



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

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

PART 1 – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An consolidated statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

	4Q			12-months (FY)		
	Oct – Dec 2015 RMB'000	Oct – Dec 2014 RMB'000	Change %	Jan - Dec 2015 RMB'000	Jan - Dec 2014 RMB'000	Change %
Revenue	857,328	503,609	70.2	3,313,902	2,819,449	17.5
Cost of sales	(494,227)	(283,904)	74.1	(1,940,318)	(1,691,574)	14.7
Gross profit	363,101	219,705	65.3	1,373,584	1,127,875	21.8
Other operating income	(1,374)	3,291	(141.8)	28,424	11,958	137.7
Distribution and selling expenses	(205,674)	(138,895)	48.1	(570,242)	(379,828)	50.1
Administrative expenses	(22,618)	(40,928)	(44.7)	(111,578)	(96,049)	16.2
Other operating expenses	(631)	51	N.M.	(631)	(39)	N.M.
Finance costs	(244,894)	(68,970)	255.1	(226,996)	(85,680)	164.9
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	(112,090)	(25,746)	335.4	492,561	578,237	(14.8)
Changes in fair value of the option derivatives in relation to convertible bonds	44,883	(155,805)	(128.8)	(91,915)	(155,805)	(41.0)
Profit before income tax	(67,207)	(181,551)	(263.0)	400,646	422,432	(5.2)
Income tax expense	(37,303)	(17,609)	111.8	(194,577)	(173,756)	12.0
Profit for the year	(104,510)	(199,160)	(47.5)	206,069	248,676	(17.1)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	(104,510)	(199,160)	(47.5)	206,069	248,676	(17.1)
Profit for the year attributable to:						
Equity holders of the Parent	(104,506)	(198,795)		206,673	249,497	
Non-controlling interests	(4)	(365)		(604)	(821)	
	(104,510)	(199,160)		206,069	248,676	
Total comprehensive income for the year attributable to:						
Equity holders of the Parent	(104,506)	(198,795)		206,673	249,497	
Non-controlling interest	(4)	(365)		(604)	(821)	
	(104,510)	(199,160)		206,069	248,676	

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

	<u>4Q</u>			<u>12-months (FY)</u>		
	<u>Oct – Dec</u>	<u>Oct – Dec</u>	<u>Change</u>	<u>Jan – Dec</u>	<u>Jan – Dec</u>	<u>Change</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property plant and equipment	(19,234)	(20,544)	(6.4)	(62,614)	(47,387)	32.1
Amortisation of:						
- land use rights	625	(1,518)	(141.2)	(1,174)	(2,398)	(51.0)
- subsidy	-	(33)	(100.0)	-	(134)	(100.0)
Net exchange gain/(loss) (Note 1)	5,038	(7,639)	(166.0)	17,615	(3,614)	N.M.
Share-based payment expenses under ESOS scheme (Note 2)	(1,791)	(572)	213.1	(12,142)	(8,311)	46.1

Other operating income

Government grants	855	(4)	N.M.	859	1,703	(49.6)
Interest income – banks	657	152	332.2	1,999	1,000	99.9
Exchange gain	(4,178)	(93)	N.M.	21,681	5,400	301.5
Gain on disposal of Property, Plant and Equipment	58	3,052	(98.1)	58	3,052	(98.1)
Others	1,234	184	N.M.	3,827	803	376.0
Total	(1,374)	3,291	(141.8)	28,424	11,958	137.7

N.M. – Not meaningful

Note 1:-

The net exchange gains/(losses) in FY2015 and FY2014 were mainly attributable to the revision of translation rate due to appreciation/depreciation of Renminbi against United States Dollar.

Note 2:-

In April 2015, the Company issued (a) new ESOS options to staffs and directors to replace the original ESOS option with a reduction in the option exercise price and an additional vesting period of 1 year from grant date and (b) new ESOS options to staffs and directors. Notwithstanding the replacement, the share based payment expenses based on the original ESOS grant continue to be amortized over its original vesting period as there is no incremental change in the fair value arising from the replacement ESOS.

