



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 2016

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 2016	Jan - Mar 2015	
	RMB'000	RMB'000	%
Revenue	723,706	582,211	24.3
Cost of sales	(427,011)	(344,753)	23.9
Gross profit	296,695	237,458	24.9
Other operating income	106,819	12,433	N.M.
Distribution and selling expenses	(114,343)	(61,975)	84.5
Administrative expenses	(38,599)	(40,936)	(5.7)
Finance costs	(6,311)	(65,900)	(90.4)
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	244,261	81,080	201.3
Changes in fair value of the option derivatives in relation to convertible bonds	157,888	67,600	133.6
Profit before income tax	402,149	148,680	170.5
Income tax expense	(42,061)	(40,842)	3.0
Profit for the period	360,088	107,838	233.9
Other comprehensive income	-	-	-
Total comprehensive income for the period	360,088	107,838	233.9
Profit for the period attributable to:			
Equity holders of the Parent	360,220	108,175	
Non-controlling interests	(132)	(337)	
	360,088	107,838	
Total comprehensive income for the period attributable to:			
Equity holders of the Parent	360,220	108,175	
Non-controlling interests	(132)	(337)	
	360,088	107,838	

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

	1Q		
	Jan – Mar 2016	Jan – Mar 2015	Change
	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	(16,392)	(15,759)	4.0
Amortisation of land use rights	(600)	(600)	-
Share-based payment expenses under ESOS scheme	(5,402)	(2,579)	109.5
Net exchange gain/(loss) (Note 1)	33	(761)	(104.3)

Other operating income

Government grants	4	-	100.0
Interest income – banks	111	399	(72.2)
Exchange gain	14,810	11,957	23.9
Gain on restructuring of convertible bonds (Note2)	91,618	-	100.0
Others	276	77	258.4
Total	106,819	12,433	N.M.

N.M. – Not meaningful

Note 1 :-

The exchange gains and losses in 1Q2016 and 1Q2015 were mainly attributable to the revision of exchange rates for Renminbi against United States dollar and Singapore dollar.

Note 2 :-

The gain arises as a result of the restructuring of the convertible bonds on 1 March 2016.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31 Mar 16	31 Dec 15	31 Mar 16	31 Dec 15
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	925,633	939,503	10	11
Land use rights	112,088	112,688	-	-
Subsidiaries	-	-	61,094	61,094
Amount owing by subsidiaries	-	-	316,090	311,040
Deferred tax assets	1,654	1,654	-	-
Deposit paid for non-current assets	601,812	595,777	-	-
Total non-current assets	1,641,187	1,649,622	377,194	372,145
Current assets				
Inventories	70,600	54,688	-	-
Trade receivables	904,994	953,898	-	-
Other receivables	335,382	375,463	43,313	114
Cash and cash equivalents	382,646	142,986	1,800	4,245
Total current assets	1,693,622	1,527,035	45,113	4,359
Current liabilities				
Trade payables	18,563	29,290	-	1,394
Other payables	74,676	57,042	14,045	23,014
Note payables	55,500	55,500	-	-
Current tax payable	42,061	41,800	-	-
Bank borrowings	165,000	130,000	-	-
Straight bonds	280,364	-	-	-
Convertible bonds	503,060	1,032,930	-	-
Total current liabilities	1,139,224	1,346,562	14,045	24,408
Net current assets/(liabilities)	554,398	180,473	31,068	(20,049)
Non-current liabilities				
Deferred tax liabilities	20,241	20,241	20,241	20,241
Total non-current liabilities	20,241	20,241	20,241	20,241
Net assets	2,175,344	1,809,854	388,021	331,855
Equity				
Equity attributable to equity holders of the Parent				
Share capital	440,948	440,948	440,948	440,948
Retained profits/(Accumulated losses)	1,556,195	1,203,901	(81,002)	(131,766)
Other reserves	175,689	162,361	28,075	22,673
Total shareholders' funds	2,172,832	1,807,210	388,021	331,855
Non-controlling interests	2,512	2,644	-	-
Total equity	2,175,344	1,809,854	388,021	331,855

