



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 2017

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

	3Q			9-months (9M)		
	Jul – Sept	Jul – Sept	Change	Jan – Sept	Jan – Sept	Change
	2017	2016		2017	2016	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	1,227,934	1,108,289	10.8	2,802,970	2,960,739	(5.3)
Cost of sales	(776,462)	(651,400)	19.2	(1,749,808)	(1,735,675)	0.8
Gross profit	451,472	456,889	(1.2)	1,053,162	1,225,064	(14.0)
Other operating (expenses)/income	2,961	(993)	398.2	9,325	133,138	(93.0)
Distribution and selling expenses	(142,482)	(169,291)	(15.8)	(428,378)	(450,073)	(4.8)
Administrative expenses	(35,319)	(32,814)	7.6	(90,889)	(125,881)	(27.8)
Finance costs	(13,799)	(17,281)	(20.1)	(42,230)	(35,732)	18.2
Profit before income tax and changes in fair value of the convertible bonds	262,833	236,510	11.1	500,990	746,516	(32.9)
Changes in fair value of the convertible bonds	-	(7,082)	(100.0)	(7,077)	113,408	(106.2)
Profit before income tax	262,833	229,428	14.6	493,913	859,924	(42.6)
Taxation	(69,590)	(63,317)	9.9	(142,940)	(176,152)	(18.9)
Net profit for the period	193,243	166,111	16.3	350,973	683,772	(48.7)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	193,243	166,111	16.3	350,973	683,772	(48.7)
Profit for the period attributable to:						
Equity holders of the parent	193,262	166,239		351,102	684,146	
Non-controlling interests	(19)	(128)		(129)	(374)	
	193,243	166,111		350,973	683,772	

Total comprehensive income for the period attributable to:

Equity holders of the parent	193,262	166,239	351,102	684,146
Non-controlling interests	(19)	(128)	(129)	(374)
	<u>193,243</u>	<u>166,111</u>	<u>350,973</u>	<u>683,772</u>

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

	<u>3Q</u>			<u>9-months (9M)</u>		
	<u>Jul – Sept</u>	<u>Jul – Sept</u>	<u>Change</u>	<u>Jan – Sept</u>	<u>Jan – Sept</u>	<u>Change</u>
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation	(15,199)	(16,980)	(10.5)	(41,973)	(49,168)	(14.6)
Amortisation of land use rights	(599)	(599)	-	(1,805)	(1,799)	0.3
ESOS expenses	(4,036)	(4,464)	(9.6)	(12,204)	(25,256)	(51.7)
Net exchange (loss)/gain	(7,627)	956	N.M.	(12,855)	9,082	(241.5)

Other Operating Income

Government grants	1,511	24	N.M.	1,954	131	N.M.
Interest income- banks	451	475	(5.1)	1,792	1,480	21.1
Exchange gain/(loss)	854	(1,642)	152.0	922	28,595	(96.8)
Gain on restructuring of convertible bonds	-	-	-	-	91,618	(100.0)
Fair value gain on straight debt component of convertible loan at inception	-	-	-	-	8,132	(100.0)
Others	145	150	(4.0)	4,657	3,182	46.3
Total	2,961	(993)	398.2	9,325	133,138	(93.0)

