



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 2019

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

	<u>1Q</u>		Change %
	Jan - Mar 2019 RMB'000	Jan - Mar 2018 RMB'000	
Revenue	487,101	671,216	(27.4)
Cost of sales	(331,755)	(463,087)	(28.4)
Gross profit	155,346	208,129	(25.4)
Other operating income	20,662	20,683	(0.1)
Distribution and selling expenses	(88,801)	(93,826)	(5.4)
Administrative expenses	(45,574)	(43,472)	4.8
Finance costs	(14,196)	(15,840)	(10.4)
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	27,437	75,674	(63.7)
Changes in fair value of the option derivatives in relation to convertible bonds	-	-	-
Profit before income tax	27,437	75,674	(63.7)
Income tax expense	(14,667)	(32,816)	(55.3)
Profit for the period	12,770	42,858	(70.2)
Other comprehensive income	-	-	-
Total comprehensive income for the period	12,770	42,858	(70.2)
Profit for the period attributable to:			
Equity holders of the Parent	12,812	43,119	
Non-controlling interests	(42)	(261)	
	12,770	42,858	
Total comprehensive income for the period attributable to:			
Equity holders of the Parent	12,812	43,119	
Non-controlling interests	(42)	(261)	
	12,770	42,858	

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

	1Q		
	Jan – Mar 2019	Jan – Mar 2018	Change
	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	(36,496)	(26,873)	35.8
Amortisation of land use rights	(600)	(453)	32.5
Net exchange gain (Note)	4,849	6,026	(19.5)
Share-based payment expenses under ESOS scheme	(3,015)	(3,995)	(24.5)
Other operating income			
Interest income – banks	198	548	(44.2)
Exchange gain	20,242	20,055	155.0
Others	222	80	180.0
Total	20,662	20,683	(0.1)

Note :-

The net exchange gains in 1Q2019 and 1Q2018 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	
	31 Mar 19	31 Dec 18	31 Mar 19	31 Dec 18
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,332,221	1,353,360	20	21
Land use rights	106,388	106,988	-	-
Subsidiaries	-	-	329,604	329,604
Amount owing by subsidiaries	-	-	485,009	542,592
Deferred tax assets	5,832	5,832	-	-
Deposit paid for non-current assets	592,180	577,300	-	-
Total non-current assets	2,036,621	2,043,480	814,633	872,217
Current assets				
Inventories	31,008	24,323	-	-
Trade receivables	1,547,365	1,584,684	-	-
Other receivables	647,131	340,650	179	158
Cash and cash equivalents	405,610	621,793	7,211	8,199
Total current assets	2,631,114	2,571,450	7,390	8,357
Current liabilities				
Trade payables	74,087	102,729	21,842	21,115
Other payables	219,839	114,312	35,320	35,842
Obligation under finance lease	3,405	3,405	-	-
Current tax payable	12,027	45,133	-	-
Bank borrowings	187,681	200,897	-	-
Loan from a shareholder (note)	147,014	144,819	147,014	144,819
Straight bonds	239,598	234,245	-	-
Amount owing to subsidiaries	-	-	22,513	70,538
Exchangeable bonds	484,792	484,792	-	-
Total current liabilities	1,368,443	1,330,332	226,689	272,314
Net current assets/(liabilities)	1,262,671	1,241,118	(219,299)	(263,957)
Non-current liabilities				
Obligation under finance lease	1,231	2,321	-	-
Deferred tax liabilities	27,741	27,741	20,241	20,241
Total non-current liabilities	28,972	30,062	20,241	20,241
Net assets	3,270,320	3,254,536	575,093	588,019
Equity				
Equity attributable to equity holders of the Parent				
Share capital	755,344	755,344	755,344	755,344
Retained profits/(Accumulated losses)	2,229,530	2,217,486	(261,762)	(245,821)
Other reserves	283,890	280,108	81,511	78,496
Total shareholders' funds	3,268,764	3,252,938	575,093	588,019
Non-controlling interests	1,556	1,598	-	-
Total equity	3,270,320	3,254,536	575,093	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

	<u>31 Mar 2019</u>	<u>31 Dec 2018</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Amount repayable in one year or less, or on demand		
Secured	181,020	345,716
Unsecured	724,390	722,442
	<u>905,410</u>	<u>1,068,158</u>
Amount repayable after one year		
Secured	1,231	2,321
Unsecured	-	-
	<u>1,231</u>	<u>2,321</u>
	<u>906,641</u>	<u>1,070,479</u>

