



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

HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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 comprehensive statement for the corresponding period of the immediately preceding financial year**

	<u>2Q</u>			<u>HALF YEAR (HY)</u>		
	Apr – Jun 2019	Apr – Jun 2018	Change	Jan – Jun 2019	Jan – Jun 2018	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	948,575	1,014,466	(6.5)	1,435,676	1,644,609	(12.7)
Cost of sales	(632,442)	(632,968)	(0.1)	(964,197)	(1,096,055)	(12.0)
Gross profit	316,133	381,498	(17.1)	471,479	548,554	(19.3)
Other operating income	19,675	(9,595)	(305.1)	40,337	11,088	263.8
Distribution and selling expenses	(166,767)	(148,529)	12.3	(255,568)	(201,282)	27.0
Administrative expenses	(51,083)	(17,903)	185.3	(96,657)	(61,375)	57.5
Finance costs	(15,625)	(9,189)	70.0	(29,821)	(25,029)	19.1
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	102,333	196,282	(47.9)	129,770	271,956	(52.3)
Changes in fair value of the option derivatives in relation to convertible bonds	-	-	-	-	-	-
Profit before income tax	102,333	196,282	(47.9)	129,770	271,956	(52.3)
Taxation	(36,922)	(51,937)	(28.9)	(51,589)	(84,753)	(39.1)
Net profit for the period	65,411	144,345	(54.7)	78,181	187,203	18.7
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	65,411	144,345	(54.7)	78,181	187,203	(58.2)
Profit for the period attributable to:						
Equity holders of the parent	65,568	144,383		78,380	187,502	
Non-controlling interests	(157)	(38)		(199)	(299)	
	65,411	144,345		78,181	187,203	

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

Equity holders of the parent	65,568	144,383	78,380	187,502
Non-controlling interests	(157)	(38)	(199)	(299)
	<u>65,411</u>	<u>144,345</u>	<u>78,181</u>	<u>187,203</u>

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

	<u>2Q</u>			<u>Half Year (HY)</u>		
	<u>Apr – Jun</u>	<u>Apr – Jun</u>	<u>Change</u>	<u>Jan – Jun</u>	<u>Jan – Jun</u>	<u>Change</u>
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation	(27,166)	(28,213)	30.4	(63,662)	(55,087)	15.6
Amortisation of land use rights	(599)	(452)	32.5	(1,199)	(905)	32.5
ESOS expenses	(1,831)	(2,712)	(32.5)	(4,846)	(6,707)	(27.7)
Net exchange (loss)/gain	(4,251)	(6,056)	(29.8)	598	(30)	N.M.

Other operating income

	<u>2Q</u>			<u>Half Year (HY)</u>		
	<u>Apr – Jun</u>	<u>Apr – Jun</u>	<u>Change</u>	<u>Jan – Jun</u>	<u>Jan – Jun</u>	<u>Change</u>
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Government grants	1	318	(99.7)	1	318	(99.7)
Interest income - banks	265	620	(57.3)	463	1,167	(60.3)
Exchange gain/(loss)	16,335	(16,033)	(201.9)	36,577	4,022	N.M.
Others	3,114	5,500	(43.4)	3,296	5,581	(40.9)
Total	19,715	(9,595)	(305.1)	40,337	11,088	263.8

N.M. – Not meaningful

Note:-

The net exchange losses in HY2019 and HY2018 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

