GRANDNESS

FORWARD WITH STRENGTH

ANNUAL REPORT 2021

CONTENTS

CORPORATE PROFILE

Headquartered in Shenzhen the People's Republic of China ("**PRC**"), Sino Grandness Food Industry Group Limited 中华食品工业集团有限公司 ("**Sino Grandness**" or "**the Company**") and together with its subsidiaries ("the Group"), is an integrated manufacturer and distributor of own-branded 鲜绿园® ("**Garden Fresh**") juices as well as canned fruits and vegetables. Since its establishment in 1997, the Group has rapidly grown to become one of the leading brands for loquat fruit juice in PRC as well as one of the top exporters of canned asparagus, long beans and mushrooms from PRC. The Group's products are distributed within PRC and globally across Europe, North America and Asia, in renowned supermarkets, discount stores and convenience stores including Lidl, Rewe, Carrefour, Walmart, Huepeden, 7-Eleven, Jusco and Metro.

With stringent quality control and procedures implemented in its manufacturing processes, Sino Grandness' canned products are compliant with international standards, including Hazard Analysis and Critical Control Point ("**HACCP**") food safety system, British Retail Consortium ("**BRC**"), International Food Standard ("**IFS**") and International Organization for Standardization ("**ISO**") certifications. As such, Sino Grandness is able to export its canned products to customers globally including the European Union, which has enforced import restrictions (commonly known as "**Green Barriers**") since 2000 on the grounds of environmental and food safety issues.

Sino Grandness' operating production plants in PRC are strategically located in three provinces, namely Sichuan, Hubei and Anhui – all of which are key agricultural belts. The production bases straddle different climatic regions so that production activities can be carried throughout the year. The Group's newest plant in Anhui province commenced production of juices and canned products in 2018.

In 2010, the Group successfully launched its own- branded Garden Fresh bottled juices, comprising unique fruits such as loquat and hawthorn to target the huge domestic consumer base in PRC. In recognition of the Group's R&D and brand building efforts, Garden Fresh juices have been accorded the "Innovative, Outstanding and Nutritious Award" by the PRC Food Industry in 2010 as well as "Top 100 Brand in China" by the joint agency of Global times, Asia Brand Association and China Economic Herald in 2013.

In 2012, the Group successfully launched its own- branded 振鹏达® ("**Grandness**") canned fruits, comprising peaches, pears, mandarin oranges and mix fruits to target the huge domestic consumer base in PRC.

In September 2018, the Group's wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Ltd. ("**Garden Fresh Shenzhen**") has been accorded the prestigious "Top 500 Brands in Asia" award (亚洲品牌500强) during the 13th Asia Brand Ceremony held in Hong Kong with a brand appraisal value of RMB17.62 billion. This is the fourth time Garden Fresh Shenzhen has been accorded the prestigious title of Asia Brands Top 500, to be among other leading brands in Asia. The latest brand value ranking has improved by 41 spots to 437 from 478 in the previous year.

COMPETITIVE STRENGTHS

THE COMPANY PRIORITIES ESG ISSUES

The Company also priorities ESG issues. ESG stands for Environmental, Social, and Governance. It is about the sustainability not only the Company itself but for the bigger picture include our stakeholders in consideration for future resources.

In today's business environment, an increasing number of companies are paying attention to ESG and making efforts to improve their performance in these areas. We as one of the leaders within the industry shall vault and commit this vision for the future.

We would take several measures, including a commitment to using renewable energy, reducing the environmental impact of its supply chain and products, and reducing its carbon footprint by using renewable materials. Additionally, the Company has made some progress in improving the treatment of workers in its supply chain and protecting privacy. Also, the Company shall commit to achieving a positive impact on society and the environment through its Sustainable Living Plan, which includes using renewable energy, reducing packaging waste, and adopting more environmentally friendly production methods.

China has been successful in controlling the spread of COVID-19 through strict measures such as lockdowns, mass testing, and contact tracing. However, new variants of the virus and increasing international travel could lead to new outbreaks and challenges.

China's vaccination campaign is also a key factor in the country's ability to manage the pandemic in 2022. As of September 2021, China had administered over 2 billion doses of COVID-19 vaccines, and it's likely that the country will continue to prioritize vaccination efforts in the coming year.

In addition to the public health challenges, the COVID-19 pandemic has also had significant economic and social impacts in China and around the world. It's likely that these effects will continue to be felt in 2022 and beyond, as countries work to rebuild their economies and address the social and political implications of the pandemic.We would take the efforts and achievements in ESG short term, mid term and long term vision and mission step by step, we would also demonstrating how improving environmental, social, and governance performance can lead to business success and contribute to society and the environment in later section in Sustainability Statement.

COMPANY'S GREEN & ECO FRIENDLY PRODUCTS' COMPETITIVE ADVANTAGES

In today's environment, an increasing number of consumers are concerned with the environmental and sustainable aspects of products. With issues such as global climate change, environmental pollution, and resource scarcity becoming increasingly severe, consumers are becoming more aware of the impact their purchasing behaviour has on the environment, and as a result, demand for environmentally friendly products is increasing.

As a company that produces green products, you can reduce negative environmental impacts, increase consumer recognition and trust in your products, and enhance brand value and market competitiveness. Green products not only meet consumer needs but can also help your company achieve sustainable development goals and contribute to society and the environment.

At the same time, green products can also bring economic benefits. As demand for environmentally friendly products continues to rise, market demand gradually increases, and introducing green products can not only improve brand awareness but also attract more consumers, increase sales, and improve your company's profitability.

In summary, producing green products is a promising business decision that can bring multiple benefits to your company, contribute to sustainable development, and make a positive impact on society and the environment.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present Sino Grandness Food Industry Group Limited's annual report for the financial year ended 31 December 2021 ("**FY2021**").

In FY2021, we continued to focus on our strengths, steadily expanding our range and reach. Our efforts have built resilience to moderate the impact of the pandemic (Covid-19) and economic downtrends and allowed us to post acceptable results.

THE YEAR IN NUMBERS

For the year under review, our Group performance has improved by 70.6% in revenue with promising signs of recovery from the COVID-19 pandemic which appeared to be under control in despite of ongoing trade war between the People's Republic of China and the United States of America. This is evidenced with stronger demand for domestic canned products segment as well as beverages segment. For FY2021, we posted total sales of RMB1.38 billion as compared to the RMB809.3 million recorded for FY2020.

In line with the higher revenue, gross profit increase by RMB946.9 million from gross loss of RMB636 million in FY2020 to gross profit of RMB310.9 million in FY2021. Overall gross profit margin ("**GPM**") also increased mainly due more predictable cost of sales management as compared to preceding year.

From a segmental perspective, the beverages segment continued to lead contribution to Group revenue, making up for 73.9% of total revenue while canned products for overseas and domestic made up 6.7% and 19.4% respectively. Overall revenue was higher with the beverage segment up 105.4% to RMB1,020 million, the overseas canned segment down 2.4% to RMB92.4 million and the domestic canned segment up 23% to RMB268.3 million.

In the face of a challenging operating environment and diminished performance, the Group recorded a net loss attributable to shareholders of RMB36.2 million for the year under review.

INROADS IN EXPANDING OUR REACH

While we embrace the need to be agile especially in a rapidly changing economic climate, we uphold clarity and focus on our strategy of increasing visibility and multiplying avenues of reaching existing and potential customers.

On that note, we have made strides in our joint venture with the two largest petrol stations operators in China, PetroChina and Sinopec since 2019. We work closely and keep in touch with our partner to expand our market penetration. Moreover, the Group's products are in stock in the convenience stores within petrol stations operated by PetroChina and Sinopec, especially at the southwest area of the People's Republic of China.