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 Dec 15	31 Dec 14	1 Jan 14	31 Dec 15	31 Dec 14
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
Non-current assets					
Property, plant and equipment	939,503	828,492	738,065	11	17
Subsidiy	-	-	134	-	-
Land use rights	112,688	113,862	55,057	-	-
Subsidiaries	-	-	-	61,094	50,935
Amount owing by subsidiaries	-	-	-	311,040	174,673
Deferred tax assets	1,654	1,678	1,678	-	-
Deposit paid for non-current assets	595,777	55,000	64,128	-	-
Total non-current assets	1,649,622	999,032	859,062	372,145	225,625
Current assets					
Inventories	54,688	50,743	45,957	-	-
Trade receivables	953,898	1,110,207	633,443	-	-
Other receivables	375,463	262,139	223,913	114	55
Cash and cash equivalents	142,986	223,572	91,329	4,245	161,543
Total current assets	1,527,035	1,646,661	994,642	4,359	161,598
Current liabilities					
Trade payables	29,290	136,951	62,146	1,394	1,394
Other payables	57,042	31,798	23,831	23,014	14,968
Note payables	55,500	62,250	1,550	-	-
Current tax payable	41,800	21,534	32,730	-	-
Bank borrowings	130,000	59,200	13,000	-	-
Convertible bonds	1,032,930	722,076	523,920	-	-
Total current liabilities	1,346,562	1,033,809	657,177	24,408	16,362
Net current assets/(liabilities)	180,473	612,852	337,465	(20,049)	145,236
Non-current liabilities					
Deferred tax liabilities	20,241	20,241	20,241	20,241	20,241
Total non-current liabilities	20,241	20,241	20,241	20,241	20,241
Net assets	1,809,854	1,591,643	1,176,286	331,855	350,620
Equity					
Equity attributable to equity holders of the Company					
Share capital	440,948	440,948	282,578	440,948	440,948
Retained profits/(Accumulated losses)	1,203,901	1,035,167	816,090	(131,766)	(100,859)
Other reserves	162,361	112,280	73,549	22,673	10,531
Total shareholder's funds	1,807,210	1,588,395	1,172,217	331,855	350,620
Non-controlling interests	2,644	3,248	4,069	-	-
Total equity	1,809,854	1,591,643	1,176,286	331,855	350,620

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

	<u>31 Dec 2015</u>	<u>31 Dec 2014</u>
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
Secured	130,000	59,200
Unsecured	1,032,930	722,076
	<u>1,162,930</u>	<u>781,276</u>
Amount repayable after one year		
Secured	-	-
Unsecured	-	-
	<u>-</u>	<u>-</u>
	<u>1,162,930</u>	<u>781,276</u>

Details of collaterals:-

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

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

	<u>4Q</u>		<u>12-months (FY)</u>	
	Oct – Dec 2015	Oct – Dec 2014	Jan - Dec 2015	Jan - Dec 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit before income tax	(67,207)	(181,551)	400,646	422,432
Adjustments for:				
Depreciation of property, plant and equipment	19,234	20,545	62,614	47,388
Fair value of the option derivatives in relation to the convertible bonds	(44,883)	155,805	91,915	155,805
Amortisation of land use rights	(625)	1,518	1,174	2,398
Amortisation of subsidy	-	33	-	134
Share-based payment expenses under ESOS scheme	1,791	572	12,142	8,311
Gain on disposal of property, plant and equipment	(58)	(3,029)	(58)	(3,029)
Interest expenses	244,894	68,970	226,996	85,680
Interest income	(657)	(152)	(1,999)	(1,000)
	<u>152,489</u>	<u>62,711</u>	<u>793,430</u>	<u>718,119</u>
Operating cash flows before working capital changes				
(Increase)/decrease in deposits pledged with banks	(15,148)	(38,993)	18,490	(39,828)
Decrease/(increase) in inventories	45,023	994	(3,945)	(4,786)
Decrease/(increase) in operating receivables	368,411	(39,315)	42,985	(576,223)
(Decrease)/Increase in operating payables	(139,724)	87,920	(89,894)	143,472