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

	<u>31 Mar 2016</u>	<u>31 Dec 2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Amount repayable in one year or less, or on demand		
Secured	165,000	130,000
Unsecured	783,424	1,032,930
	<u>948,424</u>	<u>1,162,930</u>
Amount repayable after one year		
Secured	-	-
Unsecured	-	-
	<u>-</u>	<u>-</u>
	<u>948,424</u>	<u>1,162,930</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 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>2016</u>	<u>2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Cash flows from operating activities:		
Profit before income tax	402,149	148,680
Adjustments for:		
Depreciation of property, plant and equipment	16,392	15,760
Fair value of the option derivatives in relation to the convertible bonds	(157,888)	(67,600)
Amortisation of land use rights	600	600
Share-based payment expenses under ESOS scheme	5,402	2,579
Gain on restructuring of convertible bonds	(91,618)	-
Interest expense	6,311	65,900
Interest income	(111)	(399)
Operating cash flows before working capital changes	<u>181,237</u>	<u>165,520</u>
Decrease in deposits pledged with banks	15,147	44,138
(Increase)/decrease in inventories	(15,912)	4,563
Decrease/(increase) in operating receivables	88,985	(18,760)
Increase in operating payables	3,767	95,306
Cash generated from operations	<u>273,224</u>	<u>290,767</u>
Income tax paid	(41,800)	(16,363)
Interest paid	(3,171)	(1,311)
Net cash generated from operating activities	<u>228,253</u>	<u>273,093</u>

	Jan - Mar 2016 RMB'000	1Q Jan - Mar 2015 RMB'000
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(2,522)	(2,591)
Deposit paid for non-current assets	(6,035)	(43,000)
Interest received	111	399
Net cash used in investing activities	<u>(8,446)</u>	<u>(45,192)</u>
Cash flows from financing activities:		
Bank loans obtained	100,000	35,000
Bank loans repaid	(65,000)	(22,400)
Net cash generated from financing activities	<u>35,000</u>	<u>12,600</u>
Net increase in cash and cash equivalents	254,807	240,501
Cash and cash equivalents at beginning of period	112,339	174,434
Cash and cash equivalents at end of period	<u>367,146</u>	<u>414,935</u>
Cash and cash equivalents comprise:		
Cash and bank balances	367,146	414,935
Fixed deposits	15,500	5,000
	<u>382,646</u>	<u>419,935</u>
Less: Fixed deposits pledged	(15,500)	(5,000)
	<u>367,146</u>	<u>414,935</u>

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

Group	Share capital	Retained profits	Share Option Reserve	Merger reserve	Statutory common reserve	Attributable to equity holders of the Company	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	440,948	1,035,167	10,531	(31,413)	133,162	1,588,395	3,248	1,591,643
Profit for the year and representing total comprehensive income for the year	-	206,673	-	-	-	206,673	(604)	206,069
Share-based payment expenses under ESOS scheme	-	-	12,142	-	-	12,142	-	12,142
Transfer to statutory reserve	-	(37,939)	-	-	37,939	-	-	-
Balance at 31 December 2015	440,948	1,203,901	22,673	(31,413)	171,101	1,807,210	2,644	1,809,854
Profit for the period and representing total comprehensive income for the period	-	360,220	-	-	-	360,220	(132)	360,088
Share-based payment expenses under ESOS scheme	-	-	5,402	-	-	5,402	-	5,402
Transfer to statutory reserve	-	(7,926)	-	-	7,926	-	-	-
Balance at 31 March 2016	440,948	1,556,195	28,075	(31,413)	179,027	2,172,832	2,512	2,175,344

Company	Share capital	Accumulated losses	Share option reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	440,948	(100,859)	10,531	350,620
Share-based payment expenses under ESOS scheme	-	-	12,142	12,142
Loss for the year representing total comprehensive income for the year	-	(30,907)	-	(30,907)
Balance at 31 December 2015	440,948	(131,766)	22,673	331,855
Share-based payment expenses under ESOS scheme	-	-	5,402	5,402
Profit for the period representing total comprehensive income for the period	-	50,764	-	50,764
Balance at 31 March 2016	440,948	(81,002)	28,075	388,021

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, 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.

