



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 2018

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

1(a)(i) An income statement and statement of comparative 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

	4Q			12-months (FY)		
	Oct – Dec 2018 RMB'000	Oct – Dec 2017 RMB'000 (Restated)	Change %	Jan - Dec 2018 RMB'000	Jan - Dec 2017 RMB'000 (Restated)	Change %
Revenue	773,711	818,341	(5.5)	3,507,354	3,470,551	1.1
Cost of sales	(552,381)	(613,154)	(9.9)	(2,514,374)	(2,534,679)	(0.8)
Gross profit	221,330	205,187	7.9	992,980	935,872	6.1
Other operating income	11,009	4,942	122.8	49,469	14,267	246.7
Distribution and selling expenses	(115,646)	(128,323)	(9.9)	(279,772)	(234,224)	19.4
Administrative expenses	(35,880)	(41,682)	(13.9)	(161,146)	(132,571)	21.6
Impairment loss on plant and equipment	(47,991)	-	100.0	(47,991)	-	100.0
Other operating expenses	(19,501)	(15)	N.M	(19,502)	(15)	N.M.
Finance costs	(17,477)	(14,317)	22.1	(57,951)	(56,547)	2.5
(Loss)/Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	(4,156)	25,792	(116.1)	476,087	526,782	(9.6)
Fair value loss on derivative on convertible loan	-	(11,095)	(100.0)	-	(11,095)	(100.0)
Changes in fair value of the option derivatives in relation to convertible loans and convertible bonds	33,216	13,291	149.9	33,217	6,214	434.5
Profit before income tax	29,060	27,988	3.8	509,304	521,901	(2.4)
Income tax expense	(26,944)	(23,135)	16.5	(164,558)	(166,075)	(0.9)
Profit after income tax	2,116	4,853	(56.4)	344,746	355,826	(3.1)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	2,116	4,853	(56.4)	344,746	355,826	(3.1)
Profit attributable to:						
Equity holders of the Parent	2,207	4,861		345,178	355,963	
Non-controlling interests	(91)	(8)		(432)	(137)	
	2,116	4,853		344,746	355,826	
Total comprehensive income attributable to:						
Equity holders of the Parent	2,207	4,861		345,178	355,963	
Non-controlling interests	(91)	(8)		(432)	(137)	
	2,116	4,853		344,746	355,826	

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

	4Q			12-months (FY)		
	Oct – Dec 2018	Oct – Dec 2017	Change	Jan – Dec 2018	Jan – Dec 2017	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	(21,852)	(43,387)	(49.6)	(109,214)	(85,360)	27.9
Amortisation of land use rights	141	306	(53.9)	(1,499)	(1,499)	-
Net exchange (loss)/gain	15,492	7,621	103.3	12,284	(5,234)	334.7
Share-based payment expenses under ESOS scheme	4,328	(4,036)	207.2	(6,250)	(16,240)	(61.5)
Other operating income						
Government grants	31	(1,933)	101.6	1,116	21	N.M.
Interest income – banks	387	1,434	(73.0)	2,396	3,226	(25.7)
Exchange (loss)/gain	(2,826)	10,662	(126.5)	26,219	11,584	126.3
Others	13,417	(5,221)	356.9	19,738	(564)	N.M.
Total	11,009	4,942	122.8	49,469	14,267	246.7

N.M. – Not meaningful

Note :-

The net exchange gains/losses in FY2018 and FY2017 were mainly attributable to appreciation of net assets of the Group denominated in Singapore Dollar and exchange gains/(losses) from operation arising from exchange rate differences between United States Dollar and Renminbi.