CHAIRMAN'S STATEMENT

POSITIONING TO OVERCOME

The outlook for the future presents significant challenges, primarily driven by persistent issues like US-China trade tensions compounded by the profound repercussions of the global COVID-19 pandemic. The COVID-19 pandemic, in particular, has triggered unprecedented disruptions across the global economy, profoundly impacting production, supply chains and financial markets. These disruptions have played a pivotal role in hindering the overall economic recovery. Throughout this period, our operations have experience intermittent openings and closures due to fluctuating travel restrictions in China. Our top priority has been the health and safety of our staff and communities, and we have diligently followed precautions while working closely with the government to resume operations when permitted.

Despite the pandemic's expected significant impact on global economies, including drop of GDP forecasts and potential recessions in many countries, we maintain a cautious optimism about our long-term prospects. The fundamentals of our business and industry remain solid.

One crucial factor in this outlook is the demand in China. Prior to the virus outbreak, China's economy continued to grow steadily, with GDP increasing, and robust growth in retail sales of consumer goods, both in urban and rural areas. Online retail sales also saw substantial growth, reflecting changing consumer habits.

Additionally, COVID-19 pandemic has further accelerated the trend of health consciousness in China. Alongside higher disposable income and evolving lifestyles, consumers are showing increased interest in convenient products and functional health food, both in the digital and physical marketplaces. This indicates a substantial pent-up demand that has the potential to drive the Group's future recovery, with the pandemic serving as a catalyst for these shifting consumer preferences.

To leverage these opportunities, we will continue to expand our strategy to engage new customers, strengthen existing sales channels, and encourage consumption. We believe that the underlying drivers of our strategy, such as the growing demand for convenient and healthy food products among Chinese consumers, remain strong.

With the increasing demand for consumer goods across various channels, we see numerous avenues for growth. We will enhance our brand visibility, expand our product range, and aim to increase market share.

While we maintain a positive outlook, we acknowledged that external pressures may continue to hinder economic recovery. Therefore, we will adapt our strategies and carefully manage our risks to remain robust and resilient especially through the possibility of a protracted economic slowdown. While the situation is unprecedented, we will do our utmost to preserve and sustainably grow value for our stakeholders.

ACKNOWLEDGEMENT

I would like to thank all who have supported the Group especially over the past financial year. On behalf of the Board of Directors, I would like to express my appreciation to my fellow directors, business partners and staff. There has been some changes to the composition of the Board – I would like to thank Mr Zhu Jun and Mr Gong Shuli (Independent Director) for their contributions during their tenure. To all the rest of our stakeholders, we sincerely thank you for keeping your faith in us and we look forward to another year with you ahead as we forge through any challenges.

HUANG YUPENG
Chairman and CEO

OPERATIONS AND FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS FOR FY2021

RMB (million)	FY2021	FY2020	Change %
Revenue	1,380.7	809.3	70.6%
Gross profit/ (loss)	310.9	(636.0)	148.9%
Gross profit/ (loss) margin	22.5%	(78.6%)	101ppt
Distribution cost	(250.1)	(389.0)	(35.7%)
Administrative expenses	(107.7)	(130.8)	(17.7)
Finance costs	(91.1)	(123.2)	(26.1)
Other operating expenses	(33.8)	(466.4)	(92.7)
Taxation	(45.2)	121.9	(137.1)
Net Loss	(36.2)	(1,521.3)	97.6

For the year under review, the Group's revenue increased by 70.6% or RMB571.4 million to RMB1,380.7 million from the RMB809.3 million in 2020. The increase in revenue was mainly due to the recoveries from pandemic Covid 19. For the canned products segment, sales to the overseas market declined by RMB2.3 million to RMB92.4 million while sales to the domestic market was increase by RMB50.2 million and amounted to RMB268.3 million. Meanwhile, the beverage segment generated RMB1,020 million in revenue, a RMB523.5 million increase.

Gross profit for the year under review was RMB310.9 million, an increase of 148.9% or RMB946.9 million versus gross loss of RMB636 million in FY2020. The Group's overall gross profit margin ("**GPM**") increase to gross profit of 23% mainly due to lower cost of sales during the year.

The Group net loss reduced by 97.6% in the year to RMB36.2 million compared to RMB1.5 billion recorded for FY2020.

Cash and cash equivalents was lower at RMB288.4 million as at 31 December 2021, the decrease was driven by acquisition of property, plant and equipment and repayment of bank borrowings, partially offset by bank loans obtained and net cash generated from operations.

The Group's loss per shares delivered a significant drop, reduced from RMB132.34 cents per share in FY2020 to RMB3.13 cents per share in FY2021. Net asset value saw a decline by RMB3.15 cents per share to RMB163.76 cents per share for FY2021 from the RMB166.9 cents per share reported for FY2020.

OPERATIONS AND FINANCIAL REVIEW

SEGMENTAL REVIEW

PRODUCT SEGMENT		12 MONTHS (FY)		
		Jan - Dec 2021 RMB Million	Jan - Dec 2020 RMB Million	Change %
Canned Products	Overseas	92.4	94.7	(2.4)
	Domestic	268.3	218.1	23.0
Beverage		1,020	496.5	105.4
Total		**1,380.7**	**809.3**	**70.6**

For FY2021, we generated RMB1,020 million from our beverage segment as compared to the RMB496.5 million in FY2020. The canned products for the overseas market segment recorded a 2.4% decline in sales at RMB92.4 million whereas in FY2020, the segment posted RMB94.7 million in revenue. Revenue for domestic canned products segment was 23% higher than last year at RMB268.3 million compared to RMB218.1 million in FY2020.

We remain confident in meeting and overcoming the challenges of FY2022. Our operations continue to grow both in China and beyond as we leverage on our established brand. We continue to strive to unlock long-tern value for our stakeholders.

CONCLUSION

For the financial year ending 31 December 2022, the Group will continue to scale up its strategy of reaching out to engage new customers while strengthening and encouraging existing consumption. We believe that the fundamental drivers of our strategy such as the growing demand of Chinese consumers for convenient and healthy food products remain sound.

In conjunction with rising demand for consumer goods across offline and online channels, this translates into further avenues that we can tap on to grow our value. We will continue to enhance our brand visibility to grow our market share while expanding our range of products to grow our returns.

BOARD OF DIRECTORS

HUANG YUPENG
Chairman and CEO

Mr Huang Yupeng 黄育鹏 is the Chairman, CEO and founder of our Group. He is responsible for overseeing the overall management and operations, formulating the business model and growth strategies. Huang Yupeng received his diploma in Foreign Economic Law from the Shenzhen Teaching Institute in 1988. Immediately prior to the establishment of Shenzhen Grandness, Huang Yupeng was with Shenzhen Foreign Trade and Economic Development Co., Ltd from 1987 to 1997, where he last held the position of Vice General Manager. In 2002, he was elected "Elite Entrepreneurs" and "Elite Manager" of Yongji City, Shanxi Province. In 2005, he was awarded "Honorary Citizen of Yongji City" by Yongji Municipal Government. From April 2004 to March 2008, Huang Yupeng was the People's Representative of Yongji City and a member of the Standing Committee of People's Congress in Yongji City. He is currently a member of the Qionglai Municipal Committee of the Chinese People's Political Consultative Conference. He is elected as Vice President of Shenzhen Municipal Association for Development and Promotion of Medium and Small Enterprises, Vice President of Shenzhen Municipal Information Association, Vice President of Shenzhen- Sichuan Trade and Economic Promotion Association, and Vice President of Qionglai Municipal Federation of Industry and Commerce. He is also a member of Shenzhen Municipal Federation of Entrepreneurs and a standing board member of Sichuan Provincial Association of Canned Industry.

HUANG YUSHAN
Executive Director

Madam Huang Yushan 黄育珊 is our Executive Director and is responsible for all human resource and administrative matters of our Group. She began her career in 1989 with state-owned Shenzhen Yuehai Hotel Enterprise Co., Ltd where she remained till 2000 and last held the position of assistant to the finance manager. In 2000, she joined Airland Hotel in Dameisha, Shenzhen City as their finance manager and was responsible for the management of the finances of the hotel. In 2002, she joined Fuxing Logistics (Shenzhen) Co., Ltd as their finance manager and was responsible for the management of the company's finances. Huang Yushan joined our Group in 2005 and was the Chief Financial Officer and Vice-President (Human Resource and Administration) for Shenzhen Grandness. In February 2008, with the engagement of our former Chief Financial Officer, Goh Cze Khiang, she focused on the management of the human resource and administration of our Group. Huang Yushan graduated from Shenzhen Radio and TV University in 2003 after reading accountancy there. She is also qualified as an intermediate accountant by the Ministry of Finance (PRC).

