



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 2015

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 2015 RMB'000	Jan - Mar 2014 RMB'000	
Revenue	582,211	477,555	21.9
Cost of sales	(344,753)	(290,168)	18.8
Gross profit	237,458	187,387	26.7
Other operating income	12,433	6,959	78.7
Distribution and selling expenses	(61,975)	(70,698)	(12.3)
Administrative expenses	(40,936)	(22,080)	85.4
Other operating expenses	-	-	-
Finance costs	(65,900)	(29,625)	122.4
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	81,080	71,943	12.7
Changes in fair value of the option derivatives in relation to convertible bonds	67,600	(26,043)	N.M.
Profit before income tax	148,680	45,900	223.9
Income tax expense	(40,842)	(28,397)	43.8
Profit for the period	107,838	17,503	516.1
Other comprehensive income	-	-	
Total comprehensive income for the period	107,838	17,503	516.1
Profit for the period attributable to:			
Equity holders of the Parent	108,175	17,660	
Non-controlling interests	(337)	(157)	
	107,838	17,503	
Total comprehensive income for the period attributable to:			
Equity holders of the Parent	108,175	17,660	
Non-controlling interests	(337)	(157)	
	107,838	17,503	

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

	1Q		
	Jan - Mar 2015	Jan - Mar 2014	Change
	RMB'000	RMB'000	%
Depreciation of property plant and equipment	(15,759)	(8,631)	82.6
Amortisation of:			
- land use rights	(600)	(293)	104.8
- subsidy	-	(34)	(100.0)
ESOS expenses	(2,579)	(2,579)	-
Net exchange (loss)/gain	(761)	886	N.M.

Other operating income

Government grants	-	2	(100.0)
Interest income - banks	399	274	45.6
Exchange gain	11,957	6,579	81.7
Others	77	104	(26.0)
Total	12,433	6,959	78.7

N.M. – Not meaningful

Note :-

The exchange losses in 1Q2015 and 1Q2014 were mainly attributable to the revision of translation rate due to appreciation of Renminbi against United States Dollar and Singapore dollar.

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 15	31 Dec 14	31 Mar 15	31 Dec 14
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	815,323	828,492	15	17
Land use rights	113,262	113,862	-	-
Subsidiaries	-	-	50,935	50,935
Amount owing by subsidiaries	-	-	306,746	174,673
Deferred tax assets	1,678	1,678	-	-
Total non-current assets	930,263	944,032	357,696	225,625
Current assets				
Inventories	46,180	50,743	-	-
Trade receivables	1,132,631	1,110,207	-	-
Other receivables	356,475	317,139	-	55
Cash and cash equivalents	419,935	223,572	9,100	161,543
Total current assets	1,955,221	1,701,661	9,100	161,598
Current liabilities				
Trade payables	160,690	136,951	-	-
Other payables	115,765	31,798	10,734	16,362
Note payables	49,850	62,250	-	-
Current tax payable	46,013	21,534	-	-
Bank borrowings	71,800	59,200	-	-
Convertible bonds	719,065	722,076	-	-
Total current liabilities	1,163,183	1,033,809	10,734	16,362
Net current assets/(liabilities)	792,038	667,852	(1,634)	145,236
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	1,702,060	1,591,643	335,821	350,620
Equity				
Equity attributable to equity holders of the Parent				
Share capital	440,948	440,948	440,948	440,948
Retained profits/(Accumulated losses)	1,133,993	1,035,167	(118,237)	(100,859)
Other reserves	124,208	112,280	13,110	10,531
Total shareholders' funds	1,699,149	1,588,395	335,821	350,620
Non-controlling interests	2,911	3,248	-	-
Total equity	1,702,060	1,591,643	335,821	350,620

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

	<u>31 Mar 2015</u>	<u>31 Dec 2014</u>
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
Secured	71,800	59,200
Unsecured	719,065	722,076
	<u>790,865</u>	<u>781,276</u>
Amount repayable after one year		
Secured	-	-
Unsecured	-	-
	<u>-</u>	<u>-</u>
	<u>790,865</u>	<u>781,276</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>	
	Jan - Mar	Jan - Mar
	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit before income tax	148,680	45,900
Adjustments for:		
Depreciation of property, plant and equipment	15,760	8,631
Fair value of the option derivatives in relation to the convertible bonds	(67,600)	26,043
Amortisation of land use rights	600	293
Amortisation of subsidy	-	34
Share-based payment expense under ESOS scheme	2,579	2,579
Interest expense	65,900	29,625
Interest income	(399)	(274)
Operating cash flows before working capital changes	<u>165,520</u>	<u>112,831</u>
Decrease in deposits pledged with banks	44,138	9,030
Decrease/(increase) in inventories	4,563	(2,506)
(Increase)/decrease in operating receivables	(61,760)	62,316
Increase/(decrease) in operating payables	95,306	(31,256)
Cash generated from operations	<u>247,767</u>	<u>150,415</u>
Income tax paid	(16,363)	(30,440)
Interest paid	(1,311)	(360)
Net cash generated from operating activities	<u>230,093</u>	<u>119,616</u>