(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 18	31 Dec 17	1 Jan 17	31 Dec 18	31 Dec 17	1 Jan 17
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets						
Property, plant and equipment	1,489,846	1,350,757	1,078,120	22	14	18
Land use rights	106,987	108,797	110,296	-	-	-
Subsidiaries	-	-	-	106,282	100,032	85,987
Amount owing by subsidiaries	-	-	-	792,365	769,086	548,203
Deposit paid for non-current assets	577,300	510,935	787,802	-	-	-
Total non-current assets	2,174,133	1,970,489	1,976,218	898,669	869,132	634,208
Current assets						
Inventories	24,323	38,282	44,504	-	-	-
Trade receivables	1,614,780	1,345,669	1,153,722	-	-	-
Other receivables	352,789	399,389	481,057	158	172	135
Cash and cash equivalents	621,793	693,625	297,749	8,199	4,802	46,904
Total current assets	2,613,685	2,476,965	1,977,032	8,357	4,974	47,039
Current liabilities						
Trade payables	100,894	106,488	41,285	21,116	11,035	3,570
Other payables	108,803	94,116	187,327	28,911	26,385	139,088
Finance leases	3,885	5,026	-	-	-	-
Current tax payable	48,073	43,625	9,622	-	-	-
Bank borrowings	95,243	77,560	263,708	-	-	-
Convertible loan	148,148	141,867	134,660	148,148	141,867	134,660
Straight bonds	235,908	212,758	193,416	-	-	-
Convertible bonds	488,232	521,449	527,663	-	-	-
Amount owing to subsidiaries	-	-	-	70,538	50,501	14,035
Total current liabilities	1,229,186	1,202,889	1,357,681	268,713	229,788	291,353
Net current assets/(liabilities)	1,384,499	1,274,076	619,351	(260,356)	(224,814)	(244,314)
Non-current liabilities						
Bank borrowings	96,166	130,240	173,425	-	-	-
Finance leases	1,841	5,719	-	-	-	-
Deferred tax liabilities	20,241	20,241	20,241	20,241	20,241	20,241
Total non-current liabilities	118,248	156,200	193,666	20,241	20,241	20,241
Net assets	3,440,384	3,088,365	2,401,903	618,072	624,077	369,653
Equity						
Equity attributable to equity holders of the Company						
Share capital	755,344	755,344	440,948	755,344	755,344	440,948
Retained profits/(Accumulated losses)	2,416,985	2,077,139	1,728,917	(210,633)	(197,354)	(121,142)
Other reserves	266,456	253,851	229,870	73,361	66,087	49,847
Total shareholder's funds	3,438,785	3,086,334	2,399,735	618,072	624,077	369,653
Non-controlling interests	1,599	2,031	2,168	-	-	-
Total equity	3,440,384	3,088,365	2,401,903	618,072	624,077	369,653

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

	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Amount repayable in one year or less, or on demand			
Secured	247,276	224,453	398,368
Unsecured	724,140	734,207	721,079
	<u>971,416</u>	<u>958,660</u>	<u>1,119,447</u>
Amount repayable after one year			
Secured	98,007	135,959	173,425
Unsecured	-	-	-
	<u>98,007</u>	<u>135,959</u>	<u>173,425</u>
	<u><u>1,069,423</u></u>	<u><u>1,094,619</u></u>	<u><u>1,292,872</u></u>

Details of collaterals:-

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

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

	4Q		12-months (FY)	
	Oct – Dec	Oct – Dec	Jan - Dec	Jan - Dec
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit before income tax	29,060	27,988	509,304	521,901
Adjustments for:				
Depreciation of property, plant and equipment	21,852	43,387	109,214	85,360
Change in fair value of the exchangeable bonds	(33,216)	(13,291)	(33,216)	(6,214)
Impairment loss on plant and equipment	47,991	-	47,991	-
Fair value loss on derivative on convertible loan	-	11,095	-	11,095
Amortisation of land use rights	141	(306)	1,499	1,499
Share-based payment expenses under ESOS scheme	(4,328)	4,036	6,250	16,240
Loss on disposal of property, plant and equipment	-	134	-	134
Interest expenses	17,477	14,317	57,951	56,547
Interest expenses	(387)	(1,434)	(2,396)	(3,226)
Exchange (gain)/loss	-	(18,370)	-	(18,370)
	<u>78,590</u>	<u>67,556</u>	<u>696,597</u>	<u>664,966</u>
Operating cash flows before working capital changes	78,590	67,556	696,597	664,966
(Increase)/decrease in deposits pledged with banks	(7,127)	112,360	(6,353)	130,437
Increase in bank balance frozen under law suit (refer to para 8)	(136)	-	(136)	-