LAI JINGWEI
Independent Director

Mr Lai Jingwei 赖经纬 is our Independent Director and was appointed on 2 April 2018. Mr Lai is currently the partner of Jun Yan Law Firm Guangdong. Mr Lai's areas of practice include corporate restructuring, merger and acquisition, international investment and initial public offering. He had led numerous fundraisings, international merger and acquisition, initial public offerings exercises. Mr Lai graduated from Shenzhen University in 2004 with a MBA degree in international law.

SENIOR MANAGEMENT

ZHENG YUTANG
Deputy Chief Production Officer

Mr Zheng Yutang 郑玉堂 is currently the Deputy Chief Production Officer and is in charge of the production for our Group. He had more than 20 years of experience in marketing and production of food and beverage products. Mr Zheng joined our Group in 2015. During 1991 to 2014, he worked in worked in Yichang Dongfang Beverage Co., Ltd., and Yichang Aolilong Food and Beverage Co., Ltd. He graduated from Jianghan Petroleum Institute, majoring in well logging..

YANG JIANHONG
Chief Technical Officer

Mr Yang Jianhong 杨建洪 is currently the Chief Technical Officer and is in charge of the production technology, research and development and quality control of our Group. He had more than 20 years of experience in production, research and development and quality control of food and beverage products. He obtained his degree of Science and Engineering of Food from NanChang University. Mr Yang gained his experience in production, research and development quality control and research and development from various food and beverage companies.

YANG CHUNTAO
Chief Marketing Officer

Mr Yang Chuntao 杨春涛 is currently the Chief Marketing Officer and is in charge of the marketing for our Group. He has engaged in marketing for more than 20 years. Prior to joining our Group, he was the marketing team of Nongfu Spring and Jiaduobao. After his graduation from Heilongjiang University, he joined Coca-Cola in 1997. During his services in Coca-Cola for 10 years, he successively engaged in warehousing and logistics services, sales and marketing and brand planning and had been promoted to management role.

WANG XIAOWEI
Director of Overseas Market

Mrs. Wang Xiaowei 王小玮 has a strong foundation in business and sales, she has built a successful career in international trade and food industry sales. As a global sales director for the group, She is responsible for managing and growing sales in various regions, including Europe, Asia, and Africa. Her experience includes working with important clients, leading international exhibitions, and managing sales teams. She has a deep understanding of product knowledge and industry certifications, such as Kosher, BRC, EurepGAP, and AIB. Mrs. Wang's skills in English and computer literacy contribute to her abilities to handle international business transactions effectively.

FINANCIAL CONTENTS

The Board of Directors of Sino Grandness Food Industry Group Limited (the "Company") and together with its subsidiaries (the "Group") is committed to setting in place corporate governance practices which are in line with the recommendations of the Code of Corporate Governance 2018 (the "Code") to provide a structure through which protection of the interest of its shareholders, enhancement of shareholders' value and corporate transparency are met.

This report sets out the Group's main corporate governance practices which were in place for the financial year ended 31 December 2021 ("FY2021") or which will be implemented and where appropriate, explanations are provided for deviation from the Code.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board's primary role is to protect and enhance long-term shareholders' value and returns. The Board meets quarterly and as warranted by particular circumstances, as deemed appropriate by the members of the Board.

The principal functions of the Board include the following: -

- provides entrepreneurial leadership, sets strategic objectives, and ensures proper conduct of the Company's business;
- provides the overall strategy of the Group;
- establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- reviews management performance;
- identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation;
- sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and
- considers sustainability issues as part of its strategic formulation.

All Directors objectively discharge their duties and responsibilities as fiduciaries and take decisions in the best interests of the Group at all times. The Board puts in place code of conduct and ethics, set appropriate tone-from-the-top and desired organizational culture, and ensures proper accountability within the Company. Where a Director faces a conflict of interest, he or she would recuse himself or herself from discussions and decisions involving the issues of conflict.

To assist the Board in the execution of its responsibilities, the Board is supported by three Board Committees, namely the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC") ("collectively the "Board Committees"), which would make recommendations to the Board. These Board Committees have their own defined terms of references and operating procedures, and play an important role in ensuring good corporate governance in the Company and within the Group.

The Company has taken steps to ensure participation of all Directors when selecting Directors to the three Board Committees so as to maximise their effectiveness. All Board Committees were headed by Independent Directors during the financial year.

The Board meets on a regular basis as and when necessary, to address any specific significant matters that may arise. As at the date of this report, the number of Board and Board Committees meetings held and attended by each Board member for FY2021 is set out as follows:

Types of Meetings / Names of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Huang Yupeng	3	3	–	–	–	–	–	–
Huang Yushan	3	3	–	–	–	–	–	–
Lai Jingwei	3	3	–	–	–	–	–	–

The Company's Constitution provides for the Directors to participate in Board and Board Committees meetings by means of telephonic conference or in such manner as the Board may determine to facilitate Board participation. Directors with multiple Board representations would ensure that sufficient time and attention are given to the affairs of the Company

For incoming Directors who are first-time directors, the Company would arrange to provide training especially on the duties as a director, mandatory training conducted by the Singapore Institute of Directors in accordance to Rule 210(5)(a) of the SGX-ST or other training institutions in areas such as accounting, legal as well as the law and regulations in Singapore such as Companies Act, corporate governance practices, regulations and guidelines from Singapore Exchange Securities Trading Limited (the "SGX-ST"), and industry-specific knowledge, at the expense of the Company.

Formal letters of appointment will be furnished to any newly appointed Directors, setting out among other matters, the key terms of their appointment, obligations, duties and responsibilities as a member of the Board.

The Directors are encouraged to attend seminars at Company's expense which are aimed at providing them with the latest updates in the relevant regulations, accounting standards and corporate governance practices and guidelines from SGX-ST that affect the Company and/or the Directors so as to enable them to better discharge their duties and responsibilities. News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors are circulated to the Board. The Company Secretary would also inform the Directors of the upcoming conferences and seminars relevant to their roles as Directors of the Company.

The Directors are provided with information relating to corporate conduct and governance including continuing disclosure requirements as required by the Listing Manual of the SGX-ST. Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses and operations of the Group, corporate governance practices, regulations and guidelines from SGX-ST.

Matters Requiring Board Approval

As an added control mechanism, the Company has identified the following areas for which the Board's approval must be sought:-

- Approval of quarterly and full year result announcements for release to the SGX-ST;
- Approval of the annual reports and audited financial statements;
- Convening of shareholders' meetings;
- Approval of corporate strategies;
- Approval of material acquisitions and disposal of assets; and
- Approval of major investment and funding decisions.

To allow Directors have sufficient time to prepare for the meetings, all Board and Board Committees papers are distributed in advance to the Board and Board Committees prior to its meetings. The Management's proposals to the Board for decisions provide background and explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and other relevant documents. This facilitates meaningful, deliberated discussions to focus on questions that the Directors may have. The Directors are given separate and independent access to the Group's senior Management and the Company Secretary to address any enquiries at all times or requests for additional information, if necessary, in a timely manner.

Draft agendas for Board and Board Committees meetings are circulated in advance to the respective Chairman, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

The Company Secretary(ies) and/or their representatives attend Board and Board Committees meetings and assist the Chairmen in ensuring that proper Board procedures at such meetings are followed so that the Board and Board Committees function effectively. Together with the Management, they assist the Chairman in ensuring that the Company complies with the requirements of the Singapore Companies Act, the Listing Manual of the SGX-ST and other relevant rules and regulations that are applicable to the Company. The appointment and removal of the Company Secretary(ies) will be subject to the approval of the Board.