	Group		Company	
	30 June 19	31 Dec 18	30 June 19	31 Dec 18
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,304,467	1,353,360	19	21
Land use rights	105,788	106,988	-	-
Subsidiaries	-	-	329,604	329,604
Amount owing by subsidiaries	-	-	465,147	542,592
Deferred tax assets	5,832	5,832	-	-
Deposit paid for non-current assets	592,180	577,300	-	-
Total non-current assets	2,008,267	2,043,480	794,770	872,217
Current assets				
Inventories	183,676	24,323	-	-
Trade receivables	1,486,905	1,584,684	-	-
Other receivables	568,515	340,650	5,709	158
Cash and cash equivalents	545,587	621,793	3,740	8,199
Total current assets	2,784,683	2,571,450	9,449	8,357
Current liabilities				
Trade payables	75,958	102,729	-	21,115
Other payables	217,381	114,312	74,617	35,842
Obligation under finance leases	18,344	3,405	-	-
Current tax payable	32,174	45,133	-	-
Bank borrowings	185,395	200,897	-	-
Loan from a shareholder (note)	145,927	144,819	145,927	144,819
Straight bonds	245,360	234,245	-	-
Amount owing to subsidiaries	-	-	23,697	70,538
Exchangeable bonds	484,792	484,792	-	-
Total current liabilities	1,405,331	1,330,332	244,241	272,314
Net current assets/(liabilities)	1,379,352	1,241,118	(234,792)	(263,957)
Non-current liabilities				
Obligation under finance leases	5,361	2,321	-	-
Deferred tax liabilities	27,741	27,741	20,241	20,241
Total non-current liabilities	33,102	30,062	20,241	20,241
Net assets	3,354,517	3,254,536	539,737	588,019
Equity				
Equity attributable to equity holders of the Parent				
Share capital	772,299	755,344	772,299	755,344
Retained profits/(Accumulated losses)	2,292,339	2,217,486	(315,904)	(245,821)
Other reserves	288,480	280,108	83,342	78,496
Total shareholder's funds	3,353,118	3,252,938	539,737	588,019
Non-controlling interests	1,399	1,598	-	-
Total equity	3,354,517	3,254,536	539,737	588,019

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

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

	30 Jun 2019	31 Dec 2018
	RMB'000	RMB'000
Amount repayable in one year or less or on demand		
Secured	349,666	345,716
Unsecured	730,152	722,442
	<u>1,079,818</u>	<u>1,068,158</u>
Amount repayable after one year		
Secured	5,361	2,321
Unsecured	-	-
	<u>5,361</u>	<u>2,321</u>
	<u><u>1,085,179</u></u>	<u><u>1,070,479</u></u>

Details of collaterals:-

The secured bank borrowings are secured by a mortgage over the Group's factory and warehouse premises, land use rights and office units.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	<u>2Q</u>		<u>Half Year (HY)</u>	
	Apr - Jun 2019	Apr - Jun 2018	Jan - Jun 2019	Jan - Jun 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit before income tax	102,333	196,282	129,770	271,956
Adjustments for:				
Depreciation of property, plant and equipment	27,166	28,213	63,662	55,087
Fair value of the option derivatives in relation to the convertible bonds	-	-	-	-
Amortisation of land use rights	599	452	1,199	905
Share-based payment expense under ESOS scheme	1,831	2,712	4,846	6,707
Interest expenses	15,625	5,220	29,821	25,029
Interest income	(265)	(620)	(463)	(1,167)
	<u>147,289</u>	<u>232,259</u>	<u>228,835</u>	<u>358,517</u>
Operating cash flows before working capital changes				
Decrease in deposits pledged with banks	-	2,677	7,529	2,677
Increase in inventories	(152,668)	(15,016)	(159,353)	(16,473)
Decrease/(increase) in operating receivables	139,075	(284,873)	(130,086)	(138,883)
(Decrease)/increase in operating payables	(587)	(16,643)	76,297	1,430
	<u><u>(587)</u></u>	<u><u>(16,643)</u></u>	<u><u>76,297</u></u>	<u><u>1,430</u></u>

