.

Review of statement of financial position

Property, plant and equipment decreased by approximately RMB18.0 million from RMB1,078.1 million in FY2016 to RMB1,060.1 million in 1Q2017 as a result of new acquisitions partially offset by depreciation charged during the period under review.

Deposit paid for non-current assets increased by approximately RMB7.3 million from RMB787.8 million in FY2016 to RMB795.1 million in 1Q2017 which was mainly attributable to property, plant and equipment in Group's Anhui and Hubei plants.

Our inventories increased by approximately RMB11.9 million from RMB44.5 million in FY2016 to RMB56.4 million in 1Q2017. The increase in inventories during the period under review was in line with our increased business activities.

Trade receivables decreased by approximately RMB133.1 million from RMB1,153.7 million in FY2016 to RMB1,020.6 million in 1Q2017. As at 30 April 2017, approximately RMB229.6 million of trade receivables as at 31 March 2017 had been collected.

Other receivables decreased by approximately RMB114.1 million from RMB481.1 million in FY2016 to RMB367.0 million in 1Q2017. Other receivables comprised VAT receivables, export tax refund and prepayment for advertisement expenses.

Cash and cash equivalents stood at RMB780.4 million as at 31 March 2017. The increase in cash and cash equivalents from FY2016 was mainly due to net cash generated in operating activities, issuance of new shares and bank loan obtained partially offset by acquisition of property, plant and equipment and bank loan repayment.

Current liabilities decreased by RMB138.4 million from RMB1,357.7 million in FY2016 to RMB1,219.3 million in 1Q2017. The decrease was mainly attributable to a decrease in other payables of RMB93.9 million and bank borrowing of RMB103.2 million, partially offset by an increase in trade payables of RMB41.3 million, current tax payable of RMB7.3 million, straight bonds of RMB3.0 million and exchangeable bonds of RMB7.1 million.

Equity holders' interest increased by RMB366.4 million from RMB2,401.9 million as at 31 December 2016 to RMB2,773.4 million as at 31 March 2017. The increase was mainly attributable to new shares issued and increase in net profit in 1Q2017.

Review of cash flow statement

In 1Q2017, operating cash flows before working capital changes amounted to RMB124.9 million. The Group generated net cash of RMB294.4 million in its operating activities. Working capital changes comprised a decrease in deposits pledged with banks of RMB111.8 million, a decrease in operating receivables of RMB247.1 million, a decrease in operating payables of RMB52.6 million and an increase in inventories of RMB11.9 million. Net cash used in investing activities amounted to RMB6.9 million in 1Q2017, which was due mainly to construction-in-progress at Anhui plant. In addition, net cash generated from financing activities amounted to RMB211.2 million in 1Q2017, which was mainly due to new shares issued and bank loan obtained partially offset by repayment of bank loans.

Convertible bonds

Group	31 March 2017 RMB'000	31 December 2016 RMB'000	Variance RMB'000
2012 Convertible Bond	374,756	372,084	2,672
2011 Convertible Bond	159,984	155,579	4,405
	534,740	527,663	7,077

As stated in the 2015 annual report of the Company, the bonds had been restructured on 29 February 2016 (1 March 2016 being the formalized restructuring date). Out of the 100% of old convertible bonds, 60% had been restructured into new Exchangeable Bonds that are convertible in the event of an Initial Public Offering ("IPO") while the remaining 40% was restructured into a new Straight Bonds.

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

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

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 28 February 2017.

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 quarter of 2017 ("1Q2017"), the National Bureau of Statistic of China ("NBS") reported that PRC's gross domestic product ("GDP") increased by 6.9% year-on-year to RMB 18,068.3 billion as the economy maintained steady growth momentum. The nationwide per capita disposable income was RMB 7,184 in 1Q2017, representing year-on-year growth of 8.5%. Total retail sales of consumer goods in 1Q2017 rose 10.0% to RMB 8,582.3 billion with retail sales in rural area rising 11.9% to RMB 1,242.6 billion while retail sales in urban area rising 9.7% to 7,339.8 billion. In 1Q2017, the online retail sales surged 32.1% to RMB 1,404.5 billion*.

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

As a result of rising disposable incomes, ageing population, 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. Sino Grandness has responded to this trend by steadily expanding its product range in order to appeal to a broader customer base in the China market.

To capitalize on the growth opportunities ahead, the Group will continue to invest in various advertising and promotional activities as well as sales and marketing initiatives to enhance its brand visibility and brand recognition. Additionally, the Group will also explore various strategic collaborations in order to expand its online and offline distribution channels.

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

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

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

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

Update on proposed listing of Garden Fresh
The Company continues in its efforts to obtain the approval of the HKSE for the Proposed Listing. The Company will keep shareholders updated on any material developments relating to the proposed listing as and when appropriate.

Source :

* http://www.stats.gov.cn/english/PressRelease/201704/t20170417_1484966.html

^http://www.cbndata.com/report/87

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

11. Dividends

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

None

(b) Corresponding period of the immediately preceding financial year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared/recommended.

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 2017 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 April 2017, the Group had yet to utilise the net proceeds from the Rights Issue 2017 :-

Use of net proceeds	Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilized (RMB'000)	Balance (RMB'000)
(a) Capital expenditure for Group's non-beverage business	60	191,500	-	191,500
(b) Distribution network expansion and general working capital	40	128,000	-	128,000
Total	**100**	**319,500**	**-**	**319,500**

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
12 May 2017