The Directors may seek independent professional advice in the furtherance of their duties and the costs will be borne by the Company.

Principle 2: Board Composition and Guidance

The current Board of Directors consists of three members, two of whom are Executive Directors and one of whom are Independent Directors. The Directors of the Company are:-

Executive Directors

Huang Yupeng (Chairman and Chief Executive Officer)
Huang Yushan

Independent Directors

Lai Jingwei

The Board considers an "Independent Director" as one who has no relationship with the Company, its related corporations, its substantial shareholders of not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the Company, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment to the best interests of the Company.

The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence. Each Director is required to complete a 'Confirmation of Independence' form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in the Code and the Nominating Committee Guide issued by Singapore Institute of Directors, requires each Director to assess whether he/she considers himself/herself independent despite not having any of the relationships identified in the Code. The NC has reviewed the forms completed by each Director and confirmed that at least one-third of the Board comprises Independent Directors.

The Board notes that there should be a strong and independent element on the Board to exercise objective judgement on corporate affairs independently and the Independent Directors should make up a majority of the Board where the Chairman of the Board ("Chairman") is not Independent in accordance with Provision 2.2 of the Code. Following the resignation of Prof. Ling Chung Yee as Lead Independent Director of the Company with effect from 13 October 2020, the Company will endeavor to fill the vacancy upon finding a suitable candidate. Although the Non-Executive Directors and Independent Directors would not make up a majority of the Board after the said vacancy has filled up, the Board is of the opinion that independent element would be sufficiently strong, the process of decision making by the Board would be independent and would be based on collective decisions without any individual or small group of individuals dominating the Board's decision-making. In view of the ongoing challenges faced by the Company, the Board is of the view that it would need more time to comply with Provisions 2.2 and 2.3 of the Code.

The Non-Executive and Independent Directors participate actively during Board meetings and would constructively challenge and help develop proposals on strategy and will review performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

Save for the appointment of Lead Independent Director who should be appropriately qualified and having the requisite financial management expertise and experience, the NC is of the view that the Board comprises Directors who have the appropriate mix of expertise and experience, and collectively possess the necessary core competencies to function effectively and make informed decisions overseeing the Company's business.

Notwithstanding that the Company has not adopted a formal board diversity policy, the Company recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. In reviewing the appointments to the board and the continuation of these appointments, the Board together with the Nominating Committee take into consideration factors including skills, core competencies, knowledge, professional experience, educational background, gender, age and length of service into account in the selection and appointment of Directors, to ensure that the Board and Board Committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance, mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, to avoid groupthink, foster constructive debate and to function effectively to make informed decisions overseeing the Group's business.

Throughout the years, the Non-Executive and Independent Directors constructively challenge and assist to develop both the Group's short-term and long-term business strategies, and the implementation by the Management was monitored closely. The Independent Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Non-Executive and Independent Directors, led by the Lead Independent Director are encouraged to meet periodically without the presence of the Management so as to facilitate a more effective check on Management. The Lead Independent Director should provide feedback to the Chairman after such meetings as appropriate.

Principle 3: Chairman and Chief Executive Officer ("CEO")

The Chairman and CEO is Mr Huang Yupeng. As the CEO, he is responsible for the effective management and supervision of daily business operations of the Group. He plays an instrumental role in charting the direction and strategic development of the Group and formulates business strategies, merger and acquisition initiatives and promoting high standards of corporate governance.

As the Chairman, he exercises control over the quality, quantity and timeliness of information flow between Management and the Board. He promotes a culture of openness and debate at the Board and ensures that the Board receives accurate, timely and clear information; ensures Board meetings are held as and when necessary; and sets the Board's meetings' agendas. He ensures that effective communication is maintained with the shareholders. The Chairman also encourages constructive relations within the Board and between the Board and Management; facilitates the effective contribution of Non-Executive Directors in particular; encourages constructive relations between Executive Directors and Non-Executive Directors; and promote high standards of corporate governance.

Although the roles and responsibilities of the Chairman and CEO are vested in Mr Huang Yupeng, major decisions are made in consultation with the Board, where half of which comprises Independent Directors during the financial year. The Board is of the opinion that the process of decision making by the Board has been independent and has been based on collective decisions without any individual or small group of individuals dominating the Board's decision making.

Following the resignation of Prof. Ling Chung Yee as Lead Independent Director of the Company with effect from 13 October 2020, the Company has appointed two new independent directors. The Lead Independent Director will lead and coordinate the activities of the Independent Directors, provide leadership in situations where the Chairman is conflicted and serve as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director would be available to Shareholders who have concerns and for which contact through the normal channels of the Chairman, CEO, Executive Directors or Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate.

Principle 4: Board Membership

The NC currently comprises one member, all of whom are Independent Directors. The members of the NC are:

Lai Jingwei (Chairman)

The Company has appointed two new Independent Directors on 15 August 2022 and on 30 May 2023.

The NC is governed by its written terms of reference. The NC makes recommendation to the Board on all nominations for appointment and re-appointment of Directors to the Board, and the Board Committees, and on relevant matters relating to the review of board succession plans for directors, in particular, the Chairman, CEO and key management personnel; the development of a process and criteria for evaluation of the performance of the Board, its Board Committees and Directors; and the review of training and professional development programs for the Board. It ascertains the independence of Directors and evaluates the Board's performance. The NC assesses the independence of Directors, based on the guidelines set out in the Code and the Nominating Committee Guide issued by Singapore Institute of Directors.

Following its annual review, the NC has affirmed the independence of Mr Lai Jingwei. The NC, in recommending the nomination of any Director for a re-election, considers the contribution of the Director, which includes his attendance record, overall participation, expertise, strategic vision, business judgment and sense of accountability.

The NC ensures that the Board and its Board Committees members are best suited for their respective appointments and able to discharge their responsibilities as such members of the Board and/or Board Committees. In addition, the selection of Directors requires careful assessment to ensure there is an equitable distribution of responsibilities among the Directors.

In the nomination and selection process, the NC reviews the composition of the Board by taking into consideration the mix of expertise, skills and attributes of existing Board members, to identify desirable competencies for a particular appointment. In so doing, it strives to source for candidates who possess the skills and experience that will further strengthen the Board, and are able to contribute to the Company in relevant strategic business areas, in line with the growth and development of the Group. There is no alternate Director on the Board.

The NC will ensure that newly appointed Directors are aware of their duties and obligations to carry out their duties as Directors of the Company and is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple listed company board representations, and there is presently no need to implement internal guidelines to address the competing time commitments.

Pursuant to the Company's Constitution, every Director must retire from office at least once every three years by rotation. Directors who retire are eligible to offer themselves for re-election. The CEO, as a Director, is subject to the same retirement by rotation provisions as the other Directors and such provisions will not be subject to any contractual terms that he/she may have entered into with the Company. Each member of the NC shall abstain from voting on any resolutions in respect to his/her re-nomination as a Director.

Where a vacancy arises, the NC will consider each candidate for directorship based on the selection criteria determined after consultation with the Board and after taking into consideration the qualification and experience of such candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives. Thereafter, the NC will recommend the candidate to the Board for approval. Under the Constitution of the Company, a newly-appointed Director shall retire at the AGM following his/her appointment and he/she shall be eligible for election.

Key information regarding the Directors are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Relationships with directors, the Company or shareholders who holds 10% and above	Present Directorships and Chairmanships in Other Listed Companies and Major Appointments	Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments
Huang Yupeng	20 April 2007	8 August 2019	Is a substantial shareholder and brother of Huang Yushan, the Executive Director of the Company	Nil	Nil
Huang Yushan	29 August 2008	8 August 2019	Is a sister of Huang Yupeng, who is the Chairman and CEO and substantial shareholder of the Company	Nil	Nil
Lai Jingwei	2 April 2018	4 December 2020	–	Nil	Nil

Note:

The profile and relevant information of the members of the Board are set on pages 12 to 13 of the Annual Report. The Directors' interests in shares are as disclosed in page 36 of the Directors' Statement.