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

The Company has granted two tranches of options under ESOS Scheme on 9 April 2015 that give holders the right to subscribe for ordinary shares between 9 April 2016 and 8 April 2025 at SGD0.33 and SGD0.26 per share respectively. Options outstanding under ESOS schemes as at 31 March 2016 was 26,100,000.

Save for the above, there were no other outstanding convertible securities and treasury shares as at 31 March 2016 and 31 December 2015.

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 2016	As at 31 Dec 2015
Total number of ordinary shares issued and fully paid	673,344,828	673,344,828

The Company does not have treasury shares as at 31 March 2016 and 31 December 2015.

1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares 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 the Company and are consistent with the audited financial statements for the financial year ended 31 December 2015.

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 revised Financial Reporting Standard (“FRS”) and Interpretation of FRS (“INT FRS”) that are effective for annual periods beginning on and after 1 January 2016 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).**

Earnings per share (EPS)

	<u>Group</u>	
	Jan – Mar 2016	Jan – Mar 2015
EPS based on average number of ordinary shares (RMB cents)	53.5	16.1
EPS on a fully diluted basis (RMB cents)	53.4	16.1
Weighted average number of ordinary shares ('000)	673,345	673,345
Weighted average number of ordinary shares – diluted ('000)	674,637	673,345

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

For comparative purpose, the basic earnings per share for 1Q2015 are calculated based on the Group's profit after taxation of RMB108,175,000 on actual number of ordinary shares issued of 673,344,828.

The fully diluted earnings per share for 1Q2016 and 1Q2015 were calculated based on the Group profit after taxation of RMB360,220,000 and RMB108,175,000 respectively on actual number of ordinary shares issued of 674,637,020 and 673,344,828 respectively 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)	<u>Group</u>		<u>Company</u>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
Number of ordinary shares	673,344,828	673,344,828	673,344,828	673,344,828
NAV per ordinary share in the Company (RMB cents)	323.1	268.8	51.2	49.3

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 increased by approximately RMB141.5 million or 24.3% from RMB582.2 million in 1Q2015 to RMB723.7 million in 1Q2016. This increase was attributable to the increase of RMB124.7 million from sales of beverage, RMB6.5 million from sales of canned products in domestic market and RMB10.3 million from sales of canned products in overseas markets respectively. The increases in sales volume of canned products and beverage in domestic market from 1Q2015 to 1Q2016 were mainly due to expansion of distribution network in People Republic of China ("PRC"). Increase in sales revenue of canned products in overseas market was mainly due to increase in demand from existing customers.

Breakdown of revenue by segments:

	1Q		Change
	Jan - Mar 2016	Jan - Mar 2015	
Product segment	RMB'000	RMB'000	%
Canned products			
- overseas	105,842	95,558	10.8
- domestic	70,348	63,838	10.2
Beverage	547,516	422,815	29.5
Total	723,706	582,211	24.3

Gross profit

Largely in line with the increase in our sales, our gross profit increased by approximately RMB59.2 million or 24.9%, from RMB237.5 million in 1Q2015 to RMB296.7 million in 1Q2016. Our overall gross profit margin (GPM) increased by 0.2 percentage points, from 40.8% in 1Q2015 to 41.0% in 1Q2016. The increase of our overall GPM was a result of an increase in GPM of canned products from both domestic and overseas markets, partially offset by a decrease in GPM of our beverage segment. The increase in GPM of overseas and domestic canned products segments was mainly attributable to lower cost of raw materials in 1Q2016 when compared to 1Q2015. However, decrease in GPM of beverage product segment was mainly attributable to sales of lower GPM product mix of Qingrun series (清润系列) compared to 1Q2015.

Operating expenses

Distribution and selling expenses increased by approximately RMB52.3 million or 84.5%, from RMB62.0 million in 1Q2015 to RMB114.3 million in 1Q2016. This was due mainly to an increase of RMB36.3 million in advertising and promotion expenses, RMB13.9 million in transportation costs, RMB1.1 million in depreciation and RMB0.8 million in staff benefit costs. Increase in transportation costs, advertising and promotion expenses in 1Q2016 were mainly attributed to increased domestic sales of beverage and canned products in PRC.