	1Q	
	Jan - Mar 2015 RMB'000	Jan - Mar 2014 RMB'000
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(2,591)	(16,036)
Interest received	399	274
Net cash used in investing activities	<u>(2,192)</u>	<u>(15,762)</u>
Cash flows from financing activities:		
Bank loans obtained	35,000	-
Bank loans repaid	(22,400)	(5,000)
Net cash generated from/(used) in financing activities	<u>12,600</u>	<u>(5,000)</u>
Net increase in cash and cash equivalents	240,501	98,854
Cash and cash equivalents at beginning of period	174,434	82,019
Cash and cash equivalents at end of period	<u>414,935</u>	<u>180,873</u>
Cash and cash equivalents comprise:		
Cash and bank balances	414,935	180,873
Fixed deposits	5,000	280
	<u>419,935</u>	<u>181,153</u>
Less: Fixed deposits pledged	(5,000)	(280)
	<u>414,935</u>	<u>180,873</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
Restated balance at 1 January 2014	282,578	816,090	2,220	(31,413)	102,742	1,172,217	4,069	1,176,286
Profit for the year and representing total comprehensive income for the year	-	249,497	-	-	-	249,497	(821)	248,676
Issuance of shares	163,642	-	-	-	-	163,642	-	163,642
Share issuance expenses	(5,272)	-	-	-	-	(5,272)	-	(5,272)
Share-based payment expenses under ESOS scheme	-	-	8,311	-	-	8,311	-	8,311
Transfer to statutory reserve	-	(30,420)	-	-	30,420	-	-	-
Balance at 31 December 2014	440,948	1,035,167	10,531	(31,413)	133,162	1,588,395	3,248	1,591,643
Profit for the period and representing total comprehensive income for the period	-	108,175	-	-	-	108,175	(337)	107,838
Share-based payment expenses under ESOS scheme	-	-	2,579	-	-	2,579	-	2,579
Transfer to statutory reserve	-	(9,349)	-	-	9,349	-	-	-
Balance at 31 March 2015	440,948	1,133,993	13,110	(31,413)	142,511	1,699,149	2,911	1,702,060

Company	Share capital	Accumulated losses	Share option Reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	282,578	(77,727)	2,220	207,071
Issue of shares	163,642	-	-	163,642
Share issue costs	(5,272)	-	-	(5,272)
Share-based payment expenses under ESOS scheme	-	-	8,311	8,311
Loss for the year representing total comprehensive income for the year	-	(23,132)	-	(23,132)
Balance at 31 December 2014	440,948	(100,859)	10,531	350,620
Share-based payment expenses under ESOS scheme	-	-	2,579	2,579
Loss for the period representing total comprehensive income for the period	-	(17,378)	-	(17,378)
Balance at 31 March 2015	440,948	(118,237)	13,110	335,821

- 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.

There were no outstanding convertible securities and treasury shares as at 31 March 2015 and 31 December 2014.

- 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 2015	As at 31 Dec 2014
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 2015 and 31 December 2014.

- 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 2014.

- 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 2015 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)	Group	
	Jan – Mar 2015	Jan – Mar 2014
EPS based on average number of ordinary shares (RMB cents)	16.1	3.0
EPS on a fully diluted basis (RMB cents)	16.1	3.0
Weighted average number of ordinary shares ('000)	673,345	587,345
Weighted average number of ordinary shares – diluted ('000)	673,345	587,345

Basic earnings per share for 1Q2015 are calculated based on the Group's profit after taxation of RMB 108,175,000 on actual number of ordinary shares issued of 673,344,828.

For comparative purpose, the basic earnings per share for 1Q2014 are calculated based on the Group's profit after taxation of RMB17,660,000 on actual number of ordinary shares issued of 587,344,828.

The fully diluted earnings per share for 1Q2015 and 1Q2014 were calculated based on the Group profit after taxation of RMB108,175,000 and RMB17,660,000 respectively on actual number of ordinary shares issued of 673,344,828 and 587,344,828 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)	Group		Company	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
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)	252.8	236.4	49.9	52.1

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 RMB104.6 million or 21.9% from RMB477.6 million in 1Q2014 to RMB582.2 million in 1Q2015. This increase was attributable to the increase of RMB88.2 million and RMB23.4 million from sales of beverage and canned products in domestic market respectively, partially offset by a decrease of RMB6.9 million from sales of canned products in overseas market. The increase in sales volume of canned products and beverage in domestic market from 1Q2014 to 1Q2015 were mainly due to expansion of distribution network in PRC.