Principle 5: Board Performance

In line with the principles of good corporate governance, the NC had, without the engagement of an external facilitator, implemented an annual performance evaluation process to assess the effectiveness of the Board as a whole, its Board Committees and individual Directors. Each Director completes an evaluation form to assess the overall effectiveness of the Board as a whole and his/her own contribution to the effectiveness of the Board while each member of the respective Board Committees are requested to complete the evaluation forms to assess the effectiveness of the Board Committees.

The assessment of the Board's performance focused on a set of performance criteria for the Board evaluation which includes the Board structure, strategy and performance, governance on Board risk management & internal controls, information to the Board, Board procedures, CEO/top management and Directors' standard of conduct.

The assessment criteria for each Board Committee focuses on the nature of the respective roles and responsibilities of the AC, NC and RC.

The annual assessment of individual Directors considers, among others, each Director's attendance as well as generation of constructive debate/participation for meetings of the Board and Board Committees, contribution, initiative, responsiveness of Director, knowledge of senior management and Company's business, and the Directors' self-assessment.

The findings of the above were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board and Board Committees. The Chairman of the Board will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of directors may be sought.

Following the review of FY2021, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The RC comprises one member, all of whom are Independent Directors. The members of the RC are:

Lai Jingwei

The Company has appointed two new Independent Directors on 15 August 2022 and on 30 May 2023.

The RC is governed by its written terms of reference. The RC has reviewed the general framework of remuneration for the Directors and key management personnel, and determines specific remuneration packages for the CEO, each Executive Director and CFO. The recommendations of the RC are made in consultation with the CEO and submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his/her remuneration package.

In structuring and reviewing the remuneration packages, the RC seeks to align interests of Directors with those of shareholders and link rewards to corporate and individual performance as well as roles and responsibilities of each Director. The Directors' fees to be paid to Directors are subject to shareholders' approval at the forthcoming AGM.

The RC has full authority to engage any external independent professional at the Company's expense to advise on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. No external remuneration consultant was engaged in FY2021. The objective is to ensure competitive compensation is in place to build and retain capable and committed Management.

The RC will review the Company's obligations of the service agreements of the Executive Directors and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Principle 7: Level and Mix of Remuneration

In setting remuneration packages, the Company will take into account the competitiveness of the remuneration packages as compared to the market norms, the Group's performance and risk policies of the Company as well as the contribution and performance of each Director which will be aligned with the interests of shareholders and promote the long-term success of the Company.

Executive Directors do not receive Directors' fees. The remuneration for the Executive Directors comprises a basic salary component and a variable component, namely the annual bonus. The latter is based on the performance of the Group as a whole and their individual contribution and performance.

The Company renewed the Service Agreement with the Chairman and CEO, Mr Huang Yupeng in FY2014. The Service Agreement was renewable automatically for a further period of 3 years unless terminated by either party by not less than six months' notice in writing. During FY2015, after taking into consideration the performance of the Group and the Chairman and CEO, the RC had engaged HR Business Solutions (S) Pte Ltd as its independent remuneration consultant to review the remuneration package of Mr Huang Yupeng for purposes of aligning his remuneration package with industry peers. The remuneration consultant does not have any relationships with the Company.

The Non-Executive and Independent Directors receive Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent in fulfilment of their duties, responsibilities and the need to pay competitive fees to attract, retain and motivate the Directors. Independent Directors should not be over-compensated to the extent that their independence may be compromised.

The RC may recommend the Company to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company.

Principle 8: Disclosure of Remuneration

The Company's Directors and key management personnel receiving remuneration from the Group for FY2021 are as follows:

	Number of Directors	
Remuneration Band	**2020**	**2021**
Executive Directors		
S$1,500,000 and above	–	–
S$250,000 to below S$1,500,000	1	1
Below S$250,000	2	1
Total	3	2
Key Management Personnel		
Below S$250,000	3	4
Total	3	4

A breakdown of each individual Director's and key management personnel's remuneration, in percentage terms showing the level and mix for FY2021, is as follows:

	Fees S$'000	Salary S$'000	Bonus S$'000	Share Options S$'000	Others S$'000	Total S$'000
Directors						
S$1,500,000 and above						
Huang Yupeng	–	683	–	–	–	683
Below S$250,000						
Huang Yushan	–	17	–	–	–	17
Lai Jingwei	–	–	–	–	–	–

	Fees %	Salary %	Bonus %	Others %	Total %
Key Management Personnel					
Below S$250,000					
Wang Xiaowei	–	100	–	–	100
Yang Chuntao	–	100	–	–	100
Zheng Yutang	–	100	–	–	100
Yang Jianhong	–	100	–	–	100

The Company decided not to disclose information on the remuneration of the top five (5) key management personnel (who are not Directors or the CEO) in dollars terms given the competitive business environment and possible negative impact on the Group's business interest.

The aggregate total remuneration paid to the directors and key management personnel (other than directors) is approximately RMB3,436,000.

None of the Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company has received any termination, retirement, post-employment benefits for FY2020.

There is no employee of the Group who is an immediate family member of a Director or substantial shareholder whose remuneration exceeds S$100,000 for FY2020.

The RC has reviewed and approved the remuneration packages of the Executive Directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key management personnel are adequately but not excessively remunerated.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework and fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets as well as manage risks. The Board also recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The external auditor conducted annual review of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls and risk management. Any material non- compliance in internal controls coupled with recommendation for further improvement are reported to the AC. The AC will also follow-up on the actions taken by the Management on the recommendations from the external auditor. In addition, a copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

For FY2021, save for the issues and concerns raised by the external auditors set out below, the Board has received assurances from:-

- the CEO and Executive Directors that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;
- The CEO and Executive Directors that the Group's risk management and internal control systems are adequate and sufficiently effective; and

The issues and concerns raised by the external auditor are:-

- Ability of the Company and the Group to repay debts when fall due;
- Recoverability of trade receivables;
- Impairment assessment of property, plant and equipment and non-current assets of the Group;
- Recoverability of other receivables;
- Investments in subsidiaries and amount owing by subsidiaries;

The details of the issues and concerns raised by the external auditors are set on pages 41 to 50 of the Annual Report.

Based on the reports submitted by the external auditors, including the reviews by the Management and the various management controls put in place, and letter of assurance from the CEO, Executive Director and the key management personnel, the Board with the concurrence of the AC is of the opinion that save for the issues and concerns raised by the external auditor as highlighted above, the Group's internal controls addressing the financial, operational, compliance and information technology risks, and risk management systems are adequate and effective for the type and volume of business that the Group currently operates.

The Board notes that the system of internal controls established provides reasonable assurance, but not absolute, against unforeseeable and foreseeable risks to the Company, as all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error losses, fraud or other irregularities.

Principle 10: Audit Committee

The AC comprises one member, all of whom are Independent Directors. The members of the AC are:

Lai Jingwei

The Company has appointed two new Independent Directors on 15 August 2022 and on 30 May 2023.

The members of the AC are appropriately qualified, having the necessary experience in business management, finance or legal services. None of the AC members was a former partner or director of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation. The Board is of the view that the AC has sufficient financial management expertise and experience to discharge the AC's functions.

The AC is governed by its terms of reference, which was reviewed and amended, where appropriate, to adopt relevant best practices set out in the Guidebook, and used as a reference to assist the AC in discharging its responsibilities and duties.

The AC will focus principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial process, risk management, internal controls and the audit function. The AC will meet at least four times a year to perform, inter alia, the following functions:

(a) Financial Reporting

The AC reviews the quarterly, half-yearly and annual results announcements with Management and external auditors before submission to the Board for approval, focusing in particular on significant financial reporting issues and judgments; changes in accounting policies and practices, major risk areas; significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements.