	<u>2Q</u>		<u>Half Year (HY)</u>	
	Apr - Jun 2019 RMB'000	Apr - Jun 2018 RMB'000	Jan - Jun 2019 RMB'000	Jan - Jun 2018 RMB'000
Cash generated from/(used in) operations	133,109	(81,596)	23,222	207,268
Income tax paid	(16,774)	(33,963)	(64,547)	(75,582)
Interest paid	(7,636)	(5,220)	(14,430)	(25,029)
Net cash (used)/generated from operating activities	<u>108,699</u>	<u>(120,779)</u>	<u>(55,755)</u>	<u>106,657</u>
Cash flows from investing activities:				
Acquisition of property, plant and equipment	590	(172,557)	(14,768)	(173,663)
Deposit paid for non-current assets	-	(224,040)	(14,880)	(224,145)
Interest received	265	620	463	1,167
Net cash generated from/(used in) investing activities	<u>855</u>	<u>(395,977)</u>	<u>(29,185)</u>	<u>(396,641)</u>
Cash flows from financing activities:				
Proceeds from share issue	16,955	-	16,955	-
Share issue costs	-	-	-	-
Bank loans obtained	22,222	30,600	47,222	45,600
Bank loans repaid	(5,600)	(10,000)	(43,670)	(20,000)
Repayment of finance lease liabilities	(3,154)	(1,239)	(4,244)	(2,639)
Net cash generated from financing activities	<u>30,423</u>	<u>19,361</u>	<u>16,263</u>	<u>22,962</u>
Net increase/(decrease) in cash and cash equivalents	139,977	(497,395)	(68,677)	(267,022)
Cash and cash equivalents at beginning of period	<u>405,610</u>	<u>915,996</u>	<u>614,264</u>	<u>685,623</u>
Cash and cash equivalents at end of period	<u>545,587</u>	<u>418,601</u>	<u>545,587</u>	<u>418,601</u>
Cash and cash equivalents comprise:				
Cash and bank balances	545,587	418,601	545,587	418,601
Fixed deposits	-	4,000	-	4,000
	<u>545,587</u>	<u>422,601</u>	<u>545,587</u>	<u>422,601</u>
Less: Fixed deposits pledged	-	(4,000)	-	(4,000)
	<u>545,587</u>	<u>418,601</u>	<u>545,587</u>	<u>418,601</u>

Reconciliation of liabilities arising from financing activities

With effect from 1 January 2017, the Amendments to FRS 7 *Statements of Cash Flow* comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	Bank borrowings RMB'000	Finance leases RMB'000	Convertible loan RMB'000	Straight bonds RMB'000	Exchangeable bonds RMB'000
At 1 January 2019	200,897	5,726	144,819	234,245	484,792
<u>Cash flow</u>					
Additions	25,000	22,222	-	-	-
Repayments of principal and interests	(47,107)	(4,243)	(10,059)	-	-
<u>Non-cash changes</u>					
Fair value loss on derivative on convertible loan	-	-	-	-	-
Changes in fair value of exchangeable bonds	-	-	-	-	-
Accrued interest	6,551	-	11,117	11,115	-
Exchange translation	54	-	50	-	-
At 30 June 2019	185,395	23,705	145,927	245,360	484,792

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	-	-	-
Balance at 31 December 2018	755,344	2,217,485	78,496	(31,413)	233,025	3,252,938	1,598	3,254,536
Issue of shares	16,955	-	-	-	-	16,955	-	16,955
Profit for the period and representing total comprehensive income for the period	-	78,380	-	-	-	78,380	(199)	78,181
Share-based payment expenses under ESOS scheme	-	-	4,846	-	-	4,846	-	4,846
Transfer to statutory reserve	-	(3,526)	-	-	3,526	-	-	-
Balance at 30 June 2019	772,299	2,292,339	83,342	(31,413)	236,551	3,353,118	1,399	3,354,517

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)
Balance at 31 December 2018	755,344	(245,821)	78,496	588,019
Issue of shares	16,955	-	-	16,955
Share-based payment expenses under ESOS scheme	-	-	4,846	4,846
Profit for the period representing total comprehensive income for the period	-	(70,083)	-	(70,083)
Balance at 30 June 2019	772,299	(315,904)	83,342	539,737

- (d) (ii) Details of any changes in the company's share capital arising from right issues, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Issued and fully paid	Resultant number of shares	Resultant capital (RMB'000)
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
Balance at 30 June 2019	1,064,410,658	772,299