	4Q		12-months (FY)	
	Oct – Dec 2018	Oct – Dec 2017	Jan - Dec 2018	Jan - Dec 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Decrease in inventories	21,051	9,474	13,958	6,222
Decrease/(increase) in operating receivables	177,755	294,244	(222,511)	(70,066)
(Decrease)/increase in operating payables	<u>(36,350)</u>	<u>14,740</u>	<u>9,092</u>	<u>51,651</u>
Cash generated from operations	233,783	498,374	490,647	783,210
Income tax paid	(32,590)	(59,095)	(160,110)	(132,072)
Interest paid	<u>(21,380)</u>	<u>9,273</u>	<u>(43,582)</u>	<u>(16,961)</u>
Net cash generated from operating activities	<u>179,813</u>	<u>448,552</u>	<u>286,955</u>	<u>634,177</u>
Cash flows from investing activities:				
Acquisition of property, plant and equipment	27,408	293,154	(295,982)	(28,332)
Proceeds from disposal of PPE	-	36	-	36
Deposit for non-current assets	(300)	(277,772)	(66,365)	(48,430)
Interest received	<u>387</u>	<u>1,434</u>	<u>2,396</u>	<u>3,226</u>
Net cash generated from/(used in) investing activities	<u>27,495</u>	<u>16,852</u>	<u>(359,951)</u>	<u>(73,500)</u>
Cash flows from financing activities:				
Issue of shares	-	(111,334)	-	204,982
Share issue costs	-	-	-	(1,920)
Repayment of finance leases	(4,595)	(2,331)	(4,595)	(2,331)
Bank loans obtained	5,600	10,000	59,270	177,000
Bank loans repaid	(10,712)	(110,000)	(60,000)	(395,708)
Interest paid	<u>-</u>	<u>(16,387)</u>	<u>-</u>	<u>(16,387)</u>
Net cash (used in)/generated from financing activities	<u>(9,707)</u>	<u>(230,052)</u>	<u>(5,325)</u>	<u>(34,364)</u>
Net increase/(decrease) in cash and cash equivalents	197,601	235,352	(78,321)	526,313
Cash and cash equivalents at beginning of period/year	<u>409,701</u>	<u>422,829</u>	<u>685,181</u>	<u>131,868</u>
Cash and cash equivalents at end of period/year	<u>607,302</u>	<u>685,181</u>	<u>607,302</u>	<u>685,181</u>
Cash and cash equivalents comprise:				
Cash and bank balances	607,302	685,181	607,302	685,181
Fixed deposits	14,355	8,444	14,355	8,444
Bank balance frozen under law suit	<u>136</u>	<u>-</u>	<u>136</u>	<u>-</u>
	621,793	693,625	621,793	693,625
Less : Fixed deposits pledged	(14,355)	(8,444)	(14,355)	(8,444)
Bank balance frozen under law suit	<u>(136)</u>	<u>-</u>	<u>(136)</u>	<u>-</u>
	<u>607,302</u>	<u>685,181</u>	<u>607,302</u>	<u>685,181</u>

Reconciliation of liabilities arising from financing activities

The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	Bank borrowings RMB'000	Finance leases RMB'000	Convertible loan RMB'000	Straight bonds RMB'000	Exchangeable bonds RMB'000	Total RMB'000
At 1 January 2018	207,800	10,745	141,867	212,758	521,449	1,094,619
<u>Cash flow</u>						
Additions	59,270	-	-	-	-	59,270
Repayments of principal/interests	(60,000)	(4,595)	(12,919)	-	-	(77,514)
<u>Non-cash changes</u>						
Changes in fair value of exchangeable bonds	-	-	-	-	(33,216)	(33,216)
Interest	1,032	(424)	20,448	23,150	-	44,206
Exchange translation	(16,693)	-	(1,248)	-	-	(17,941)
At 31 December 2018	191,409	5,726	148,148	235,908	488,232	1,069,424