(b) External Audit

The AC reviews, with the external auditors, the audit plans, the audit report and Management's response and actions to correct any noted deficiencies; to discuss problems and concerns, if any, arising from the review and audits. The AC reviews the independence, adequacy, effectiveness and qualification of the external auditors annually and recommends to the Board the appointment, re-appointment or removal as well as the remuneration and terms of engagement of the external auditors.

(c) Internal Audit

The AC reviews, with the internal auditors, the internal audit plan, the scope and results of the internal audit including the effectiveness of the internal audit functions and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group and to review and ensure annually the adequacy of the internal audit function and monitor Management's response to their findings to ensure that appropriate follow-up measures are taken.

(d) Internal Controls

The AC reviews and evaluates with external auditor on the adequacy and effectiveness of the Company's system of internal controls, including financial, operational, compliance and information technology controls and risk management at least annually. The AC may commission an independent audit on internal controls for its assurance, or where it is not satisfied with the system of internal control.

(e) Interested Person Transactions

The AC regularly reviews if the Group will be entering into any interested person transactions ("IPTs") and if it does, to ensure that the Group complies with the requisite rules under Chapter 9 of the Listing Manual of the SGX-ST.

(f) Whistle-blowing

The AC reviews arrangements by which staff of the Company and of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

(g) Assurances

The AC reviews assurance from (i) the CEO and the CFO on the financial records and financial statement; and (ii) the CEO, CFO and the Executive Directors on the risk management and internal control.

For FY2021, no internal audit was conducted on both the Company and the Group, as the business of the Group was disrupted by the unprecedented COVID-19 pandemic. However, the Board acknowledges the critical importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The AC is responsible for viewing the internal audit program and the adequacy of the internal audit functions annually, and ensuring co-ordination between internal auditor, external auditor and Management, and that the internal auditor meets or exceeds the standards set by nationally or internally recognised professional bodies. The AC also reviews, evaluates and approves the hiring and removal of its outsourced internal auditor. The Group intends to appoint an internal auditor during 2024 to reinforce the compliance with Principle 10.4.

The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Group, are adequate and observed in the manner acceptable by the Group.

The AC has undertaken a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on an annual basis, and is satisfied that all non-audit services provided by the external auditors would not, in the AC's opinion, affect the independence of the external auditors. RT LLP, the external auditors of the Company has also confirmed that they are Public Accounting Firms registered with Accounting & Corporate Regulatory Authority and provided a confirmation of their independence to the AC.

In July 2010, the Singapore Exchange Securities Trading Limited ("SGX") and Accounting and Corporate Regulatory Authority ("ACRA") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group for the financial year ended 31 December 2021.

In addition, in October 2015, with the support from SGX and Singapore Institute of Directors, ACRA had introduced the "Audit Quality Indicators ("AQIs") Disclosure Framework to assist the ACs in evaluating the re-appointment of external auditors based on 8 quality markers that correlate closely with audit quality. Accordingly, the AC has evaluated the external auditors based on the 8 AQIs at engagement and/or firm-level for the financial year ended 31 December 2021.

Accordingly, the AC is satisfied that Rule 712 of the Listing Manual of the SGX-ST is complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM.

The Company has complied with Listing Rule 715 as the Company and its subsidiaries are audited by RT LLP (the "The Group's auditor") for consolidation purposes. The group's auditor as auditor of the Company is responsible for the performance of the audit of the Group and for issuing an auditors' report for the Group that is appropriate in the circumstance. The auditing standards do not allow the Group Auditors in its auditors report to refer to a component auditor (or the auditors of the subsidiaries of the Group) unless required by law or regulations.

The Company has paid the following aggregate amount of fees to RT LLP, the external auditors, for services rendered for FY2021:-

Services	Amount (S$)
Audit Fee	250,000
Non-audit fees	
Other professional fees	–
–Tax fee (corporate tax filing)	5,000

The Company has paid S$5,000 for non-audit services to the external auditor during FY2020, as the amount of annual fees for non-audit services compared to total annual audit fees from the Group is less than 5%, the AC is of the view that it would not affect their independence.

The AC has direct access to the external auditor and has met with them without the presence of Management for FY2021.

The AC has full access and cooperation of the Management and also full discretion to invite any Director or key management personnel to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

To-date, no reports have been received from any staff through the whistle-blowing mechanism to indicate possible improprieties in matters of financial reporting, financial control, or any other matters.

In the event that a member of our AC is interested in any matter being considered by our AC, he will abstain from participating in the proceedings in relation to that particular transaction and voting on that particular resolution.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the Group's financial statements, the AC is updated by the external auditors on the relevant changes in accounting standards and issues when they attend the AC meetings quarterly.

The AC has explicit authority to investigate any matters within its terms of reference. The AC has, within its terms of reference, the authority to obtain independent professional advice at the Company's expense as and when the need arises.

SHAREHOLDER RIGHTS AND ENGAGEMENT / MANAGING STAKEHOLDERS RELATIONSHIP

Principle 11: Shareholder Rights and Conduct of General Meetings
Principle 12: Engagement with Shareholders
Principle 13: Engagement with Stakeholders

In line with the continuous disclosure obligations of the Group, the Company is committed to engage in regular and effective communication with shareholders. It is the Board's policy that shareholders are informed of all major developments that may have an impact on the Group. Information is communicated to shareholders on a timely basis and is made through:

(i) annual reports that are prepared and issued to all shareholders;

(ii) quarterly results announcements;

(iii) media meetings and analyst briefings;

(iv) press releases; and

(v) disclosures to the SGX-ST via SGXNET.

The Company does not practice selective disclosure as all material and price-sensitive information is released through SGXNET to keep shareholders and stakeholders of the Company updated on the latest development.

Shareholders are given the opportunity to participate effectively in and vote during the general meetings as well as to express their views and direct questions to the Directors and the Management. Chairmen of the AC, NC, RC and the Board, or members of the respective Board Committees standing-in for them are available to address questions from shareholders.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes will not be published on the Company's website but will be made available to shareholders upon their request.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. Proxies need not be a shareholder of the Company. The Company's Constitution currently does not allow a member to appoint more than two proxies to attend and vote at the same general meeting.

A Relevant Intermediary[1] may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Each item of special business included in the notice of the general meetings will be accompanied by full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at general meetings.

To better understand the views of shareholders and investors as well as stakeholders, the Company holds analyst briefings for the Shareholders and investors as well as stakeholders in conjunction with the release of the Group's quarterly and full year results to discuss the Group's performance and developments, establish and maintain regular dialogue sessions with shareholders and investors as well as stakeholders, to gather views or inputs, and address their concerns.

To enhance and encourage communication with Shareholders and investors as well as stakeholders, the Company provides the contact information of its Vice President, Investor Relations ("VPIR") in its press releases. Shareholders and investors as well as stakeholders can send their enquiries to the Company's VPIR who can be reached by email or telephone.

The Board will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Shareholders will be briefed on the rules, including poll voting procedures that govern general meetings of shareholders. The Company currently does not provide for voting in absentia.

The Company did not institute a dividend policy, however, as set out in the Company's circular dated 12 December 2014, pursuant to the subscription agreement, for as long as the subscribers hold at least 10% of prevailing total issued shares in the capital of the Company from time to time, the Company shall have a dividend policy that, whenever feasible, the Company will declare and pay dividends to the Shareholders in an amount of at least 10% of the net profits of the Company as reflected in the audited financial statements of the Company.

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1 A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

DEALINGS IN SECURITIES

The Company has complied with Rule 1207(19) of the Listing Manual of the SGX-ST in relation to the best practices on dealings in the securities:-

(a) The Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;

(b) Officers of the Company did not deal in the Company's securities on short-term considerations; and

(c) The Company and its officers did not deal in the Company's shares (i) during the periods commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

In addition, the Directors and key management personnel are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

Material Contracts

Other than that disclosed in the financial statements, the Company or any of its subsidiaries did not enter into any material contracts involving the interest of the CEO, any Director or the controlling shareholder subsisting at the end of the financial year ended 31 December 2021.

Risk Management

Management reviews on an on-going basis, the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategy. The Group has also considered the various financial risks, details of which are disclosed in the notes to the accompanying audited financial statements on pages 140 to 150.