The Company granted four tranches of options under ESOS Scheme on 9 April 2015, 20 May 2016, 24 May 2017 and 25 May 2018 that give holders the right to subscribe for ordinary shares as detailed below:

Date of grant	Exercise price of Option Granted (SGD per share)	Expiry date
9 April 2015	0.33*	8 April 2025
9 April 2015	0.26*	8 April 2025
20 May 2016	0.49*	19 May 2026
24 May 2017	0.18	23 May 2027
25 May 2018	0.22 ⁽¹⁾ /0.18 ⁽²⁾	24 May 2028

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

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

⁽²⁾ Exercise price of option granted to associate of controlling shareholder.

Number of options outstanding under ESOS scheme as at 30 June 2019 was 55,305,461.

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

	As at 30 Jun 2019	As at 31 Dec 2018
Total number of ordinary shares issued and fully paid	1,064,410,658	979,410,658

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

1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable

1(d)(v) A statement showing all sales, transfer, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as set out in Note 5 of this announcement, the accounting policies and methods of computation have been consistently applied by the Group and by 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:

	As previously reported RMB'000	<u>HY 2019</u> Effects of adoption RMB'000	As restated RMB'000
Revenue	1,742,553	(97,944)	1,644,609
Cost of sales	(1,096,055)	-	(1,096,055)
Gross profit	646,498	(97,944)	548,554
Other operating income	11,088	-	11,088
Distribution and selling expenses	(299,226)	97,944	(201,282)
Administrative expenses	(61,375)	-	(61,375)
Other operating expenses	-	-	-
Finance costs	(25,029)	-	(25,029)
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	271,956	-	271,956
Changes in fair value of the option derivatives in relation to convertible loans and convertible bonds	-	-	-
Profit before income tax	271,956	-	271,956
Income tax expense	(84,753)	-	(84,753)
Profit after income tax	187,203	-	187,203
Other comprehensive income	-	-	-
Total comprehensive income	187,203	-	187,203

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)	2Q		Half Year (HY)	
	Apr – Jun 2019	Apr – Jun 2018	Jan – Jun 2019	Jan – Jun 2018
EPS based on average number of ordinary shares (RMB cents)	6.7	14.7	8.0	19.1
EPS on a fully diluted basis (in RMB cents)	6.7	14.7	8.0	19.1
Weighted average number of ordinary shares (000)	983,602	979,410	983,602	979,410
Weighted average number of ordinary shares – diluted (000)	983,602	981,438	983,602	981,438

Basic earnings per share for 2Q2019 and HY2019 are calculated based on the Group profit after taxation of RMB 65,568,000 and RMB 78,380,000 respectively on weighted average number of ordinary shares of 983,602,000 which is computed based on 18 days of new shares issued of 85,000,000.

For comparative purpose, the basic earnings per share for 2Q2018 and HY2018 were calculated based on the Group profit after taxation of RMB 144,383,000 and RMB 187,502,000 respectively on actual number of ordinary shares of 979,410,658.

The fully diluted earnings per share for 2Q2019 and HY2019 were calculated based on the Group profit after taxation of RMB 65,568,000 and RMB 78,380,000 respectively on weighted average number of ordinary shares of 983,602,000 after adjusting for the outstanding options under ESOS scheme.

For comparative purpose, the diluted earnings per share for 2Q2018 and HY2018 were calculated based on the Group profit after taxation of RMB 144,383,000 and RMB 187,502,000 respectively on actual weighted average number of ordinary shares of 981,438,000 after adjusting for the outstanding options under ESOS scheme.