Details of collaterals:-

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

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

	<u>1Q</u>	
	<u>Jan - Mar</u>	<u>Jan - Mar</u>
	<u>2019</u>	<u>2018</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Cash flows from operating activities:		
Profit before income tax	27,437	75,674
Adjustments for:		
Depreciation of property, plant and equipment	36,496	26,873
Amortisation of land use rights	600	453
Share-based payment expenses under ESOS scheme	3,015	3,995
Interest expense	14,196	15,840
Interest income	(198)	(548)
	<u>81,546</u>	<u>122,287</u>
Operating cash flows before working capital changes		
Decrease in deposits pledged with banks	7,529	-
Increase in inventories	(6,685)	(1,457)
(Increase)/decrease in operating receivables	(269,161)	145,990
Increase in operating payables	76,884	18,073
	<u>(109,887)</u>	<u>284,893</u>
Cash (used in)/generated from operations		
Income tax paid	(47,773)	(41,619)
Interest paid	(6,794)	(15,840)
Net cash (used in)/generated from operating activities	<u>(164,454)</u>	<u>227,434</u>

	<u>1Q</u>	
	Jan - Mar 2019 RMB'000	Jan - Mar 2018 RMB'000
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(15,357)	(1,106)
Deposit paid for non-current assets	(14,879)	(105)
Interest received	198	548
Net cash used in investing activities	<u>(30,040)</u>	<u>(663)</u>
Cash flows from financing activities:		
Bank loans obtained	25,000	15,000
Repayment of finance lease liabilities	(1,090)	(1,398)
Bank loans repaid	(38,070)	(10,000)
Net cash (used in)/generated from financing activities	<u>(14,160)</u>	<u>3,602</u>
Net increase in cash and cash equivalents	(208,654)	230,373
Cash and cash equivalents at beginning of period	<u>614,264</u>	<u>685,623</u>
Cash and cash equivalents at end of period	<u>405,610</u>	<u>915,996</u>
Cash and cash equivalents comprise:		
Cash and bank balances	405,610	915,996
Fixed deposits	-	8,002
	<u>405,610</u>	<u>923,998</u>
Less: Fixed deposits pledged	-	(8,002)
	<u>405,610</u>	<u>915,996</u>

Reconciliation of liabilities arising from financing activities

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

	Bank borrowings RMB'000	Finance leases RMB'000	Loan from a related party 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	-	-	-	-
Repayments of principal/interests	(38,070)	(1,090)	-	-	-
<u>Non-cash changes</u>					
Fair value loss on derivative on convertible loan	-	-	-	-	-
Changes in fair value of exchangeable bonds	-	-	-	-	-
Accrued interest	3,186	-	5,320	5,353	-
Exchange translation	(3,332)	-	(3,125)	-	-
At 31 March 2019	<u>187,681</u>	<u>4,636</u>	<u>147,014</u>	<u>239,598</u>	<u>484,792</u>

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

	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 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	2,217,486	78,496	(31,413)	233,025	3,252,938	1,598	3,254,536
Profit for the period and representing total comprehensive income for the period	-	12,812	-	-	-	12,812	(42)	12,770
Share-based payment expenses under ESOS scheme	-	-	3,015	-	-	3,015	-	3,015
Transfer to statutory reserve	-	(768)	-	-	768	-	-	-
Balance at 31 March 2019	755,344	2,229,530	81,511	(31,413)	233,793	3,268,765	1,556	3,270,320

	Share capital	Accumulated losses	Share option reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
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
Share-based payment expenses under ESOS scheme	-	-	3,015	3,015
Profit for the period representing total comprehensive income for the period	-	(15,941)	-	(15,941)
Balance at 31 March 2019	755,344	(261,762)	81,511	575,093

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.

During the current financial period, there is no changes in the share capital of the Company

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

Date of grant	Exercise price of option granted (SGD per share)		Expiry date
	Prior adjustment	Post adjustment	
9 April 2015	0.33*	0.30*	8 April 2025
9 April 2015	0.26*	0.24*	8 April 2025
20 May 2016	0.49*	0.45*	19 May 2026
24 May 2017	0.18	0.18	23 May 2027
25 May 2018	0.22 ⁽¹⁾ /0.18 ⁽²⁾	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 31 March 2019 was 55,305,461.

Save for the above, there were no outstanding convertible securities and treasury shares as at 31 March 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 31 Mar 2019	As at 31 Dec 2018
Total number of ordinary shares issued and fully paid	979,410,658	979,410,658

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

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

Not applicable

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

Not applicable

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

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

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

Not applicable.