Interested Person Transactions

To ensure compliance with the relevant rules under Chapter 9 of the Listing Manual, the Board and AC regularly reviews if the Company will be entering into any IPT and if it does, to ensure that the Company complies with the requisite rules under Chapter 9 in that all the IPTs are conducted at arm's length and on commercial terms and ensuring that it will not be prejudicial to the interest of the company and its minority shareholders.

Other than disclosed under Interested Persons Transactions in the Company's prospectus dated 13 November 2009, the aggregate value of interested person transactions entered into during the financial year ended 31 December 2021, disclosed in accordance with Rule 907 of the SGX-ST Listing Manual, were as follows:-

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested Persons Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Soleado Holdings Pte. Ltd.	Substantial shareholder of the Company	S$4.06 million (equivalent to approximately RMB19.51 million)	Nil

The Company has no shareholders' mandate for interested person transactions.

The Board refers to the issuance of 85,000,000 shares by the Company in August 2019 ("Placement 2019 (2)"). As at 31 December 2021, the Group had utilised the net proceeds from the Placement 2019 (2) as follows:-

Use of net proceeds		Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilised (RMB'000)	Balance (RMB'000)
(a)	Repayment of outstanding sums due to Soleado	60	10,965	10,965	–
(b)	General working capital	40	7,310	7,310	–
	- Operating expenses		7,310	7,310	–
	Total	**100**	**18,275**	**18,275**	–

The Company will make further announcements on the use of net proceeds from the Placement 2019 (2) as and when the funds are materially disbursed.

SUSTAINABILITY REPORT

The Sustainability Report of the Company will be released via SGXNET at a later date.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

The directors are pleased to submit this annual report to the members of Sino Grandness Food Industry Group Limited (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021.

In our opinion,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, having regards to the information as disclosed in Note 2(d) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are as follows:

Huang Yupeng (Chairman and Chief Executive Officer)
Huang Yushan (Executive director)
Li Xueying (Independent director) (appointed on 15 August 2022)
Tan Qing Wen, Jeremy (Independent director) (appointed on 30 May 2023)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other corporate body, except as disclosed under the "Share options granted" section of this statement.

Directors' interests

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Act, particulars of interests of the directors who held office at the end of the financial year (including those held by their spouses and children) in shares and debentures of the Company and its related corporations are as follows:

	Number of ordinary shares			
	Holdings registered in the name of director		**Holdings in which director is deemed to have an interest**	
The Company -	As at	**As at**	As at	**As at**
Sino Grandness Food Industry Group Limited	1.1.2021	**31.12.2021**	1.1.2021	**31.12.2021**
Huang Yupeng	350,024,087	**350,024,087**	–	**–**

By virtue of Section 7 of the Act, Huang Yupeng is deemed to have interests in all of the subsidiaries of the Company at the beginning and at the end of the financial year.

Share option scheme

Pursuant to an Extraordinary General Meeting of the Company held on 23 September 2013, shareholders approved the Sino Grandness Employee Share Option Scheme (the "**ESOS Scheme**"). Under the scheme, directors and employees of the Group are eligible to participate in the scheme. Controlling shareholders or their associates are also eligible to participate in the ESOS Scheme, provided that they meet the criteria set out below:

(a) written justification has been provided to shareholders for their participation at the introduction of the ESOS Scheme or prior to the first grant of options to them and each such participation has been specifically approved by independent shareholders in separate resolutions in a general meeting for such controlling shareholders or their associates;

(b) the actual number and terms of any options to be granted to them have been specifically approved by independent shareholders in a general meeting in separate resolutions for each such controlling shareholders in a general meeting in separate resolutions for each such controlling shareholder or their associates;

(c) all conditions for their participation in the scheme as may be required by the regulation of the Singapore Exchange Securities Trading Limited (the "SGX-ST") from time to time are satisfied;

(d) the aggregate of number of shares comprised in options granted to the controlling shareholders and their associates shall not exceed 25% of the total number of shares which may be granted under the ESOS Scheme; and

(e) the aggregate of number of shares comprised in options granted to the controlling shareholders or their associates shall not exceed 10% of the total number of shares which may be granted under the ESOS Scheme.

The total number of shares over which options may be granted shall not exceed 15% of the issued share capital (excluding treasury shares) of the Company on the date immediately preceding the date of grant.

The scheme is administered by a member of the Remuneration Committee, Li Xueying, duly authorised and appointed by the Board of Directors of the Company.

(a) Share options granted

On 14 November 2013, the Company granted options to subscribe 16,710,000 ordinary shares of the Company at exercise price of SGD0.60 per share ("2013 Options"). The options are exercisable any time after the second anniversary of the date of grant over 10 years. The total fair value of the 2013 Options granted was estimated to be SGD6,952,937 (approximately RMB32.3 million).

There are no share options granted in the financial year ended 31 December 2021. Information about outstanding directors' share options at the end of the reporting year is as follow:

	No. of unissued ordinary shares of the Company under option					
	Options granted during the financial year ended 31.12.2021	Aggregate options granted since commencement of ESOS Scheme to 31.12.2021	Aggregate options exercised since commencement of ESOS Scheme to 31.12.2021	Aggregate options renounced since commencement of ESOS Scheme to 31.12.2021	Aggregate options arising from adjustments since commencement of ESOS Scheme to 31.12.2021	Aggregate options outstanding as at 31.12.2021
Name of director and associate of a controlling shareholder of the Company						
Huang Yushan	–	14,316,250	–	(8,810,000)	326,913	5,833,163

Share option scheme (Cont'd)

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the ESOS Scheme outstanding at the end of the financial year was as follows:

	No. of unissued ordinary shares under option at 31.12.2021	Exercise price	Exercise period
2015 options	7,623,347	S$0.30	09.04.2016 - 13.11.2023
2015 options	10,150,937	S$0.24	09.04.2017 - 13.11.2023
2016 options	13,202,538	S$0.45	20.05.2018 - 20.05.2026
2017 options	10,000,000	S$0.18	24.05.2019 - 24.05.2027
2018 options	9,698,750	S$0.22	25.05.2019 - 25.05.2028
2018 options	1,101,250	S$0.18	25.05.2020 - 25.05.2028
	51,776,822		

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Audit committee

The members of the Audit Committee during the year and at the date of this statement are:

Li Xueying (appointed on 14 August 2022)
Tan Qing Wen, Jeremy (appointed on 30 May 2023)
Lai Jingwei (resigned on 14 March 2022)

All members of the Audit Committee are non-executive directors.

The Audit Committee performs the functions specified in Section 201B (5) of the Act, the SGX-ST Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2021 as well as the independent auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational, information technology and compliance controls and risk management systems via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

Audit committee (Cont'd)

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, RT LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and joint ventures, the directors have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Full details regarding the Audit Committee are provided in the "**Corporate Governance Report**" section of the annual report.

Other information required by the SGX-ST

Material information

Apart from the Service Agreement between a director and the Company, there is no material contract to which the Company or any of its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year ended 31 December 2021.

Interested person transactions

There was no interested person transaction as defined in Chapter 9 of the SGX-ST Listing Manual conducted during the financial year except as disclosed under "Interested Person Transactions" in the "Corporate Governance Report" sections of the annual report and on Note 28 to the financial statements.

Independent auditor

The auditor, RT LLP, have indicated its willingness to accept re-appointment.

On behalf of the Directors

HUANG YUPENG

HUANG YUSHAN

LI XUEYING

Dated: 22 January 2024

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of **Sino Grandness Food Industry Group Limited** (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Opening balances and comparative figures

We had expressed a disclaimer of opinion on the financial statements for the year ended 31 December 2020 on 22 January 2024, which form the basis for the comparative figures presented in the current year's financial statements, because of the following matters which remained unresolved and the effects or possible effects of the matter on the current year's figures are material:

(i) Use of going concern assumption as at 31 December 2020 and 1 January 2020;

(ii) Impairment assessment of property, plant and equipment, deposits paid for non-current assets and interests in subsidiaries as at 31 December 2020 and 1 January 2020;

(iii) Impairment assessment of trade and other receivables and amounts due from subsidiaries as at 31 December 2020 and 1 January 2020; and

(iv) Inability to observe the counting of the physical inventories as at 31 December 2020 and 1 January 2020

We were unable to obtain sufficient appropriate audit evidence on the abovementioned matters. As a result, we were unable to determine by alternative means whether the opening balances as at 1 January 2021 and the comparative figures were fairly presented.