	4Q		12-months (FY)	
	Oct – Dec 2015	Oct – Dec 2014	Jan - Dec 2015	Jan - Dec 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash generated from operations	411,050	73,317	761,066	240,754
Income tax paid	(41,489)	(72,853)	(174,287)	(184,921)
Interest paid	(1,178)	11,947	(8,057)	(4,763)
Net cash generated from operating activities	<u>368,383</u>	<u>12,411</u>	<u>578,722</u>	<u>51,070</u>
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(4,994)	(60,895)	(147,493)	(63,535)
Proceeds from disposal of PPE	4,653	5,323	4,653	5,323
Deposit for non-current assets	(570,777)	-	(570,777)	(67,447)
Interest received	657	152	1,999	1,000
Net cash used in investing activities	<u>(570,461)</u>	<u>(55,420)</u>	<u>(711,618)</u>	<u>(124,659)</u>
Cash flows from financing activities:				
Proceeds from share issue	-	163,642	-	163,642
Share issue costs	-	(5,272)	-	(5,272)
Convertible bonds repaid	-	(38,566)	-	(38,566)
Bank loans obtained	10,000	6,642	135,000	70,000
Bank loans repaid	-	(10,800)	(64,200)	(23,800)
Net cash generated from/(used in) financing activities	<u>10,000</u>	<u>115,646</u>	<u>70,800</u>	<u>166,004</u>
Net (decrease)/increase in cash and cash equivalents	(192,078)	72,637	(62,096)	92,415
Cash and cash equivalents at beginning of period/year	<u>304,416</u>	<u>101,797</u>	<u>174,434</u>	<u>82,019</u>
Cash and cash equivalent at end of period/year	<u>112,338</u>	<u>174,434</u>	<u>112,338</u>	<u>174,434</u>
Cash and cash equivalents comprise:				
Cash and bank balances	112,338	174,434	112,338	174,434
Fixed deposits	30,647	49,138	30,647	49,138
	<u>142,985</u>	<u>223,572</u>	<u>142,985</u>	<u>223,572</u>
Less Fixed deposits pledged	<u>(30,647)</u>	<u>(49,138)</u>	<u>(30,647)</u>	<u>(49,138)</u>
	<u>112,338</u>	<u>174,434</u>	<u>112,338</u>	<u>174,434</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	Total attributable to equity holders of the Parent	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>								
Balance at 1 January 2014	282,578	816,090	2,220	(31,413)	102,742	1,172,217	4,069	1,176,286
Issue 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
Profit for the year, representing total comprehensive income for the year	-	249,497	-	-	-	249,497	(821)	248,676
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
Share-based payment expenses under ESOS scheme	-	-	12,142	-	-	12,142	-	12,142
Profit for the year representing total comprehensive income for the year	-	206,673	-	-	-	206,673	(604)	206,069
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

	Share capital	Share option reserves	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Company</u>				
Balance at 1 January 2014	282,578	2,220	(77,727)	207,071
Issue of shares	163,642	-	-	163,642
Share issuance expenses	(5,272)	-	-	(5,272)
Share-based payment expenses under ESOS scheme	-	8,311	-	8,311
Losses for the year	-	-	(23,132)	(23,132)
Balance at 31 December 2014	440,948	10,531	(100,859)	350,620
Share-based payment expenses under ESOS scheme	-	12,142	-	12,142
Losses for the year	-	-	(30,907)	(30,907)
Balance at 31 December 2015	440,948	22,673	(131,766)	331,855

- 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 year, there is no change in the share capital of the Company.