Breakdown of revenue by segments:

	1Q		Change
	Jan - Mar 2015	Jan - Mar 2014	
Product segment	RMB'000	RMB'000	%
Canned products			
- overseas	95,558	102,469	(6.7)
- domestic	63,838	40,457	57.8
Beverage	422,815	334,629	26.4
Total	582,211	477,555	21.9

Gross profit

Largely in line with the increase in our sales, our gross profit increased by approximately RMB50.1 million or 26.7%, from RMB187.4 million in 1Q2014 to RMB237.5 million in 1Q2015. Our overall gross profit margin (GPM) increased by 1.6 percentage points, from 39.2% in 1Q2014 to 40.8% in 1Q2015. The increase of our overall GPM was a result of an increase in GPM of beverage segments partially offset by a decrease in GPM of both domestic and overseas canned product segments. The increase in GPM of beverage product segment was mainly attributable to lower cost of production and decrease in GPM of overseas and domestic canned products segments were mainly attributable to higher cost of raw materials in 1Q2015 when compared to 1Q2014.

Operating expenses

Distribution and selling expenses decreased by approximately RMB8.7 million or 12.3%, from RMB70.7 million in 1Q2014 to RMB62.0 million in 1Q2015. This was due mainly to a decrease of RMB8.0 million in advertising and promotion expenses and RMB1.6 million in staff benefit costs, partially offset by an increase in transportation costs of RMB1.9 million. Increase in transportation costs in 1Q2015 was mainly attributed to increase in domestic sales of beverage and canned products in People's Republic of China ("PRC"). There was a decrease in advertising and promotion expenses for 1Q2015 as the bulk of the expenses were already incurred in 4Q2014.

Administrative expenses increased by approximately RMB18.8 million or 85.4%, from RMB22.1 million in 1Q2014 to RMB40.9 million in 1Q2015. This was mainly due to an increase in depreciation of RMB2.3 million, RMB7.0 million in foreign exchange losses, RMB8.5 million in professional and legal expenses.

Finance costs

Finance costs increased by approximately RMB36.6 million or 125.2%, from RMB29.3 million in 1Q2014 to RMB65.9 million in 1Q2015. Non-cash interest relating to convertible bonds increased from RMB29.0 million in 1Q2014 to RMB64.6 million in 1Q2015. The increase in cash interest was mainly due to higher bank borrowings in 1Q2015 compared to 1Q2014.

Profit before taxation

Profit before income tax increased by approximately RMB102.4 million or 221.4%, from RMB46.3 million in 1Q2014 to RMB148.7 million in 1Q2015. Increase in profit was due to an increase in revenue offset by an increase in administrative cost and finance cost partially offset by decrease in distribution and selling expenses and changes in fair value of the option derivatives in relation to convertible bonds.

Review of statement of financial position

Property, plant and equipment decreased by approximately RMB13.2 million from RMB828.5 million in FY2014 to RMB815.3 million in 1Q2015 as a result of new acquisition partially offset by depreciation charged during the period under review.

Our inventories decreased by approximately RMB4.5 million from RMB50.7 million in FY2014 to RMB46.2 million in 1Q2015. The decrease in inventories over the period under review was due to effective inventory control.

Trade and other receivables increased by approximately RMB61.8 million from RMB1,427.3 million in FY2014 to RMB1,489.1 million in 1Q2015. The increase in trade receivables was in line with the Group's increased business activities in the period under review. As at 30 April 2015, all trade receivables exceeding 120 days as

at 31 March 2015 has been fully collected and the total amount collected is approximately RMB284.7 million. Other receivables mainly comprised VAT receivables, export tax refund, deposit and prepayment.

Cash and cash equivalents stood at RMB419.9 million as at 31 March 2015, the increase in cash and cash equivalents 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 increased by RMB129.4 million from RMB1,033.8 million in FY2014 to RMB1,163.2 million in 1Q2015. The increase was mainly attributable to an increase in trade and other payables of RMB107.7 million, bank borrowings of RMB12.6 million and current tax payable of RMB24.5 million partially offset by a decrease in note payable of RMB12.4 million and RMB3.0 million in convertible bonds.

Equity holders interest increased by RMB110.4 million from RMB1.6 billion as at 31 December 2014 to RMB1.7 billion as at 31 March 2015. The increase was mainly attributable to increase in net profit in 1Q2015.

Review of cash flow statement

In 1Q2015, operating cash flows before working capital changes amounted to RMB165.5 million. We generated net cash of RMB82.2 million in our operating activities. Working capital changes comprised a decrease in deposits pledged with banks of RMB44.1 million, an increase in operating payables of RMB95.3 million, an increase in operating receivables of RMB61.8 million and a decrease in inventories of RMB4.6 million. Net cash used in investing activities amounted to RMB2.2 million in 1Q2015, which was due mainly to construction in progress in Anhui plant. In addition, net cash generated from financing activities amounted to RMB12.6 million in 1Q2015, which was mainly due to bank loan obtained partially offset by repayment of bank loans.