N.M. – Not meaningful

Note :-

The net exchange (loss)/gain in 9M2017 and 9M2016 were mainly attributable to appreciation of net assets of the Group denominated in foreign currency namely United States dollar and Singapore dollar against 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 Sept 17	31 Dec 16	30 Sept 17	31 Dec 16
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,357,633	1,078,120	15	18
Land use rights	108,491	110,296	-	-
Subsidiaries	-	-	85,987	85,987
Amount owing by subsidiaries	-	-	745,746	548,203
Deposit paid for non-current assets	558,460	787,802	-	-
Total non-current assets	2,024,584	1,976,218	831,748	634,208
Current assets				
Inventories	47,755	44,504	-	-
Trade receivables	1,499,269	1,153,722	-	-
Other receivables	499,820	481,057	117	135
Cash and cash equivalents	566,956	297,749	41,916	46,904
Total current assets	2,613,800	1,977,032	42,033	47,039
Current liabilities				
Trade payables	61,240	41,285	-	3,570
Other payables	204,283	187,327	23,545	139,088
Current tax payable	79,585	9,622	-	-
Bank borrowings	145,000	263,708	-	-
Convertible loan	132,082	134,660	134,660	134,660
Straight bonds	207,707	193,416	-	-
Amount due to subsidiaries	-	-	51,075	14,035
Exchangeable bonds	534,740	527,663	-	-
Total current liabilities	1,364,637	1,357,681	209,280	291,353
Net current assets/(liabilities)	1,249,163	619,351	(167,247)	(244,314)
Non-current liabilities				
Bank borrowings	174,031	173,425	-	-
Deferred tax liabilities	20,241	20,241	20,241	20,241
Total non-current liabilities	194,272	193,666	20,241	20,241
Net assets	3,079,475	2,401,903	644,260	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)	2,066,301	1,728,917	(173,135)	(121,142)
Other reserves	255,792	229,870	62,051	49,847
Total shareholder's funds	3,077,437	2,399,735	644,260	369,653
Non-controlling interests	2,038	2,168	-	-
Total equity	3,079,475	2,401,903	644,260	369,653

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

	30 Sept 2017	31 Dec 2016
	RMB'000	RMB'000
Amount repayable in one year or less or on demand		
Secured	277,082	398,368
Unsecured	742,447	721,079
	<u>1,019,529</u>	<u>1,119,447</u>
Amount repayable after one year		
Secured	174,031	173,425
Unsecured	-	-
	<u>174,031</u>	<u>173,425</u>
	<u><u>1,193,560</u></u>	<u><u>1,292,872</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

	3Q		9-months (9M)	
	Jul – Sept 2017	Jul – Sept 2016	Jan – Sept 2017	Jan – Sept 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit before income tax	262,833	229,428	493,913	859,924
Adjustments for:				
Depreciation of property, plant and equipment	15,199	16,980	41,973	49,168
Fair value of the convertible bonds	-	7,082	7,077	(113,408)
Fair value gain on convertible loan at inception	-	-	-	(8,132)
Amortisation of land use rights	599	599	1,805	1,799
Share-based payment expenses under ESOS scheme	4,036	4,464	12,204	25,256
Gain on restructuring of convertible bonds	-	-	-	(91,618)
Interest expenses	13,799	17,281	42,230	35,732
Interest income	(451)	(475)	(1,792)	(1,480)
	<u>296,015</u>	<u>275,359</u>	<u>597,410</u>	<u>757,241</u>
Operating cash flows before working capital changes				
(Increase)/Decrease in deposits pledged with banks	(125,327)	-	18,077	30,147
Decrease/(increase) in inventories	32,219	65,770	(3,252)	(33,787)
Increase in operating receivables	(520,722)	(238,337)	(364,310)	(248,324)
Increase/(Decrease) in operating payables	112,426	(11,198)	36,911	(27,716)
	<u>(205,389)</u>	<u>91,594</u>	<u>284,836</u>	<u>477,561</u>
Cash generated from operations				
Income tax paid	(21,450)	(70,165)	(72,977)	(151,878)
Interest paid	(8,017)	(8,263)	(26,234)	(18,276)