Administrative expenses decreased by approximately RMB2.3 million or 5.7%, from RMB40.9 million in 1Q2015 to RMB38.6 million in 1Q2016. This was mainly due to decrease in legal and professional fees of RMB8.0 million, partially offset by an increase in exchange loss of RMB2.1 million and an increase in the share-based payment expenses in relation to ESOS of RMB2.8 million.

Finance costs

Finance costs decreased by approximately RMB59.6 million or 90.4%, from RMB65.9 million in 1Q2015 to RMB6.3 million in 1Q2016. Non-cash interest expenses relating to convertible bonds stood at RMB64.6 million in 1Q2015. In view of the restructured convertible bonds and the probability factor valuation method (further explained under "Convertible Bond" below), the movements on the straight bond and the option derivatives were accounted as "Change in fair value of the option derivatives in relation to convertible bonds" in 1Q2016 as it would not be meaningful to separately recognize the finance cost and fair value of option derivatives. The increase in cash interest was mainly due to higher bank borrowings in 1Q2016 compared to 1Q2015.

Profit before taxation

Profit before income tax increased by approximately RMB253.5 million or 170.5%, from RMB148.7 million in 1Q2015 to RMB402.1 million in 1Q2016. Increase in profit was due to an increase in revenue, a decrease in administrative expenses and an increase in the fair value gain of the option derivatives in relation to convertible bonds, partially offset by an increase in distribution and selling expenses.

Review of statement of financial position

Property, plant and equipment decreased by approximately RMB13.9 million from RMB939.5 million in FY2015 to RMB925.6 million in 1Q2016 as a result of new acquisitions partially offset by depreciation charged during the period under review.

Deposit paid for non-current assets increased by approximately RMB6.0 million from RMB595.8 million in FY2015 to RMB601.8 million in 1Q2016 which was mainly attributable to property, plant and equipment in our Anhui, Hubei, Shanxi and Shanxian plants.

Our inventories increased by approximately RMB15.9 million from RMB54.7 million in FY2015 to RMB70.6 million in 1Q2016. The increase in inventories during the period under review was in line with our increased business activities.

Trade receivables decreased by approximately RMB48.9 million from RMB953.9 million in FY2015 to RMB905.0 million in 1Q2016. The Group does not have any trade receivables exceeding 120 days and the total amount collected as at 30 April 2016 was approximately RMB364.6 million.

Other receivables decreased by approximately RMB40.1 million from RMB375.5 million in FY2015 to RMB335.4 million in 1Q2016. Other receivables comprised VAT receivables, export tax refund and prepayment for advertisement expenses.

Cash and cash equivalents stood at RMB382.6 million as at 31 March 2016. The increase in cash and cash equivalents from FY2015 was mainly due to net cash generated in operating activities and bank loan obtained partially offset by acquisition of property, plant and equipment and bank loan repayment.

Current liabilities decreased by RMB207.4 million from RMB1,346.6 million in FY2015 to RMB1,139.2 million in 1Q2016. The decrease was mainly attributable to a decrease in convertible bonds of RMB249.5 million and trade payables of RMB10.7 million, partially offset by an increase in bank borrowings of RMB35.0 million, other payable of RMB17.6 million and current tax payable of RMB0.3 million.

Equity holders' interest increased by RMB365.4 million from RMB1,809.9 million as at 31 December 2015 to RMB2,175.3 million as at 31 March 2016. The increase was mainly attributable to increase in net profit in 1Q2016.

Review of cash flow statement

In 1Q2016, operating cash flows before working capital changes amounted to RMB181.2 million. The Group generated net cash of RMB92.0 million in its operating activities. Working capital changes comprised a decrease in deposits pledged with banks of RMB15.1 million and operating receivables of RMB89.0 million, an increase in operating payables of RMB3.8 million and an increase in inventories of RMB15.9 million. Net cash used in investing activities amounted to RMB8.4 million in 1Q2016, which was due mainly to construction-in-progress at Anhui plant. In addition, net cash generated from financing activities amounted to RMB35.0 million in 1Q2016, which was mainly due to bank loan obtained partially offset by repayment of bank loans.