There were no outstanding convertible securities and treasury shares as at 31 December 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 Dec 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 December 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 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 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 new or revised Financial Reporting Standard (“FRS”) and Interpretation of FRS (“INT FRS”) that are effective for annual periods beginning on and after 1 January 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 year.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

- (a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).**

Earning per share (EPS)	4Q		12-months (FY)	
	Oct – Dec 2015	Oct – Dec 2014	Jan – Dec 2015	Jan – Dec 2014
EPS based on average number of ordinary shares (RMB cents)	(15.5)	(33.8)	30.7	42.5
EPS on a fully diluted basis (RMB cents)	(15.5)	(33.7)	30.7	42.4
Weighted average number of ordinary shares ('000)	673,344	587,577	673,344	587,577
Weighted average number of ordinary shares – diluted ('000)	676,649	588,762	676,649	588,762

Basic earnings per share for 4Q2014 and FY2014 are calculated based on the Group loss after taxation of RMB104,506,000 and profit after taxation of RMB206,673,000 respectively on actual number of ordinary shares of 673,344,000.

Basic earnings per share for 4Q2014 and FY2014 are calculated based on the Group loss after taxation of RMB198,795,000 and profit after taxation of RMB249,497,000 respectively on weighted average number of ordinary shares of 587,577,000 which is computed based on 1 day of placement shares issued of 86,000,000.

The fully diluted earnings per share for 4Q2015 and FY2015 were calculated based on the Group loss after taxation of RMB104,506,000 and profit after taxation of RMB206,673,000 respectively on weighted average number of ordinary shares of 676,649,000 after adjusting for the outstanding options under ESOS scheme.

The fully diluted earnings per share for 4Q2014 and FY2014 were calculated based on the Group loss after taxation of RMB198,795,000 and profit after taxation of RMB249,297,000 respectively on weighted average number of ordinary shares of 588,762,000 after adjusting for the outstanding option 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 Dec 2015	31 Dec 2014	31 Dec 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)	268.8	236.4	49.3	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 RMB494.5 million or 17.5% from RMB2,819.4 million in FY2014 to RMB3,313.9 million in FY2015. This increase was attributable to the increased sale of RMB442.3 million from beverage segment and RMB111.1 million from sales of canned products in domestic market, partially offset by a decrease in sales of canned products in overseas with RMB58.9 million. The increase in sales volume of beverage and canned products in domestic market from FY2014 to FY2015 was mainly due to expansion of distribution network in PRC.

Breakdown of revenue by segments:

	4Q			12-months (FY)		
	Oct – Dec 2015	Oct – Dec 2014	Change	Jan – Dec 2015	Jan – Dec 2014	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Canned products						
- overseas	108,647	70,430	54.3	576,224	635,164	(9.3)
- domestic	105,356	48,269	118.3	418,628	307,547	36.1
Beverage	643,325	384,910	67.1	2,319,050	1,876,738	23.6
Total	857,328	503,609	70.2	3,313,902	2,819,449	17.5

Gross profit

Largely in line with the increase in our sales, our gross profit increased by approximately RMB245.7 million or 21.8%, from RMB1,127.9 million in FY2014 to RMB1,373.6 million in FY2015. Our overall gross profit margin (GPM) improved by 1.4 percentage points, from 40.0% in FY2014 to 41.4% in FY2015. Improvement of our overall GPM was a result of an increase in GPM of beverage segment, partially offset by a decrease in GPM of canned products in both overseas and domestic markets. The improvements in GPM of beverage segment were largely attributable to lower cost of raw materials arising partly from the commencement of Hubei plant and the decrease in GPM of canned products were mainly due to higher cost of raw materials from FY2014 to FY2015.

Operating expenses

Distribution and selling expenses increased by approximately RMB190.4 million or 50.1%, from RMB379.8 million in FY2014 to RMB570.2 million in FY2015. This was due mainly to an increase of RMB41.7 million in transportation costs, RMB78.5 million in advertising expenses and RMB71.3 million in promotion expenses. Increase in transportation cost is mainly attributed to increase in domestic sales of beverage products and domestic canned products in PRC in FY2015. The increase in advertising and promotion expenses were in line with our Group's efforts to invest in advertising and promotion activities as well as sales and marketing initiatives to promote our own branded products in PRC market.

Administrative expenses increased by approximately RMB15.5 million or 16.2%, from RMB96.0 million in FY2014 to RMB111.5 million in FY2015. This was mainly due to increase of RMB10.9 million in professional and legal fees in respect of the proposed listing of the beverages business on an internationally recognized stock exchange, RMB6.9 million in advisory fees, RMB3.2 million in employee benefit costs and RMB3.8 million in share-based payment expenses under ESOS scheme, partially offset by a decrease of RMB 4.9 million in exchange loss.