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

	Share capital	Retained profits	Share option reserve	Merger reserve	Statutory common reserve	Attributable to equity holders of the Company	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>								
Balance at 1 January 2017	440,948	1,728,917	49,847	(31,413)	211,436	2,399,735	2,168	2,401,903
Issue of shares	204,982	-	-	-	-	204,982	-	204,982
Share issuance expenses	(1,920)	-	-	-	-	(1,920)	-	(1,920)
Profit for the year and representing total comprehensive income for the year	-	355,963	-	-	-	355,963	(137)	355,826
Share-based payment expenses under ESOS scheme	-	-	16,240	-	-	16,240	-	16,240
Reclassification of an amount previously classified as other payables to "Director of the Company" used to subscribe in the rights issue of the Company	-	-	-	-	-	-	111,334	111,334
Completion of rights issue on 13 March 2017	-	-	-	-	-	-	(111,334)	(111,334)
Transfer of non-controlling interest into share capital on completion of rights issue	111,334	-	-	-	-	111,334	-	111,334
Transfer to statutory reserve	-	(7,741)	-	-	7,741	-	-	-
Balance at 31 December 2017	755,344	2,077,139	66,087	(31,413)	219,177	3,086,334	2,031	3,088,365
Profit for the period and representing total comprehensive income for the period	-	345,178	-	-	-	345,178	(432)	344,746
Share-based payment expenses under ESOS scheme	-	-	7,273	-	-	7,273	-	7,273
Transfer to statutory reserve	-	(5,332)	-	-	5,332	-	-	-
Balance at 31 December 2018	755,344	2,416,985	73,360	(31,413)	224,509	3,438,785	1,599	3,440,384

Company	Share capital	Accumulated losses	Share option reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	440,948	(121,142)	49,847	369,653
Share-based payment expenses under ESOS scheme	-	-	16,240	16,240
Issue of shares	314,396	-	-	314,396
Loss for the year representing total comprehensive income for the year	-	(76,212)	-	(76,212)
Balance at 31 December 2017	755,344	(197,354)	66,087	624,077
Share-based payment expenses under ESOS scheme	-	-	7,274	7,274
Loss for the period representing total comprehensive income for the year	-	(13,279)	-	(13,279)
Balance at 31 December 2018	755,344	(210,633)	73,361	618,072

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

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

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

Date of grant	Exercise price of option granted (SGD per share)		Expiry date
	Prior adjustment	Post adjustment	
9 April 2015	0.33*	0.30*	8 April 2025
9 April 2015	0.26*	0.24*	8 April 2025
20 May 2016	0.49*	0.45*	19 May 2026
24 May 2017	0.18	0.18	23 May 2027
25 May 2018	0.22 ⁽¹⁾ /0.18 ⁽²⁾	0.22 ⁽¹⁾ /0.18 ⁽²⁾	24 May 2028

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

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

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

Number of options outstanding under ESOS scheme as at 31 December 2018 was 59,750,801.

Save for the above, there were no outstanding convertible securities and treasury shares and subsidiary holdings as at 31 December 2018 and 31 December 2017.

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 2018	As at 31 Dec 2017
Total number of ordinary shares issued and fully paid	979,410,658	979,410,658

The Company does not have treasury shares as at 31 December 2018 and 31 December 2017.

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)

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

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 stated 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 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

As required by the listing requirements of the Singapore Exchange, the Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018. In adopting the new framework, the Group is required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group has also concurrently applied new major FRSI(I) 9 *Financial Instruments* ("SFRS(I) 9") and SFRS(I) 15 *Revenue from Contracts with Customers* ("SFRS(I) 15").

The impact arising from the adoption of SFRS(I)s on the Group's financial statements are as follows:

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ended 31 December 2018), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. There is no significant impact on the Group's financial statements.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. SFRS(I) 15 superseded the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations. The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group adopted SFRS(I) 15 using the retrospective approach with practical expedients. The Group's contracts with customers contain product sales and also consideration payable to customers. Each of these components is either recognised as revenue or operating expenses. With the adoption of SFRS(I) 15, the consideration payable to customers which were previously recognised as expenses would be required to be recognised as part of the transaction price and hence to be reclassified and netted off against revenue.