	<u>3Q</u>		<u>9-months (9M)</u>	
	<u>Jul – Sept 2017 RMB'000</u>	<u>Jul – Sept 2016 RMB'000</u>	<u>Jan – Sept 2017 RMB'000</u>	<u>Jan – Sept 2016 RMB'000</u>
Net cash (used in)/generated from operating activities	(234,856)	13,166	185,625	307,407
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(156,585)	(1,588)	(321,486)	(15,609)
Refund from deposit paid for non-current assets	-	-	-	70,560
Deposit paid for non-current assets	120,621	(125,769)	229,342	(131,804)
Interest received	451	475	1,792	1,480
Net cash used in investing activities	(35,513)	(126,882)	(90,352)	(75,373)
Cash flows from financing activities:				
Proceeds from share issue	-	-	316,316	-
Share issue costs	-	-	(1,920)	-
Bank loans obtained	35,000	241,516	167,000	485,017
Bank loans repaid	(22,000)	(50,122)	(285,708)	(180,122)
Proceeds from convertible loan	-	-	-	129,178
Repayment of straight bond 1	-	-	-	(101,802)
Dividends paid	-	-	-	(12,200)
Net cash generated from financing activities	13,000	191,394	195,688	320,071
Net (decrease)/increase in cash and cash equivalents	(257,369)	77,678	290,961	552,105
Cash and cash equivalents at beginning of period	680,198	586,766	131,868	112,339
Cash and cash equivalent at end of period	422,829	664,444	422,829	664,444
Cash and cash equivalents comprise:				
Cash and bank balances	422,829	664,444	422,829	664,444
Fixed deposits	144,127	500	144,127	500
	566,956	664,944	566,956	664,944
Less: Fixed deposits pledged	(144,127)	(500)	(144,127)	(500)
	422,829	664,444	422,829	664,444

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 Parent	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>								
Balance at 1 January 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	-	351,102	-	-	-	351,102	(129)	350,973
Share-based payment expenses under ESOS scheme	-	-	12,204	-	-	12,204	-	12,204
Transfer to statutory reserve	-	(13,718)	-	-	13,718	-	-	-
Reclassification of an amount previously classified as other payable to "Director of the Company" used to subscribe in the right issue of the Company	-	-	-	-	-	-	111,334	111,334
Completion of right issue on 13 March 2017	-	-	-	-	-	-	(111,334)	(111,334)
Transfer of non-controlling interest into share capital on completion of right issue	111,334	-	-	-	-	111,334	-	111,334
Balance at 30 September 2017	755,334	2,066,301	62,051	(31,413)	225,154	3,077,437	2,038	3,079,475

<u>Company</u>	Share capital	Accumulated losses	Share option reserve	Total equity
	RMB'000	RMB'000	RMB'000	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 losses 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
Share issuance expenses	(1,920)	-	-	(1,920)
Share-based payment expenses under ESOS scheme	-	-	12,204	12,204
Profit for the period representing total comprehensive losses for the period	-	(51,993)	-	(51,993)
Balance at 30 September 2017	755,344	(173,135)	62,051	644,260

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.

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 RMB1,920,000	306,065,830	314,396
Balance at 30 September 2017	979,410,658	755,344

The Company has granted three tranches of options under ESOS Scheme on 9 April 2015, 20 May 2016 and 24 May 2017 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

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

Number of option outstanding under ESOS scheme as at 30 September 2017 was 43,303,750.

Save for the above, there were no outstanding convertible securities and treasury shares and subsidiary holdings as at 30 September 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 30 Sept 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 30 September 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 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 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 period.

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

Earning per share (EPS)	3Q		9-months (9M)	
	Jul – Sept 2017	July – Sept 2016	Jan – Sept 2017	Jan – Sept 2016
EPS based on average number of ordinary shares (RMB cents)	22.9	24.7	41.5	101.6
EPS on a fully diluted basis (in RMB cents)	22.9	24.5	41.5	100.8
Weighted average number of ordinary shares ('000)	843,231	673,345	843,231	673,345
Weighted average number of ordinary shares – diluted ('000)	845,602	678,432	845,602	678,432

Basic earnings per share for 3Q2017 and 9M2017 are calculated based on the Group's profit after taxation of RMB 193,262,000 and RMB 351,102,000 respectively on weighted average number of ordinary shares issued of 843,231,000.