Finance cost

Finance costs increased by approximately RMB141.3 million or 164.9%, from RMB85.7 million in FY2014 to RMB227.0 million in FY2015. Non-cash interest cost relating to convertible bonds increased from RMB80.9 million in FY2014 to RMB219.0 million in FY2015. The increase in cash interest cost was mainly due to increased bank borrowing in FY2015 compared to FY2014.

Profit before income tax

Profit before income tax decreased by approximately RMB21.8 million or 5.2%, from RMB422.4 million in FY2014 to RMB400.6 million in FY2015. The decrease was due to an increase in revenue offset by an increase in operating expenses, finance costs and changes in fair value of the option derivatives in relation to convertible bonds.

Review of statement of financial position

Property, plant and equipment increased by approximately RMB111.0 million from RMB828.5 million in FY2014 to RMB939.5 million in FY2015 as a result of the construction in progress in Anhui plant.

Deposit paid for non-current assets increased by approximately RMB540.8 from RMB55.0 million in FY2014 to RMB595.8 million in FY2015 which was mainly attributable to property, plant and equipment in our Anhui, Hubei, Shanxian and Shanxi plants.

Our inventories increased by approximately RMB4.0 million from RMB50.7 million in FY2014 to RMB54.7 million in FY2015. The increase in inventories over the period under review was in line with our increased business activities.

Trade receivables decreased by approximately RMB156.3 million from RMB1,110.2 million in FY2014 to RMB953.9 million in FY2015. The decrease in trade receivables was a result of better credit management. As at 31 December 2015, the Group does not have any trade receivables exceeding 120 days and the total amount collected as at 31 January 2016 is approximately RMB254.6million.

Other receivables increased by approximately RMB113.4 million from RMB262.1 million in FY2014 to RMB375.5 million in FY2015. Other receivables comprised VAT receivables, export tax refund and prepayments for advertisement expenses.

Cash and cash equivalents stood at RMB143.0 million as at 31 December 2015, the decrease in cash and cash equivalents was mainly due to positive cash flows generated from operating activities of RMB761.1 million before payment of income taxes and interest of RMB174.3 million and RMB8.1 million respectively coupled with bank loans obtained during the period under review partially offset by acquisition of property, plant and equipment, deposit paid for non-current assets and bank loan repayments.

Current liabilities increased by RMB312.8 million from RMB1,033.8 million in FY2014 to RMB1,346.6 million in FY2015. The increase was mainly attributable to an increase in convertible bonds of RMB310.9 million (arising from fair value changes and accretion of the convertible bonds at amortized cost), bank borrowings of RMB70.8 million, other payables of RMB25.2 million and tax payable of RMB20.3 million, partially offset by a decrease in trade payable of RMB107.7 million and note payable of RMB6.8 million.

Equity holders interest increased by RMB218.3 million from RMB1,591.6 million as at 31 December 2014 to RMB1,809.9 million as at 31 December 2015. The increase was mainly attributable to issuance of new shares and net profit in FY2015.

Review of cash flow statement

In FY2015, operating cash flows before working capital changes amounted to RMB793.4 million. We used net cash of RMB32.4 million in our operating activities. Working capital changes comprised an increase in inventory of RMB3.9 million, a decrease in deposit pledged with bank of RMB18.5 million, operating receivables of RMB43.0 million and operating payables of RMB77.5 million. Net cash used in investing activities amounted to RMB711.6 million in FY2015, which was due mainly to acquisition of property, plant and equipment in Hubei, Anhui, Shanxian and Shanxi plants. In addition, net cash generated from financing activities amounted to RMB70.8 million in FY2015, which was mainly due to new bank loan obtained of RMB135.0 million partially offset by repayment of bank loans of RMB64.2 million.