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

Except as 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 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:

	<u>1Q 2018</u>		
	As previously reported RMB'000	Effects of adoption RMB'000	As restated RMB'000
Revenue	728,087	(56,871)	671,216
Cost of sales	(463,087)	-	(463,087)
Gross profit	265,000	(56,871)	208,129
Other operating income	20,683	-	20,683
Distribution and selling expenses	(150,697)	56,871	(93,826)
Administrative expenses	(43,472)	-	(43,472)
Other operating expenses	-	-	-
Finance costs	(15,840)	-	(15,840)
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	75,674	-	75,674
Changes in fair value of the option derivatives in relation to convertible loans and convertible bonds	-	-	-
Profit before income tax	75,674	-	75,674
Income tax expense	(32,816)	-	(32,816)
Profit after income tax	42,858	-	42,858
Other comprehensive income	-	-	-
Total comprehensive income	42,858	-	42,858

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

Earnings per share (EPS)

	<u>Group</u>	
	Jan – Mar 2019	Jan – Mar 2018
EPS based on average number of ordinary shares (RMB cents)	1.3	4.4
EPS on a fully diluted basis (RMB cents)	1.3	4.4
Weighted average number of ordinary shares ('000)	979,410	979,410
Weighted average number of ordinary shares – diluted ('000)	980,197	980,644

Basic earnings per share for 1Q2019 are calculated based on the Group's profit after taxation of RMB12,812,000 on actual number of ordinary shares issued of 979,410,658.

For comparative purpose, the basic earnings per share for 1Q2018 are calculated based on the Group's profit after taxation of RMB43,119,000 on actual number of ordinary shares issued of 979,410,658.

The fully diluted earnings per share for 1Q2019 are calculated based on the Group's profit after taxation of RMB12,812,000 on weighted average number of ordinary shares of 980,197,000 after adjusting for the outstanding option under ESOS scheme.

For comparative purpose, the fully diluted earnings per share for 1Q2018 are calculated based on the Group profit after taxation of RMB43,119,000 on weighted average number of ordinary shares of 980,644,000 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	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Number of ordinary shares	979,410,658	979,410,658	979,410,658	979,410,658
NAV per ordinary share in the Company (RMB cents)	323.9	332.3	58.7	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

The Group's revenue decreased by approximately RMB184.1 million or 27.4% from RMB671.2 million in 1Q2018 to RMB487.1 million in 1Q2019. The decrease was attributable to the decrease of RMB63.1 million from sale of canned products in overseas market, RMB23.1 million from sales canned products in domestic markets and RMB98.1 million from sales of beverage products. The decrease in sales revenue of beverage and canned products in domestic market from 1Q2018 to 1Q2019 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 oversea market is also affected by the on-going trade war between PRC and US.

Breakdown of revenue by segments:

	1Q		Change
	Jan - Mar 2019	Jan - Mar 2018	
Product segment	RMB'000	RMB'000	%
Canned products			
- overseas	33,741	96,622	(65.1)
- domestic	45,160	68,291	(33.9)
Beverage	408,200	506,303	(19.4)
Total	487,101	671,216	(27.4)

Gross profit

Largely in line with the decrease in Group's sales, Group's gross profit decreased by approximately RMB52.8 million or 28.4%, from RMB208.1 million in 1Q2018 to RMB155.3 million in 1Q2019. Our overall gross profit margin (GPM) improved by 0.9 percentage points, from 31.0% in 1Q2018 to 31.9% in 1Q2019. The increase of Group's overall GPM was a result of a increase in GPM of beverage, partially offset by a decrease in GPM of canned product in both domestic and overseas market segment. The increase in GPM of beverage products segments in 1Q2019 was mainly attributable to introduction of new product mix and higher average selling price compared to 1Q2018. However, decrease in GPM of canned product in domestic market segment was mainly attributable to higher cost of raw materials in 1Q2019 compared to 1Q2018.

Operating expenses

Distribution and selling expenses decreased by approximately RMB5.0 million or 5.4%, from RMB93.8 million in 1Q2018 to RMB88.8 million in 1Q2019. This was due mainly to decrease of RMB17.9 million in transportation cost resulted by lower domestic sales, partially offset by an increase in advertising and promotion expenses of RMB15.0 million. Increase in advertising and promotion expenses was mainly attributable to our increased promotional activities to promote our domestic sales of canned products in PRC.

Administrative expenses increased by approximately RMB2.1 million or 4.8%, from RMB43.5 million in 1Q2018 to RMB45.6 million in 1Q2019. This was mainly due to increase in depreciation expenses of RMB5.2 million resulted by completion of Anhui plant, partially offset by decrease in share based expenses of RMB1.0 million and professional fee of RMB1.1 million.

Finance costs

Finance costs decreased by approximately RMB1.6 million or 10.4%, from RMB15.8 million in 1Q2018 to RMB14.2 million in 1Q2019. The decrease in finance cost was mainly due to lower bank borrowings in 1Q2019 compared to 1Q2018.