For Comparative purpose, the basic earning per shares for 3Q2016 and 9M2016 were calculated based on the Group's profit after taxation of RMB 166,329,000 and RMB 684,146,000 respectively on actual number of ordinary shares issued of 673,344,828.

The fully diluted earnings per share for 3Q2017 and 9M2017 were calculated based on the Group's profit after taxation of RMB 193,262,000 and RMB 351,102,000 respectively on weighted average number of ordinary shares of 845,602,000 after adjusting for the outstanding options under ESOS scheme.

For comparative purpose, the fully diluted earnings per share for 3Q2016 and 9M2016 were calculated based on the Group profit after taxation of RMB 166,329,000 and RMB 684,146,000 respectively on weighted average number of ordinary shares of 678,432,000 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 17	31 Dec 16	30 Sept 17	31 Dec 16
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)	314.4	356.7	65.8	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 RMB157.7 million or 5.3% from RMB2,960.7 million in 9M2016 to RMB2,803.0 million in 9M2017. This decrease was attributable to the decrease of RMB145.2 million from sale of beverage products and RMB21.2 million from sale of canned products in overseas market, partially offset by an increase of RMB8.7 million from sales of canned products in domestic market. The decrease in sales revenue of beverage from 9M2016 to 9M2017 was mainly due to changes in consumption environment of the domestic beverage market in People's Republic of China ("China").

Breakdown of revenue by segments:

	3Q			9 months (9M)		
	Jul – Sept 2017	Jul – Sept 2016	Change	Jan – Sept 2017	Jan – Sept 2016	Change
<u>Product segment</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
<u>Canned products</u>						
- overseas	174,552	176,896	(1.3)	453,300	474,537	(4.5)
- domestic	167,987	146,988	14.3	368,976	360,306	2.4
<u>Beverage</u>	<u>885,395</u>	<u>784,405</u>	<u>12.9</u>	<u>1,980,694</u>	<u>2,125,896</u>	<u>(6.8)</u>
<u>Total</u>	<u>1,227,934</u>	<u>1,108,289</u>	<u>10.8</u>	<u>2,802,970</u>	<u>2,960,739</u>	<u>(5.3)</u>

Gross profit

Largely in line with the decrease in the Group's sales, the Group's gross profit decreased by approximately RMB171.9 million or 14.0%, from RMB1,225.1 million in 9M2016 to RMB1,053.2 million in 9M2017. The Group's overall gross profit margin (GPM) decreased by 3.8 percentage points, from 41.4% in 9M2016 to 37.6% in 9M2017. The decrease of our 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 9M2017. However, decrease in GPM of beverage product segments was mainly attributable to sales of lower GPM product mix of Qingrun series (清润系列) compared to 9M2016.

Operating expenses

Distribution and selling expenses decreased by approximately RMB21.7 million or 4.8%, from RMB450.1 million in 9M2016 to RMB428.4 million in 9M2017. This was due mainly to a decrease of RMB27.9 million in advertising and promotion expenses. Decrease in advertising and promotion cost in 9M2017 were mainly attributed to lower advertisement compared to 9M2016.

Administrative expenses decreased by approximately RMB35.0 million or 27.8%, from RMB125.9 million in 9M2016 to RMB90.9 million in 9M2017. This was mainly due to a decrease of RMB5.7 million in exchange losses, RMB1.7 million in employee benefit cost, RMB13.1 million in share-based payment expenses under ESOS scheme and RMB12.8 million in professional fees incurred mainly for the proposed listing of Garden Fresh.

Finance costs

Finance costs increased by approximately RMB6.5 million or 18.2%, from RMB35.7 million in 9M2016 to RMB42.2 million in 9M2017. The increase in finance costs was mainly due to higher bank borrowings in 9M2017 as compared to 9M2016.

Profit before taxation

Profit before taxation decreased by approximately RMB366.0 million or 42.6%, from RMB859.9 million in 9M2016 to RMB493.9 million in 9M2017. The decrease was mainly due to a decrease in revenue, other operating income, distribution and selling expenses, administrative expenses as well as changes in fair value of the option derivatives in relation to convertible bonds, partially offset by an increase in finance costs.