Prior year adjustment

In prior years, trade and other receivables have been presented as a single line item on the statement of financial position. During the financial year, trade and other receivables have been reclassified and presented as separate financial line items as trade receivables, other receivables and deposits paid for non-current assets to better reflect the nature of the type of receivables or deposits. Trade receivables relate mainly to the production and sale of canned vegetables and fruit and vegetable juices. Other receivables are generally non-trade in nature such as VAT receivable, and deposits paid for non-current assets relates to advances paid to suppliers for the construction of buildings and plant and machineries.

Comparative figures have been amended to reflect the nature of these assets. Management is of the view that the above reclassification will be more relevant and useful to users of financial statements. The effect of reclassification is as follows:

	As restated FY 2014 (RMB'000)	As previously reported FY 2014 (RMB'000)
<u>Consolidated Statement of Financial Position</u>		
Non-current assets		
Deposit paid for non-current assets	55,000	-
Current assets		
Trade and other receivables	-	1,427,346
Trade receivables	1,110,207	-
Other receivables	262,139	-
Current liabilities		
Trade and other payables	-	-
Trade payables	136,951	168,749
Other payables	31,798	-
<u>Consolidated Statement of Cashflows</u>		
Cash flows from operating activities:		
Decrease/(increase) in operating receivables	(576,223)	(567,096)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(63,535)	(140,109)
Deposit paid for non-current assets	(67,447)	-
	As restated opening balance for FY 2014 (RMB'000)	As previously reported opening balance for FY 2014 (RMB'000)
<u>Consolidated Statement of Financial Position</u>		
Non-current assets		
Deposit paid for non-current assets	64,128	-
Current assets		
Trade and other receivables	-	921,484
Trade receivables	633,443	-
Other receivables	223,913	-
Current liabilities		
Trade and other payables	-	85,977
Trade payables	62,146	-
Other payables	23,831	-

Convertible bonds

The Group	31 December 2015 RMB'000	31 December 2014 RMB'000	Variance RMB'000
2012 Convertible Bond	768,937	526,509	242,428
2011 Convertible Bond	263,993	195,567	68,426
	1,032,930	722,076	310,854
Comprising :-			
Liability component at amortised cost			
- 2012 Convertible bond	480,704	353,558	127,146
- 2011 Convertible bond	222,620	130,827	91,793
Sub-total	703,324	484,385	218,939
Option derivatives at fair value			
- 2012 Convertible bond	288,233	172,951	115,282
- 2011 Convertible bond	41,373	64,740	(23,367)
Sub-total	329,606	237,691	91,915
(Note A)	1,032,930	722,076	310,854

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000	Variance RMB'000
2012 Convertible Bond	526,509	377,724	148,785
2011 Convertible Bond	195,567	146,196	49,371
	722,076	523,920	198,156
Comprising :-			
Liability component at amortised cost			
- 2012 Convertible bond	353,558	310,107	43,451
- 2011 Convertible bond	130,827	131,927	(1,100)
Sub-total	484,385	442,034	42,351
Option derivatives at fair value			
- 2012 Convertible bond	172,951	67,617	105,334
- 2011 Convertible bond	64,740	14,269	50,471
Sub-total	237,691	81,886	155,805
(Note B)	722,076	523,920	198,156

(I) Valuation of convertible bonds (“CB”)

The CB holders are still in discussion with the Company to finalize the terms and details of the extension and/or partial repurchase of the convertible bonds. The structure of the CB will be revised in conjunction with the proposed listing of the Garden Fresh business segment.

For the purpose of the valuation of CB as at 31 December 2015, the fair value of the CB will be made on the assumption that the extension is made up to 31 December 2016 of the CB while pending the finalisation of the terms of the CB. The Board will announce the revised valuation of the CB once the terms have been finalised.

(II) Note A : The increase in finance costs relating to convertible bond is mainly due to the assumed extension of the CB to 31 December 2016. The increase in fair value of the option derivatives relating to convertible bond is mainly due to the fair value estimation of the convertible bonds which is assumed to expire by 31 December 2016.

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 year ended 31 December 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.