Profit before taxation

Profit before income tax decreased by approximately RMB48.3 million or 63.7%, from RMB75.7 million in 1Q2018 to RMB27.4 million in 1Q2019. Decrease in profit before taxation was due to a decrease in revenue, other operating income, distribution and selling expenses and finance cost, partially offset by an increase in administrative expenses.

Review of statement of financial position

Property, plant and equipment decreased by approximately RMB21.2 million from RMB1,353.4 million in FY2018 to RMB1,332.2 million in 1Q2019 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 1Q2019 which was mainly attributable to acquisition of property, plant and equipment in Group's Anhui plant.

Our inventories increased by approximately RMB6.7 million from RMB24.3 million in FY2018 to RMB31.0 million in 1Q2019. The increase in inventories during the period under review was mainly attributable to lower sales and the commencement of production in Anhui plant.

Trade receivables decreased by approximately RMB37.3 million from RMB1,584.7 million in FY2018 to RMB1,547.4 million in 1Q2019 mainly due to lower sales during the period under review. As at 30 June 2019, approximately RMB1,178.4 million of trade receivables as at 31 March 2019 had been collected.

Other receivables increased by approximately RMB306.4 million from RMB340.7 million in FY2018 to RMB647.1 million in 1Q2019. Other receivables comprised prepayment to suppliers, VAT receivables, export tax refund and prepayment for advertisement expenses.

Cash and cash equivalents stood at RMB405.6 million as at 31 March 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 during the period under review.

Current liabilities increased by RMB38.1 million from RMB1,330.3 million in FY2018 to RMB1,368.4 million in 1Q2019. The increase was mainly attributable to an increase in other payable of RMB105.5 million comprising mainly VAT and other tax payable and amount due to non-trade suppliers, interest on loan from a shareholder of RMB2.2 million and straight bond of RMB5.3 million, partially offset by a decrease in trade payables of RMB28.6 million, bank borrowings of RMB13.2 million and current tax payable of RMB33.1 million.

Equity holders' interest increased by RMB15.8 million from RMB3,254.5 million as at 31 December 2018 to RMB3,270.3 million as at 31 March 2019. The increase was mainly attributable to increase in net profit in 1Q2019.

Review of cash flow statement

In 1Q2019, operating cash flows before working capital changes amounted to RMB81.5 million. The Group used net cash of RMB191.4 million in its operating activities. Working capital changes comprised a decrease in deposits pledged with banks of RMB7.5 million, an increase in inventory of RMB6.7 million, an increase in operating receivables of RMB269.2 million, an increase in operating payables of RMB76.9 million. Net cash used in investing activities amounted to RMB30.0 million in 1Q2019, which was due mainly to deposit paid for non-current assets at Anhui plant. In addition, net cash used in financing activities amounted to RMB14.2 million in 1Q2019, which was mainly due to bank loan obtained partially offset by repayment of bank loans.

Exchangeable bonds

Group	31 March 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 discounted cash flow 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 full year results announcement released on 1 March 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"). The Company will keep shareholders updated on any material developments relating to the Proposed Listing as and when appropriate.

Sources :

** <http://finance.sina.com.cn/roll/2018-07-04/doc-ihevauxi9243473.shtml>

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/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for the quarter ended 31 March 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 first quarter financial results for the period ended 31 March 2019 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 31 March 2017, the Group had fully 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	191,700	-
(b) Distribution network expansion and general working capital	40	127,800	127,800	-
- Distribution network expansion		100,000	100,000	-
- Bank loan repayment		24,800	24,800	-
- Operating expenses		3,000	3,000	-
Total	100	319,500	319,500	-

The Board refer to the issuance of 85,000,000 shares by the Company in June 2019 (“Placement 2019 (1)”). As at 28 August 2019, the Group had utilized the net proceeds from the Placement 2019 (1) as follows :-

Use of net proceeds	Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilized (RMB'000)	Balance (RMB'000)
(c) Repayment of outstanding sums due to Soleado	60	10,050	10,050	-
(d) General working capital	40	6,700	5,000	1,700
- Operating expenses		6,700	5,000	1,700
Total	100	16,750	15,000	1,700

The Company will make further announcement on the use of proceeds from the Placement 2019 (1) as and when the funds are materially disbursed.

The Board refer to the issuance of 85,000,000 shares by the Company in August 2019 (“Placement 2019 (2)”). As at 28 August 2019, the Group had not 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)
(e) Repayment of outstanding sums due to Soleado	60	10,965	-	10,965
(f) General working capital	40	7,310	-	7,310
- Operating expenses		7,310	-	7,310
Total	100	18,275	-	18,275

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
 29 August 2019