Convertible bonds

The 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)
Comprising :-			
Liability component at amortised cost			
- 2012 Convertible bond	392,563	353,558	39,005
- 2011 Convertible bond	156,411	130,827	25,584
Sub-total	548,974	484,385	64,589
Option derivatives at fair value			
- 2012 Convertible bond	151,644	172,951	(21,307)
- 2011 Convertible bond	18,447	64,740	(46,293)
Sub-total	170,091	237,691	(67,600)
(Note A)	719,065	722,076	(3,011)

The Group	31 March 2014 RMB'000	31 December 2013 RMB'000	Various RMB'000
2012 Convertible Bond	419,759	377,724	42,035
2011 Convertible Bond	159,469	146,196	13,273
	579,288	523,920	55,308
Comprising :-			
Liability component at amortised cost			
- 2012 Convertible bond	330,638	310,107	20,531
- 2011 Convertible bond	140,661	131,927	8,734
Sub-total	471,299	442,034	29,265
Option derivatives at fair value			
- 2012 Convertible bond	89,121	67,617	21,504
- 2011 Convertible bond	18,808	14,269	4,539
Sub-total	107,929	81,886	26,043
(Note B)	579,288	523,920	55,308

Note A : The increase in finance costs relating to convertible bond is mainly due to the amortization of the liability component of the convertible bond for the quarter ended 31 March 2015. The decrease in fair value of the option derivatives relating to convertible bond is mainly due to the reduction in the time value of the option premium as it comes to its maturity date.

Note B : The increase in finance costs relating to convertible bond is mainly due to the amortization of the liability component of the convertible bond for the quarter ended 31 March 2014. The increase in fair value of the option derivatives relating to convertible bond is mainly due to the fair value estimation of the convertible bond as at the date of the period under review.

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 27 February 2015.

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.

Health and wellness concerns are a growing trend for the consumers in China as a result of improving living standards and higher education. An increasing number of consumers in China now consider fruit juice products as a healthier choice when compared to carbonated drinks. As a result, per capita consumption of juices in China has exhibited stronger growth over the past few years when compared to carbonated beverages. Chinese consumers' increased health awareness is expected to continue to underpin demand for the Group's own-branded products such as 鲜绿园® (“Garden Fresh”) juices and 振鹏达® (“Grandness”) canned fruits in China.

The Group has continued to invest in various advertising and promotional activities in order to increase brand awareness and brand value of its in-house brands. In March 2015, Garden Fresh brand became one of the main sponsors for a popular variety show on Shenzhen Satellite channel called 男左女右 (“Men vs Women”). The show has attracted strong viewership within China as it invited popular artists such as singers and actors as guests to discuss about topics concerning various topics including relationships between men and women. This program can also be viewed over various internet platforms, including the official website of the Shenzhen Media Group at <http://www.s1979.com/tv/szstv.shtml>. The Group believes the sponsorship deal will help to increase Garden Fresh brand awareness further as the Group's products are prominently featured during the entire show.

In April 2015, the Group announced that it had successfully secured sizeable indicative orders of approximately RMB470 million after the conclusion of the trade exhibition held in Chengdu, Sichuan Province PRC during late March 2015 (“Chengdu Trade Exhibition”). During the Chengdu Trade Exhibition, the Group also introduced various new products including Garden Fresh loquat-lemon and loquat-kumquat beverage products as well as Grandness fruit jams.

On top of growing its distribution network within the PRC market, the Group has successfully extended its network in Hong Kong market further by rolling out Garden Fresh juices into 7-Eleven stores in addition to wellcome stores. Presently, the two main Garden Fresh juices that are being distributed in Hong Kong are the 50% loquat juice and 50% blended hawthorn juice. As the Group continued to expand its product range within the PRC mainland market, the Group intends to also gradually expand the Garden Fresh product range available to overseas consumers as well.

The Group is also engaged in discussions with senior management of its strategic investors and distributors from Thailand to explore the possibility of exporting Garden Fresh juices into the Thailand market during the second half of 2015 and thereafter to use Thailand as a new hub to tap into other Southeast Asia markets.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2015.

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 2015 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 8 May 2015, the Group had utilised approximately RMB83.4 million out of the net proceeds of RMB173.5 million. The net proceeds from the Placement 2014 have thus been utilised 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	45,000,000	59,100,000
(b) Working Capital				
- Bank repayment	35	60,725,000	10,000,000	50,725,000
- Operating expenses	5	8,675,000	-	8,675,000
Total	100	173,500,000	55,000,000	118,500,000

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

BY ORDER OF THE BOARD
HUANG YUPENG
CHAIRMAN AND CEO
12 May 2015