(III) Maximum redemption of CB

For additional information purpose, the maximum redemption amount payable on the CB as at 31 December 2015 are as follow:-

Maturity date	RMB'000
31 December 2015	703,125

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 third quarter results announcement released on 12 November 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.

In 2015, the National Bureau of Statistic of China reported that China's gross domestic product ("GDP") increased by 6.9% year-on-year to RMB 67,670.8 billion as the People's Republic of China ("PRC") economy achieved moderate and stable growth during the year. Specifically, the year-on-year growth during the first quarter was 7.0%, the second quarter 7.0%, the third quarter 6.9% and the fourth quarter 6.8%. In 2015, China's national per capita disposable income was RMB21,966, an increase of 8.9% while the median of national disposable income rose 9.7% to RMB19,281 indicated a steady increase for the middle class disposable income which would provide sustained growth in consumer spending for basic household items including food and beverage products. In 2015, the total retail sales of consumer goods increased by 10.7% to RMB 30,093.1 billion, cementing China's position as one of the world's largest consumption countries.

To take advantage of the growth opportunities ahead for 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 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 October 2015, Garden Fresh brand became the sponsor of a talk show produced by Shenzhen TV station City Channel ("City Channel") called <鞠说好看> ("Ju's Show") which investigates and analyzes real life events occurring primarily in Guangdong Province PRC. Apart from the broadcast on the City Channel, Ju's Show may also be viewed online at <http://sztv.cutv.com/dianshi/ju/>. In November 2015, the Group announced that it has successfully concluded participation at the autumn trade show held in Nanjing PRC during the last week of October 2015 ("Nanjing Trade Show") by securing more than RMB380 million in indicative orders for Garden Fresh beverage products. During the Nanjing Trade Show, the Group introduced a new range of Garden Fresh yogurt drink with 5 blended loquat flavours, namely loquat-mango, loquat-blueberry, loquat-strawberry, loquat-papaya and loquat-waxberry. Garden Fresh yogurt drink is a cultured milk drink which contains probiotics to help maintain a healthy digestive system and was jointly developed with China National Research Institute of Food & Fermentation Industries, one of the oldest and largest national research institutions engaged in the food, bio-engineering research and development in PRC.

In November 2015, the Company also announced the sponsorship of a new TV series called <饮食男女> ("Romance in the City"). Romance in the City is based on the daily lives of urban youths, exploring their love life, family and career. The drama series are jointly invested by major media companies such as Alibaba Pictures Group, Shenzhen Media Group, Media Asia Entertainment Group, Shanghai Media Group and other regional broadcast stations within China. The show will be broadcast across more than 20 TV stations in China from February 2016. It is expected that 200 episodes will be aired during the first 12 months.

In December 2015, the Group announced its in-house beverage brand Garden Fresh will be 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.

Through executing various brand sponsorship programs with major TV stations and satellite channels which enjoy strong viewerships and followers across China and globally, Garden Fresh brand is expected to experience maximum exposure across multiple platforms including televisions, internet and print media. In recognition of the Group’s brand building initiatives and the rising brand awareness, Garden Fresh brand was accorded the title “Top 10 Leading New Brands In China For 2015” (“2015 中国十大新领军品牌”) by Asia Brand Network.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2016.

Update on Convertible Bonds

The Company wishes to update that it is still engaged in discussions to finalize details of the extension with bond holders of the 0% RMB100,000,000 convertible bonds due 2014 (“CB1”) and RMB270,000,000 convertible bonds at zero coupon rate due 2015 (“CB2”) which were issued by Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited, a wholly-owned subsidiary of the Company. The Company will keep shareholders updated on material developments relating to the CB1 and CB2 as and when appropriate.

Update on proposed listing

As announced on 23 February 2016, the shareholders of the Company have via an Extraordinary General Meeting held on the same day approved the relevant resolution in relation to the proposed listing of our beverage segment under its wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited on an internationally recognised stock exchange. 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?