Convertible bonds

Group	31 March 2016 RMB'000	31 December 2015 RMB'000	Variance RMB'000
2012 Convertible Bond	381,226	768,937	(387,711)
2011 Convertible Bond	121,834	263,993	(142,159)
	503,060	1,032,930	(529,870)

Group	31 March 2015 RMB'000	31 December 2014 RMB'000	Variance RMB'000
2012 Convertible Bond	544,207	526,509	17,698
2011 Convertible Bond	174,858	195,567	(20,709)
	719,065	722,076	(3,011)

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

The valuation of the new Exchangeable Bonds as at 31 March 2016 was computed by an independent valuer based on the binominal method in deriving the fair value of the Exchangeable Bonds but adjusted using a weighted average probability factor of 70% that the IPO of the Garden Fresh segment will be successful and 30% that the IPO will be unsuccessful. The probability factor has been applied in deriving the valuation of the Exchangeable Bonds as a whole as the Group has submitted an application to the Hong Kong Stock Exchange (“HKSE”) for the Proposed Listing on 31 March 2016 including a draft prospectus as part of the HKSE listing application. As a result of using the probability factor in the valuation, changes in the valuation of the restructured Exchangeable Bonds and old convertible bonds are recognized in “Changes in Option Derivatives” in profit or loss. This is because a higher valuation weightage of 70% was used to apply to the conversion component rather than on the liability component. It would not be meaningful to recognise separately the finance cost and fair value of option derivatives in profit or loss under this probability method.

The reconciliation of the variances is as follows:

Group	Gain on restructuring RMB'000 (Note 1)	Restructured into Straight Bonds RMB'000 (Note 1)	Valuation of Old Convertible Bond up to 1 March 2016 RMB'000 (Note 2)	Valuation of Exchangeable Bond up to 31 March 2016 RMB'000 (Note 3)	Variance RMB'000
2012 Convertible Bond	(72,481)	(178,562)	(152,219)	15,551	(387,711)
2011 Convertible Bond	(19,137)	(101,802)	(23,277)	2,057	(142,159)
	(91,618)	(280,364)	(175,496)#	17,608#	(529,870)

The sum gives rise to the changes in fair value of the option derivatives in relation to convertible bonds

Note 1: The valuation of the convertible bonds on the restructuring date (1 March 2016) is as follows:

Group	Old Convertible Bond on 1 March 2016 RMB'000	Restructured into Straight Bonds RMB'000	Restructured into Exchangeable Bonds RMB'000	Gain on restructuring RMB'000
2012 Convertible Bond	616,718	178,562	365,675	72,481
2011 Convertible Bond	240,716	101,802	119,777	19,137
	857,434	280,364	485,452	91,618

Note 2: The movement for the old convertible bonds from 1 January 2016 to 1 March 2016 is as follows:

Group	Old Convertible Bond on 1 March 2016 RMB'000	Old Convertible Bond on 1 January 2016 RMB'000	Variance RMB'000
2012 Convertible Bond	616,718	768,937	(152,219)
2011 Convertible Bond	240,716	263,993	(23,277)
	857,434	1,032,930	(175,496)*

* This include finance costs of RMB20.0 million arising from the liability component.

Note 3: The movement for the exchangeable bonds from 1 March 2016 to 31 March 2016 is as follows:

Group	Exchangeable Bond on 31 March 2016 RMB'000	Exchangeable Bond on 1 March 2016 RMB'000	Variance RMB'000
2012 Convertible Bond	381,226	365,675	15,551
2011 Convertible Bond	121,834	119,777	2,057
	503,060	485,452	17,608

If the probability method was not used in computing the valuation of the convertible bonds as at 1 March 2016 and as at 31 March 2016, the liability component and the option derivatives of the convertible bonds would have been as follows:

Group	2012 Convertible Bond (1 March 2016)	2011 Convertible Bond (1 March 2016)	Total
Liability component at amortised cost	316,621	135,166	451,787
Option derivative at fair value	79,646	9,858	89,504
	396,267	145,024	541,291

Group	2012 Convertible Bond (31 March 2016)	2011 Convertible Bond (31 March 2016)	Total
Liability component at amortised cost	321,216	137,127	458,343
Option derivative at fair value	87,412	11,947	99,359
	408,628	149,074	557,702

Finance costs amounting to RMB6.6 million and a fair value loss of the option derivatives in relation to convertible bonds amounting to RMB10.0 million would have been recognised if the probability method was not applied.