Promotional incentives and rebates expenses previously recognised as expenses have been reclassified and netted off against revenue. Transportation expenses previously recognised as expenses have been reclassified to cost of sales.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 *Financial Instruments* replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. SFRS(I) 9 includes revised guidance on the classification and measurement of financial instruments, including classification and measurement of financial assets, impairment of financial assets and hedge accounting.

The Group adopted the new standard on 1 January 2018 and elected to apply the short term exemption under SFRS(I) 1, which allowed the Group not to restate the comparative information in its FY2018 financial statements. Accordingly, requirements of FRS 39 continue to apply to financial instruments up to the financial year ended 31 December 2017.

SFRS(I) 9 requires the Group to record expected credit losses on its loans and receivables, either on a 12 month or lifetime basis. The Group applied the simplified approach and assessed that there is no significant expected credit losses on the Group's trade receivables.

Upon applying SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9, certain comparatives have been restated. The effects on the Group's financial statements are as follows:

	As previously reported RMB'000	FY2017 Effects of adoption RMB'000	As restated RMB'000
Revenue	3,717,734	(247,183)	3,470,551
Cost of sales	(2,303,943)	(230,736)	(2,534,679)
Gross profit	1,413,791	(477,919)	935,872
Other operating income	14,267	-	14,267
Distribution and selling expenses	(712,143)	477,919	(234,224)
Administrative expenses	(132,571)	-	(132,571)
Other operating expenses	(15)	-	(15)
Finance costs	(56,547)	-	(56,547)
(Loss)/Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	526,782	-	526,782
Fair value loss on derivative on convertible loan	(11,095)	-	(11,095)
Changes in fair value of the option derivatives in relation to convertible loans and convertible bonds	6,214	-	6,214
Profit before income tax	521,901	-	521,901
Income tax expense	(166,075)	-	(166,075)
Profit after income tax	355,826	-	355,826
Other comprehensive income	-	-	-
Total comprehensive income	355,826	-	355,826

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 2017	Oct – Dec 2017	Jan – Dec 2017	Jan – Dec 2017
EPS based on average number of ordinary shares (RMB cents)	0.2	0.5	35.2	38.0
EPS on a fully diluted basis (RMB cents)	0.2	0.5	35.2	38.0
Weighted average number of ordinary shares ('000)	979,410	936,365	979,410	936,365
Weighted average number of ordinary shares – diluted ('000)	980,197	937,921	980,197	937,921

Basic earnings per share for 4Q2018 and FY2018 are calculated based on the Group profit after taxation of RMB2,207,000 and RMB345,178,000 respectively on weighted average number of ordinary shares issued of 979,410,658.

Basic earnings per share for 4Q2017 and FY2017 are calculated based on the Group profit after taxation of RMB4,861,000 and RMB355,963,000 respectively on weighted average number of ordinary shares of 936,365,000 which is computed based on 297 days of right issue shares of actual number of ordinary shares of 263,021,000.

The fully diluted earnings per share for 4Q2018 and FY2018 were calculated based on the Group profit after taxation of RMB2,207,000 and RMB345,178,000 respectively on weighted average number of ordinary shares of 980,197,000 after adjusting for the outstanding options under ESOS scheme.

The fully diluted earnings per share for 4Q2017 and FY2017 were calculated based on the Group profit after taxation of RMB4,861,000 and RMB355,963,000 respectively on weighted average number of ordinary shares of 937,921,000 after adjusting for the outstanding options under ESOS scheme and issuance of right shares in 2017.

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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Number of ordinary shares	979,410,658	979,410,658	979,410,658	979,410,658
NAV per ordinary share in the Company (RMB cents)	351.3	315.3	63.1	63.7

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must include a discussion of the following: (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of performance

Revenue

The Group's revenue increased by approximately RMB36.8 million or 1.1% from RMB3,470.6 million in FY2017 to RMB3,507.4 million in FY2018. This increase was attributable to the increased sales of RMB96.0 million from beverage segment, partially offset by a decrease of RMB5.9 million from sales of canned products in domestic market and RMB53.3 million from sales of canned products in overseas market. The increase in sales revenue of beverage from FY2017 to FY2018 was mainly due to expansion of distribution network in PRC.