Yes

Name of dividend	Final
Dividend type	Cash; tax-exempt one-tier
Dividend rate	RMB0.018 per ordinary share
Tax status	Exempt one-tier

(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

To be announced at a later date

(d) Books closure date

To be announced at a later date

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable

13. Interested Person Transactions (“IPT”)

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

14. 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 31 January 2016, the Group had utilised approximately RMB154.1 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	104,100,000	-
(b) Working Capital				
- Bank repayment	35	60,725,000	50,000,000	10,725,000
- Operating expenses	5	8,675,000	-	8,675,000
Total	100	173,500,000	154,100,000	19,400,000

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

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

15. **Segmented revenue and results for business or geographical segment (of the group) in the form presented in the issuer’s most recently audited financial statements, with comparative information for the immediate preceding year.**

The Group is a manufacturer and supplier of beverages and canned fruits and vegetables. Our main products are canned asparagus, long beans, mushrooms, beverages and other products (including bamboo shoots, sweet corn, chillies and fruits, such as lychees, pineapples mandarin orange, pears and peaches). The Group segment revenue and gross profits are analyzed based on the product segments as follows:-

REVENUE

Product segment	Group Year ended 31 December 2015 RMB'000	Group Year ended 31 December 2014 RMB'000	Increase/ (Decrease) %
Canned products			
- overseas	576,224	635,164	(9.3)
- domestic	418,628	307,547	36.1
Beverage	2,319,050	1,876,738	23.6
Total	3,313,902	2,819,449	17.5

GROSS PROFIT

Product segment	Group Year ended 31 December 2015 RMB'000	Group Year ended 31 December 2014 RMB'000	Increase/ (Decrease) %
Canned products			
- overseas	171,380	194,125	(11.7)
- domestic	173,774	128,009	35.8
Beverage	1,028,430	805,741	27.6
Total	1,373,584	1,127,875	21.8

RESULTS BY GEOGRAPHICAL LOCATIONS OF OUR CUSTOMERS

Geographical locations	Group Year ended 31 December 2015 RMB'000	Group Year ended 31 December 2014 RMB'000	Increase/ (Decrease) %
Europe ⁽¹⁾	537,832	571,709	(5.9)
North America ⁽²⁾	31,080	44,008	(29.4)
China	2,737,679	2,184,285	25.3
Others ⁽³⁾	7,311	19,447	(62.4)
Total	3,313,902	2,819,449	17.5

(1) Includes sales to countries such as Germany, France, Spain, the Netherland, the Czech Republic and Russia

(2) Relates mainly to sales to Mexico

(3) Relates to sales to countries such as Australia and Turkey

Insofar as to the analysis of major customers, the Group does not have a single customer whose revenue reports 10% of the Group’s total revenue.

16. In the review of the performance, the factors leading to material changes in contributions to turnover and earnings by the business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediate preceding year.

Not applicable

17. A breakdown of sales as follows:

	31 Dec 2015 RMB'000	31 Dec 2014 RMB'000	Change %
Revenue reported for first half year	1,506,978	1,294,146	16.4
Operating profit after tax before deducting non-controlling interests reported for first half year	233,889	126,078	85.5
Revenue reported for second half year	1,806,924	1,525,303	18.5
Operating profit after tax before deducting non-controlling interests reported for second half year	(27,820)	122,598	(122.7)

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous year as follows:

	31 Dec 2015 RMB	31 Dec 2014 RMB
<u>Ordinary shares</u>		
Interim dividend paid	-	NA
Final dividend paid	-	NA
Final dividend proposed	12,120,107	NA
Total	12,120,107	NA

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Huang Yupeng	55	Brother of Huang Yushan	Chairman and CEO - appointed with effect from 20 Apr 2007 Responsible for overseeing the overall management and operation of the Group	Not applicable
Huang Yushan	52	Sister of Huang Yupeng	Executive Director - appointed with effect from 20 Apr 2007	Not applicable

Fang Kunrong	55	Brother-in-law of Huang Yupeng	<p>Responsible for Human Resource and Administration of the Group</p> <p>Administration Manager – appointed with effect from 20 Apr 2007</p> <p>Responsible for administration matters of the Group</p>	Not applicable
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BY ORDER OF THE BOARD
HUANG YUPENG
CHAIRMAN AND CEO
26 February 2016