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 26 February 2016.

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.

National Bureau of Statistic of China reported that China's Gross Domestic Product increased by 6.7% year-on-year to approximately RMB15,852.6 billion during first 3 months of 2016 ("1Q16"). Total retail sales of consumer goods in 1Q16 rose 10.3% to RMB7,802.4 billion with retail sales in rural area rising 11.0% while retail sales in urban area rising at a relatively slower pace of 10.2%. The stronger growth of rural retail sales was reflective of the higher growth in per capital disposable income of rural residents, rising 9.1% to RMB3,578 as compared to per capital disposable income of urban residents which rose at a slower pace of 8.0% to RMB9,255.

Chinese consumers, as a result of higher disposable income and improved living standards, have shown increasing awareness on and demand for health and wellness related products. They have become more concerned about the quality and safety of food consumed. Both sustained growth in consumer spending and heightened health and wellness awareness augur well for food and beverage companies with strong track record such as Sino Grandness in the PRC market.

To capitalize on the growth opportunities for our own-branded products such as Garden Fresh juices, Grandness canned fruits and Hao Tian Yuan snack food, the Group will continue to invest in various advertising and promotional activities as well as sales and marketing initiatives. The Group will also continue to expand its distribution network beyond China's mainland market to other markets such as Hong Kong, Macau and South East Asia in order to capture a broader customer base and develop its brands in overseas markets.

In December 2015, the Group announced its in-house beverage brand Garden Fresh becoming the title sponsor for the second season of a new series of variety talk show called <非正式会谈> ("Informal Talks"). Produced

by Hubei Satellite Channel, Informal Talks invites youths from 10 different countries of different age groups and different working experiences to discuss about various topics concerning daily life and childhood. The participants are not just good looking but have a good command of Mandarin and good communication skills. Filmed in Beijing, broadcast of Informal Talks season 2 has commenced on 11 December 2015 through Hubei Satellite Channel as well as prominent online channels such as www.letv.com and <http://v.qq.com>.

In March 2016, the Group successfully launched various new products under Garden Fresh and Hao Tian Yuan brands during the trade exhibition held in Chengdu, Sichuan Province PRC (“Chengdu Trade Exhibition”). Some of these new products include coconut milk beverage and longan juice under Garden Fresh brand and various dried food such as grilled squid, grilled anchovies and spicy shrimps under Hao Tian Yuan brand.

In April 2016, Garden Fresh brand became the main sponsor of 中国好声音 (“The Voice of China”) for the preliminary rounds held in Chengdu, Sichuan Province PRC. The Voice of China is one of the most popular reality talent shows in China with its strong following and viewership. Through executing various brand sponsorship programs which enjoy strong viewership across China and globally, Garden Fresh brand is expected to experience maximum exposure across multiple platforms including televisions, internet and print media.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in 2016.

Update on proposed listing

As announced on 31 March 2016, the wholly owned subsidiary Garden Fresh Group Holding Co., (“Garden Fresh”) has submitted an application to the HKSE for Proposed Listing on 31 March 2016. In addition, Garden Fresh has submitted a draft prospectus (the Application Proof) as part of the HKSE application. The Company will keep shareholders updated on the material developments relating to the proposed listing as and when appropriate.

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.

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 2016 to be false or misleading in any material aspect.

15. Use of net proceeds

The Board refers to the issuance of 86,000,000 shares by the Company in December 2014 (“Placement 2014”). As at 30 April 2016, the Group had fully utilised the net proceeds of RMB173.5 million as follows:-

Use of net proceeds	Allocation (%)	Amount allocated (RMB)	Accumulated amount utilized (RMB)	Balance (RMB)
(a) Capital expenditure and distribution network expansion	60	104,100,000	104,100,000	-
(b) Working Capital				
- Bank repayment	35	60,725,000	60,725,000	-
- Operating expenses	5	8,675,000	8,675,000	-
Total	100	173,500,000	173,500,000	-

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

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

BY ORDER OF THE BOARD
HUANG YUPENG
CHAIRMAN AND CEO
12 May 2016