Review of Balance Sheet

Property, plant and equipment increased by approximately RMB279.5 million from RMB1,078.1 million in FY2016 to RMB1,357.6 million as at 9M2017 as a result of the acquisition of property, plant and equipment in Shanxi, Hubei and Anhui plants, partially offset by depreciation charged during the period under review.

Deposit paid for non-current assets decreased by approximately RMB229.3 million, from RMB787.8 million in FY2016 to RMB558.5 million as at 9M2017 which was mainly attributable to the installation and commissioning of plant and equipment in Shanxi, Hubei and Anhui plants.

The Group's inventories increased by approximately RMB3.3 million from RMB44.5 million in FY2016 to RMB47.8 million as at 9M2017. Higher inventory was mainly due to the seasonal harvesting of asparagus and loquat which occurs in second quarter of each year.

Trade receivables increased by approximately RMB345.6 million from RMB1,153.7 million in FY2016 to RMB1,499.3 million as at 9M2017. The increase in trade receivables was in line with Group's increased business activities in 9M2017. As at 31 October 2017, approximately RMB299.8 million of trade receivables as at 30 September 2017 had been collected.

Other receivables increased by approximately RMB18.7 million from RMB481.1 million in FY2016 to RMB499.8 million as at 9M2017. Other receivables comprised VAT receivables, export tax refund, deposit and prepayments.

Cash and cash equivalents stood at RMB567.0 million as at 30 September 2017. The increase in cash and cash equivalents from FY2016 was mainly due to cash generated from operating activities, issuance of new shares and bank loans obtained, partially offset by acquisition of property, plant and equipment and bank loan repayment.

Current liabilities increased by RMB6.9 million from RMB1,357.7 million in FY2016 to RMB1,364.6 million as at 9M2017. The increase was mainly attributable to an increase in trade payables of RMB20.0 million, current tax payable of RMB70.0 million, straight bonds of RMB14.3 million, exchangeable bonds of RMB7.1 million and other payables of RMB17.0 million, partially offset by a decrease in bank borrowings of RMB118.7 million and convertible loan of RMB2.6 million.

Equity interest increased by RMB677.6 million from RMB2,401.9 million as at 31 December 2016 to RMB3,079.5 million as at 30 September 2017. The increase was mainly attributable to net profits in 9M2017.

Review of cash flow statement

In 9M2017, operating cash flows before working capital changes amounted to RMB597.4 million. The Group used net cash of RMB312.6 million in its operating activities. Working capital changes comprised an increase in inventories of RMB3.3 million, operating receivables of RMB364.3 million and operating payables of RMB36.9 million and a decrease in deposit pledged with bank of RMB18.1 million. Net cash used in investing activities amounted to RMB90.4 million in 9M2017, which was due mainly to installation and commissioning of plant and equipment in Shanxi, Hubei and Anhui plants. In addition, net cash generated from financing activities amounted to RMB195.7 million in 9M2017, which was mainly due to new shares issued and bank loan obtained partially offset by repayment of bank loans.

Convertible bonds

The Group	30 September 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

The valuation of the exchangeable bonds was computed by an independent valuer based on the binominal method in deriving the fair value of the exchangeable bonds.

On 28 June 2017, the Company released announcement that it has entered into a restructuring agreement ("2017 Restructured Agreement") with Bond holders for a further restructuring of the 2011 Bonds, the 2012 Bonds, the 2011 SB2 Bonds and the 2012 SB2 Bonds. Pending the approval from State Administration of Foreign Exchange of the People's Republic of China ("SAFE") for the offshore fund transfer, the repayment date of SB2 has been further extended to end January 2018.