Breakdown of revenue by segments:

	<u>4Q</u>			<u>12-months (FY)</u>		
	Oct – Dec 2018	Oct – Dec 2017	Change	Jan – Dec 2018	Jan – Dec 2017	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Product segment		(Restated)			(Restated)	
Canned products						
- overseas	81,980	97,383	(15.8)	497,428	550,682	(9.7)
- domestic	94,080	99,772	(5.7)	442,318	448,219	(1.3)
Beverage	597,651	621,184	(3.8)	2,567,608	2,471,650	3.9
Total	773,711	818,341	(5.5)	3,507,354	3,470,551	1.1

Gross profit

The Group's gross profit increased by approximately RMB57.1 million or 6.1%, from RMB935.9 million in FY2017 to RMB993.0 million in FY2018. The Group's overall gross profit margin (GPM) improved by 1.3 percentage points, from 27.0% in FY2017 to 28.3% in FY2018. Improvement of the Group's overall GPM was a result of an increase in GPM of all segment. The increase in GPM of beverage product segment was mainly attributable to higher average selling price compared to FY2017. The increase in GPM of products in overseas and domestic market segment was mainly due to lower cost of raw materials from FY2017 to FY2018.

Operating expenses

Distribution and selling expenses increased by approximately RMB45.6 million or 19.4%, from RMB234.2 million in FY2017 to RMB279.8 million in FY2018. This was due mainly to an increase of RMB60.3 million in advertising expenses, partially offset by a decrease in packaging costs of RMB5.0 million and RMB7.3 million in depreciation. The increase in advertising expenses was mainly attributable to higher advertisement compared to FY2017.

Administrative expenses increased by approximately RMB28.5 million or 21.6%, from RMB132.6 million in FY2017 to RMB161.1 million in FY2018. This was mainly due to increase of RMB30.0 million in depreciation, partially offset by a decrease in professional and legal fees of RMB7.3 million.

Impairment loss on plant and equipment of RMB48.0 million is provided in FY2018 for production machineries in our Sichuan Grandness and Shanxi plants. Both plants had ceased production and respective machineries are considered obsolete.

Finance costs

Finance costs increased by approximately RMB1.5 million or 2.5%, from RMB56.5 million in FY2017 to RMB58.0 million in FY2018. The increase in finance costs was mainly due to higher bank borrowings in FY2018 as compared to FY2017.

Profit before income tax

Profit before income tax decreased by approximately RMB12.6 million or 2.4%, from RMB521.9 million in FY2017 to RMB509.3 million in FY2018. The decrease was mainly due to an increase in revenue, other operating income, impairment loss on plant and equipment coupled with changes in fair value of the option derivatives in relation to convertible bonds, partially offset by an increase in distribution, selling expenses and administrative expenses, other operating expenses and finance costs.

Review of statement of financial position

Property, plant and equipment increased by approximately RMB139.0 million from RMB1,350.8 million in FY2017 to RMB1,489.8 million in FY2018 as a result of the completion of the factory and warehouse premises as well as plant and equipment in Hubei and Anhui plants, partially offset by depreciation charged and impairment loss on plant and equipment during the year under review.

Deposit paid for non-current assets increased by approximately RMB66.4 from RMB510.9 million in FY2017 to RMB577.3 million in FY2018 which was mainly attributable to deposit placed for the acquisition of plant and equipment in Hubei and Anhui plants.

The Group's inventories decreased by approximately RMB14.0 million from RMB38.3 million in FY2017 to RMB24.3 million in FY2018. The decrease in inventories over the period under review was due to effective inventory control.

Trade receivables increased by approximately RMB269.1 million from RMB1,345.7 million in FY2017 to RMB1,614.8 million in FY2018. As at 31 January 2019, approximately RMB118.0 million of trade receivables as at 31 December 2017 had been collected. The adoption of the new SFRS(I) 9 had no significant impact on the amount reported for the current financial period.

Other receivables decreased by approximately RMB46.6 million from RMB399.4 million in FY2017 to RMB352.8 million in FY2018. Other receivables comprised VAT receivables, export tax refund and prepayments for advertisement expenses.