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

Net asset value (NAV)	Group		Company	
	30 Jun 19	31 Dec 18	30 Jun 19	31 Dec 18
Number of ordinary shares	1,064,410,658	979,410,658	1,064,410,658	979,410,658
NAV per ordinary share in the Company (RMB cents)	315.2	335.1	50.7	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

Our revenue decreased by approximately RMB208.9 million or 35.6% from RMB1,644.6 million in HY2018 to RMB1,435.7 million in HY2019. The decrease was attributable to the decrease of RMB46.0

million in sale of beverage, RMB71.1 million and RMB91.8 million from sales of canned products in domestic and overseas market respectively. The decrease in sales revenue of beverage and canned products in domestic market from HY2018 to HY2019 was mainly due to slow down macro economy in People's Republic of China ("PRC") resulted by the trade war between PRC and US. Similarly, the sales of canned product to overseas market is also affected by the on-going trade war between PRC and US.

Breakdown of revenue by segments:

	2Q		Change	Half Year (HY)		Change
	Apr – Jun 2019	Apr – Jun 2018		Jan – Jun 2019	Jan – Jun 2018	
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Canned products						
- overseas	132,599	161,501	(17.9)	166,340	258,123	(35.6)
- domestic	78,500	126,479	(37.9)	123,660	194,770	(36.5)
Beverage	737,476	685,413	7.6	1,145,676	1,191,716	(4.1)
Total	948,575	1,014,466	(6.5)	1,435,676	1,644,609	(12.7)

Gross profit

Largely in line with the decrease in the Group's sales, the Group's gross profit decreased by approximately RMB113.1 million or 19.3%, from RMB584.6 million in HY2018 to RMB471.5 million in HY2019. Our overall gross profit margin (GPM) decreased by 0.6 percentage points, from 33.4% in HY2018 to 32.8% in HY2019. 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 product segment. The decrease in GPM of canned product in domestic and overseas market segments were mainly attributable to higher cost of raw materials compared to HY2018. However, 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 RMB54.3 million or 27.0%, from RMB201.3 million in HY2018 to RMB255.6 million in HY2019. This was mainly due to an increase of RMB67.7 million in advertising and promotion expenses. Increase in advertising and promotion expenses was mainly attributed to our increased promotional activities to promote our domestic sales of beverage and canned products compared to HY2018.

Administrative expenses increased by approximately RMB35.3 million or 57.5%, from RMB61.4 million in HY2018 to RMB96.7 million in HY2019. This was mainly attributable to increase in depreciation of RMB7.1 million due to completion of Anhui plant, unrealized exchange loss of RMB22.3 million and legal fee of RMB2.4 million.

Finance costs

Finance costs increased by approximately RMB4.8 million or 19.1%, from RMB25.0 million in HY2018 to RMB29.8 million in HY2019. The increase in finance costs was mainly due to higher obligation under finance lease and accrued interest on straight bonds and loan from a shareholder, partially offset by lower bank borrowings in HY2019 compared to HY2018.

Profit before taxation

Profit before taxation decreased by approximately RMB142.1 million or 52.3%, from RMB271.9 million in HY2018 to RMB129.8 million in HY2019. 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 RMB48.9 million from RMB1,353.4 million in FY2018 to RMB1,304.5 million in HY2019 as a result of depreciation charged during the period under review.

Deposit paid for non-current assets increased by approximately RMB14.9 million, from RMB577.3 million in FY2018 to RMB592.2 million in HY2019 which was mainly attributable to acquisition of property, plant and equipment in Group's Anhui plants.

Our inventories increased by approximately RMB159.4 million from RMB24.3 million in FY2018 to RMB183.7 million in HY2019. 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 decreased by approximately RMB97.8 million from RMB1,584.7 million in FY2018 to RMB1,486.9 million in HY2019. As at 31 August 2019, approximately RMB466.8 million of trade receivables as at 30 June 2019 had been collected.

Other receivables increased by approximately RMB227.8 million from RMB340.7 million in FY2018 to RMB568.5 million in HY2019. Other receivables comprised VAT receivables, export tax refund and prepayment for advertisement expenses.