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 11 August 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 9 months of 2017 (“9M2017”), the National Bureau of Statistic of China (“NBS”) reported that China’s gross domestic product (“GDP”) increased by 6.9% year-on-year to RMB 59,328.8 billion as the economy maintained steady growth momentum. The national per capita disposable income was RMB19,342 in 9M2017, representing year-on-year growth of 9.1%.

Total retail sales of consumer goods in 9M2017 rose 10.4% to RMB26,317.8 billion with retail sales in rural area rising 12.1% to RMB3,758.6 billion while retail sales in urban area rising 10.1% to RMB22,559.2 billion. In 9M2017, the online retail sales surged 34.2% to RMB4,878.7billion*.

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 and distribution channel in order to appeal to a broader customer base in the China market.

To capitalize on the growth opportunities ahead, the Group will continue to invest in various advertising and promotional activities as well as sales and marketing initiatives in order to enhance its brand visibility and expand its distribution network.

In July and August 2017, the Group entered into separate agreements with 北京京东世纪信息技术有限公司 (“Jingdong”) for the distribution of the Group’s canned products and beverage products respectively on Jingdong’s distribution network across China. Additionally, the Group has also commenced online sales of its beverage products on www.JD.com, which is the e-commerce platform of Jingdong.

In September 2017, the Group announced that its wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Ltd. (“Garden Fresh Shenzhen”) (鲜绿园(深圳)果蔬饮料有限公司) has been accorded the prestigious “Asia Brands Top 500” award (亚洲品牌 500 强) during the 12th Asia Brand Ceremony held in Hong Kong on 9th September 2017 with a brand appraisal value of RMB12.83 billion. This is the third time Garden Fresh Shenzhen has been accorded the prestigious title of Asia Brands Top 500, to be among other leading brands in Asia.

In September 2017, the Group announced that during the official launch event in Shenzhen, PRC by 深圳市微信食品股份有限公司 (“Wechat Food”) for a new distribution network called “物联网-云平台” (“cloud platform for online products”) on 19 September 2017, the Company has entered into an agreement with Wechat Food to distribute the Group’s own-branded Garden Fresh beverage products on the new distribution network comprising automatic vending machines to be rolled out across China using Wechat Food’s cloud platform. When the vending machines are fully rolled out across China, covering multiple cities, in buildings, hotels and even offices, the Group’s products will become highly visible and easily accessible to consumers.

In October 2017, the Group announced that its own-branded Garden Fresh loquat juices have been procured by China Southern Airlines Company Limited (“CSA”) (中国南方航空股份有限公司) and being served in CSA’s premium lounge for business and first class travelers within Shenzhen airport (深圳机场明珠贵宾厅) since September 2017. The two Garden Fresh beverage products currently being served in CSA’s lounge are 250ml loquat juice in soft-pack and 310ml loquat juice in tin can. The Group also updated that China’s three other major airlines namely Air China Limited (中国国际航空股份有限公司), China Southwest Airlines (中国西南航空公司) and Sichuan Airlines Co., Ltd. (四

川航空股份有限公司) have been procuring Grandness canned fruits to be served in their respective lounges as well as during flights for the third year running. The two popular canned fruits that are being procured by the airlines are yellow peach and pineapple.

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

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/201710/t20171019_1543772.html

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

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.

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 2016 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 September 2017, the Group had utilised the net proceeds from the Rights Issue 2017 as follows:-

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	191,700	89,000	102,700
(b) Distribution network expansion and general working capital	40	127,800	85,800	42,000
- Distribution network expansion		100,000	58,000	42,000
- Bank loan repayment		24,800	24,800	-
- Operating expenses		3,000	3,000	-
Total	100	319,500	144,800	144,700

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

16. Statement pursuant to SGX Listing Rule 720(1) of the Listing Manual

The Company confirms that it has already procured undertakings from all of its Directors and executive officers in the format as set out in Appendix 7.7 of the SGX-ST Listing Manual in accordance to Rule 720 (1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD
HUANG YUPENG
CHAIRMAN AND CEO
10 November 2017