Cash and cash equivalents stood at RMB621.8 million as at 31 December 2018, the decrease in cash and cash equivalents was mainly due to acquisition of property, plant and equipment and repayment of bank borrowings, partially offset by bank loans obtained and net cash generated from operations.

Our subsidiary company Garden Fresh Shenzhen had initiated a law suit in March 2018 against our OEM contractor, 福建汇农食品开发有限责任公司 for breach of contract claiming losses of RMB2.0 million plus interest. 福建汇农食品开发有限责任公司 had on July 2018 lodged a counter claim against Garden Fresh Shenzhen for an amount of RMB1.33 million. A court order was issued and an amount of approximately RMB136,000 under the bank account belonging to Garden Fresh Shenzhen was frozen as at 31 December 2018. Both law suits are still pending for final judgement as of today.

Current liabilities increased by RMB26.3 million from RMB1,202.9 million in FY2017 to RMB1,229.2 million in FY2018. The increase was mainly attributable to an increase in other payables of RMB14.7 million, current tax payable of RMB4.4 million, convertible loan of RMB6.3 million, bank borrowings of RMB17.7 million and straight bonds of RMB23.2 million, partially offset by a decrease in trade payables of RMB5.6 million, finance lease of RMB1.1 million and convertible bonds of RMB33.2 million (arising from the fair value changes).

Equity holders interest increased by RMB352.0 million from RMB3,088.4 million as at 31 December 2017 to RMB3,440.4 million as at 31 December 2018. The increase was mainly attributable to the net profit in FY2018.

Review of cash flow statement

In FY2018, operating cash flows before working capital changes amounted to RMB696.6 million. The Group used net cash of RMB206.0 million in its operating activities. Working capital changes comprised an increase in deposit pledged with bank of RMB6.4 million, operating receivables of RMB222.5 million and operating payables of RMB9.1 million and a decrease in inventories of RMB14.0 million and operating payables of RMB9.1 million. Net cash used in investing activities amounted to RMB359.9 million in FY2018, which was due mainly to installation and commissioning of plant and equipment in Hubei and Anhui plants. In addition, net cash used in financing activities amounted to RMB5.3 million in FY2018, which was mainly due to repayment of bank borrowings, partially offset by new bank loans obtained in FY2018.

Convertible bonds

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	Variance RMB'000
2012 Convertible Bond	342,163	365,442	(23,279)
2011 Convertible Bond	146,069	156,007	(9,938)
	488,232	521,449	(33,217)

The valuation of the exchangeable bonds was computed by an independent valuer based on the binominal method in deriving the fair value of the exchangeable bonds.

On 17 January 2019, the Company released an announcement that it has on 14 January 2019 entered into an amended and restated original agreement with the same group companies and bondholders for a further restructuring of the 2011 Bonds, the 2012 Bonds, the 2011 SB2 Bonds and the 2012 SB2 Bonds.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's current result is in line with its statement made under paragraph 10 in its third quarter results announcement released on 9 November 2018.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The National Bureau of Statistic of China ("NBS") reported that China's gross domestic product ("GDP") increased by 6.6% year-on-year to RMB 90,030.9 billion in 2018 as the economy maintained steady growth momentum. Total retail sales of consumer goods in rose 9.0% to RMB 38,098.7 billion with retail sales of consumer goods in urban areas rising 8.8% to RMB 32,563.7 billion while retail sales in rural areas rose 10.1% to 5,535.0 billion. Online retail sales of physical goods in 2018 rose 25.4% to 7,019.8 billion yuan, and accounted for 18.4% of the total retail sales of consumer goods in China.*

As a result of rising health awareness, higher disposable income and lifestyle changes, consumers in China have shown increasing demand for convenient products and functional health food through online and offline spending. The Group has responded to this trend by steadily expanding its product range and distribution channel in order to appeal to a broader customer base.

To capitalize on the growth opportunities ahead, the Group will continue to invest in various advertising and promotional activities as well as sales and marketing initiatives in order to enhance its brand visibility and grow its market share in China.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2019.

Update on letter of demand received from Soleado Holdings Pte. Ltd.