Cash and cash equivalents stood at RMB545.6 million as at 30 June 2019. The decrease in cash and cash equivalents from FY2018 was mainly due to net cash used in operating activities, bank loan repayment and acquisition of property, plant and equipment, partially offset by bank loan obtained and cash from new shares issued.

Current liabilities increased by RMB75.0 million from RMB1,330.3 million in FY2018 to RMB1,405.3 million in HY2019. The increase was mainly attributable to an increase in other payables of RMB103.1 million comprising mainly VAT and other tax payable and amount due to non-trade suppliers, obligation under finance lease of RMB14.9 million, loan from a shareholder of RMB1.1 million and straight bonds of RMB11.1 million, partially offset by a decrease in trade payable of RMB26.8 million, current tax payable of RMB12.9 million and bank borrowing of RMB15.5 million.

Equity interest increased by RMB100.0 million from RMB3,254.5 million as at 31 December 2018 to RMB3,354.5 million as at 30 June 2019. The increase was mainly attributable to net profits generated in HY2019.

Review of cash flow statement

In HY2019, operating cash flows before working capital changes amounted to RMB228.8 million. The Group used net cash of RMB205.6 million in its operating activities. Working capital changes comprised an increase in inventories of RMB159.3 million, operating receivables of RMB130.1 million and operating payable of RMB76.3 million, partially offset by a decrease in deposits pledged with banks of RMB7.5 million. Net cash used in investing activities amounted to RMB29.2 million in HY2019, which was due mainly to deposit paid for non-current assets for Anhui plant. In addition, net cash generated from financing activities amounted to RMB16.3 million in HY2019, which was due to bank loan obtained and proceeds from share issue, partially offset by repayment of bank loans and finance lease.

Convertible bonds

Group	30 June 2019 RMB'000	31 December 2018 RMB'000	Variance RMB'000
2012 Convertible Bond	339,752	339,752	-
2011 Convertible Bond	145,040	145,040	-
	484,792	484,792	-

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 first quarter results announcement released on 29 August 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.

The Group will continue to scale up its strategy of reaching out to engage new customers while strengthening and encouraging consumption through existing and new sales channels. We believe that the fundamental drivers of our strategy such as the growing demand of Chinese consumers for convenient and healthy food products remain sound. In conjunction with rising demand for consumer goods across offline and online channels, this translates into further avenues that we can tap on to grow our value. We will continue to enhance our brand visibility to grow our market share while expanding our range of products to grow our returns.

In May 2019, the Group updated that it has successfully rolled out its products across approximately 1,400 convenience stores within petrol stations operated by two of the largest operators in China, namely PetroChina and Sinopec. As at 30 April 2019, the Group's products are available in approximately 500 petrol station convenience stores in Guangdong province and approximately 900 petrol station convenience stores in Guangxi province. According to online media report**, PetroChina and Sinopec collectively operate more than 50,000 petrol stations across China. Additionally, the Group's products are available in approximately 10,000 Meiyijia (美宜佳) convenience stores and 150 Meiyiduo (美宜多) supermarkets.

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://finance.sina.com.cn/roll/2018-07-04/doc-ihvauxi9243473.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/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for the half year ended 30 June 2019 to enable the Group to conserve cash for working capital purposes.

13. Interested Person Transactions (“IPT”)

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

14. Statement pursuant to SGX Listing Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited half year financial results for the period ended 30 June 2019 to be false or misleading in any material aspect.

15. Use of net proceeds

The Board refers to the issuance of 85,000,000 shares by the Company in June 2019 (“Placement 2019 (1)”). As at 11 September 2019, 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) Repayment of outstanding sums due to Soleado	60	10,050	10,050	-
(b) General working capital	40	6,700	6,700	-
- Operating expenses		6,700	6,700	-
Total	100	16,750	16,750	-

The Board refer to the issuance of 85,000,000 shares by the Company in August 2019 (“Placement 2019 (2)”). As at 11 September 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	310	7,000
- Operating expenses		7,310	310	7,000
Total	100	18,275	11,275	7,000

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
 13 September 2019