As announced on 23 January 2019, the Company is still in negotiation with the lender to settle the matter amicably. The application to the State Administration of Foreign Exchange of the People's Republic of China (SAFE) had been submitted on 26 February 2019 for repatriation of funds by way of dividends. The Company would make the necessary announcement as and when there is any material development.

Update on proposed listing of Garden Fresh

The Company continues in its effort towards the proposed listing of its beverage business ("Proposed Listing"). The Company will keep shareholders updated on any material developments relating to the Proposed Listing as and when appropriate.

Source :

* <http://www.stats.gov.cn/english/PressRelease>

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 (recommended), a statement to that effect and the reason(s) for the decision.

No dividend had been declared or recommended for the financial year ended 31 December 2018 to enable the Group to conserve cash for working capital purposes.

13. Interested Person Transactions ("IPT")

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

14. Statement pursuant to SGX Listing Rule 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.

15. Use of proceeds

The Board refers to the issuance of 306,065,830 shares by the Company in March 2017 (“Right Issue 2017”). As at 31 December 2018, the Group had utilised the net proceeds from the Rights Issue 2017 as follows:-

Use of net proceeds	Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilized (RMB'000)	Balance (RMB'000)
(a) Capital expenditure for Group’s non-beverage business	60	191,700	186,750	4,950
(b) Distribution network expansion and general working capital	40	127,800	127,800	-
- Distribution network expansion		100,000	100,000	-
- Bank loan repayment		24,800	24,800	-
- Operating expenses		3,000	3,000	-
Total	100	319,500	314,550	4,950

The Company will make further announcements on the use of net proceeds from the Right Issue 2017 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)**

16. **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. The Group’s 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 2018 RMB’000	Group Year ended 31 December 2017 RMB’000 (Restated)	Increase/ (Decrease) %
Canned products			
- overseas	497,428	550,682	(9.7)
- domestic	442,318	448,219	(1.3)
Beverage	2,567,608	2,471,650	3.9
Total	3,507,354	3,470,551	1.1

GROSS PROFIT

Product segment	Group Year ended 31 December 2018 RMB’000	Group Year ended 31 December 2017 RMB’000 (Restated)	Increase/ (Decrease) %
Canned products			
- overseas	138,123	144,406	(4.4)
- domestic	135,658	139,695	(2.9)
Beverage	719,199	651,771	10.3
Total	992,980	935,872	6.1

RESULTS BY GEOGRAPHICAL LOCATIONS OF THE GROUP’S CUSTOMERS

Geographical locations	Group Year ended 31 December 2018 RMB’000	Group Year ended 31 December 2017 RMB’000 (Restated)	Increase/ (Decrease) %
Europe ⁽¹⁾	461,709	500,549	(7.8)
North America ⁽²⁾	34,108	45,452	(25.0)
China	3,009,926	2,919,868	3.1
Others ⁽³⁾	1,611	4,682	(65.6)
Total	3,507,354	3,470,551	1.1

(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.

17. **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

18. **A breakdown of sales as follows:**

	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000 (Restated)	Change %
Revenue reported for first half year	1,644,610	1,461,920	12.5
Operating profit after tax before deducting non-controlling interests reported for first half year	187,203	157,730	18.7
Revenue reported for second half year	1,862,744	2,008,631	(7.3)
Operating profit after tax before deducting non-controlling interests reported for second half year	157,543	198,096	(20.5)

19. **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 2018 RMB	31 Dec 2017 RMB
<u>Ordinary shares</u>		
Interim dividend paid	NA	NA
Final dividend paid	NA	NA
Final dividend proposed	NA	NA
Total	NA	NA

20. **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	57	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	54	Sister of Huang Yupeng	Executive Director – appointed with effect from 20 Apr 2007 Responsible for Human Resource and Administration of the Group	Not applicable
Fang Kunrong	57	Brother-in-law of Huang Yupeng and Huang Yushan	Administration Manager – appointed with effect from 20 Apr 2007 Responsible for administration matters of the Group	Not applicable

BY ORDER OF THE BOARD
 HUANG YUPENG
 CHAIRMAN AND CEO
 1 March 2019