In addition, the abovementioned disclaimer of opinion on the financial statements for the year ended 31 December 2020 also contained the following matter which remain unresolved but the effects or possible effects of the matter on the current year's figures are immaterial:

(i) Inability to obtain sufficient appropriate audit evidence for the opening balances in the statements of financial position of the Group and the Company as at 1 January 2020

Since opening balances affect the determination of the financial performance, changes in equity and cash flows of the Group for the year ended 31 December 2020, we were unable to determine whether adjustments to the results and opening retained profits might be necessary for the year ended 31 December 2020. We had expressed a disclaimer of opinion on the financial statements for the year ended 31 December 2020 accordingly. We are also expressing a disclaimer of opinion for the year ended 31 December 2021 because of the possible effects of this matter on the comparability of the current year's figures and the comparative figures.

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

Use of going concern assumption

As disclosed in Note 2(d) to the financial statements, the Group recorded a net loss of RMB36.2 million for the financial year ended 31 December 2021 and as at that date, the Company's current liabilities exceeded its current assets by RMB262.0 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

The Company has defaulted on the repayment of the loan principal and interest due to a related party, Soleado Holdings Pte. Ltd., of RMB173.0 million as disclosed in Note 20 to the financial statements. The extended due date was 6 January 2019 and the initial due date was 16 May 2018.

The Group has also defaulted on the repayment of the Straight Bonds and the Exchangeable Bonds amounting to RMB282.8 million and RMB530.2 million, respectively, as disclosed in Note 21 to the financial statements. The initial due date of the Straight Bonds was 28 September 2017. The Exchangeable Bonds became immediately due on 14 January 2020, after the Long Stop Date pursuant to the Amended and Restated 2018 Restructuring Agreement.

As of the date of our report, there is uncertainty as to whether the Group and the Company are able to meet their contractual obligation in the next twelve months as and when they fall due, and consequently, there is uncertainty as to their respective abilities to continue as going concerns for the next twelve months. Accordingly, we were unable to ascertain the appropriateness of the going concern basis of preparation of the financial statements.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify certain non-current assets and liabilities as current assets and liabilities respectively.

Impairment assessment of property, plant and equipment, deposits paid for non-current assets and interests in subsidiaries

As at 31 December 2021, the carrying amounts of the Group's property, plant and equipment and deposits paid for non-current assets were RMB1,751.2 million and RMB303.1 million, respectively, and the Company's interests in subsidiaries was RMB258.8 million. As at 31 December 2021 and 2020, management has not prepared their impairment assessment on the above non-financial assets in accordance with SFRS(I) 1-36 *Impairment of Assets*, and therefore we were unable to obtain sufficient appropriate audit evidence to support the carrying amount of the Group's property, plant and equipment and deposits paid for non-current assets and the Company's interests in subsidiaries as at 31 December 2021 and the corresponding impact to profit or loss for the year then ended.

Impairment assessment of trade and other receivables and amounts due from subsidiaries

As at 31 December 2021, the Group's trade receivables and other receivables amounted to RMB826.2 million and RMB333.5 million, respectively. The Company's amounts due from subsidiaries amounted to RMB479.2 million. As at 31 December 2021 and 2020, management has not prepared their impairment assessment on the above financial assets in accordance with SFRS(I) 9 *Financial Instruments*, and therefore we were unable to obtain sufficient appropriate audit evidence to support the carrying amount of the Group's trade receivables and other receivables and the Company's amounts due from subsidiaries as at 31 December 2021 and the corresponding impact to profit or loss for the year then ended.

Inventories

The Group's inventories amounted to RMB22.8 million and RMB5.7 million as at 31 December 2021 and 2020, respectively. Due to the timing of our appointment as the auditor of the Company, we were unable to observe the counting of physical inventories or to perform other alternative audit procedures and therefore, we were unable to obtain sufficient appropriate audit evidence to support the existence, completeness and valuation of the inventories as at 31 December 2021 and the corresponding impact to profit or loss for the year then ended.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 (the "Act") and the Singapore Financial Reporting Standards (International) ("SFRS(I)"), and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kenneth Ng Boon Chong.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 22 January 2024

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

		The Company	
		31 December 2021	31 December 2020
	Note	**RMB'000**	RMB'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**9**	12
Interests in subsidiaries	6	**218,784**	258,784
Amounts due from subsidiaries	7	**479,220**	515,531
		698,013	774,327
Current Assets			
Other receivables	12	**970**	404
Cash and cash equivalents	13	**17**	82
		987	486
Total assets		**699,000**	774,813
EQUITY			
Capital and Reserves			
Share capital	14	**791,500**	791,500
Accumulated losses		**(431,964)**	(420,519)
Other reserves	15	**76,478**	76,478
Total equity		**436,014**	447,459
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities	8	**–**	39,231
		–	39,231
Current Liabilities			
Other payables	17	**44,370**	83,844
Current tax payable		**198**	229
Loan from a related party	20	**173,025**	157,750
Amounts due to subsidiaries	7	**45,393**	46,300
		262,986	288,123
Total liabilities		**262,986**	327,354
Total equity and liabilities		**699,000**	774,813

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	The Group 31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**1,751,207**	1,393,400
Interest in a joint venture	5	**–**	–
Deposits paid for non-current assets	9	**303,084**	245,814
		2,054,291	1,639,214
Current Assets			
Inventories	10	**22,761**	5,683
Trade receivables	11	**826,198**	1,040,530
Other receivables	12	**333,541**	526,712
Cash and cash equivalents	13	**288,388**	308,357
		1,470,888	1,881,282
Total assets		**3,525,179**	3,520,496
EQUITY			
Capital and Reserves			
Share capital	14	**791,500**	791,500
Retained profits		**801,433**	821,437
Other reserves	15	**277,452**	293,454
		1,870,385	1,906,391
Non-controlling interests		**11,853**	12,040
Total equity		**1,882,238**	1,918,431
LIABILITIES			
Non-Current Liabilities			
Lease liabilities	18	**541**	941
Deferred tax liabilities	8	**259,639**	251,640
		260,180	252,581
Current Liabilities			
Trade payables	16	**126,303**	74,381
Other payables	17	**163,054**	155,697
Lease liabilities	18	**400**	347
Current tax payable		**37,209**	–
Bank borrowings	19	**69,850**	210,719
Loan from a related party	20	**173,025**	157,750
Bonds	21	**812,920**	750,590
		1,382,761	1,349,484
Total liabilities		**1,642,941**	1,602,065
Total equity and liabilities		**3,525,179**	3,520,496

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

The Group	Note	2021 RMB'000	2020 RMB'000
Revenue	23	**1,380,708**	809,299
Cost of sales		**(1,069,807)**	(1,445,302)
Gross profit/(loss)		**310,901**	(636,003)
Other operating income	24(a)	**180,826**	102,182
Distribution costs	24(b)	**(250,137)**	(388,969)
Administrative expenses	24(c)	**(107,673)**	(130,803)
Other operating expenses	24(f)	**(33,845)**	(466,397)
Finance costs	24(d)	**(91,057)**	(123,150)
Profit/(Loss) before taxation	24(g)	**9,015**	(1,643,140)
Taxation	25	**(45,208)**	121,855
Loss and total comprehensive loss for the year		**(36,193)**	(1,521,285)
Loss and total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(36,006)**	(1,521,075)
Non-controlling interests		**(187)**	(210)
		(36,193)	(1,521,285)
		Cents RMB	Cents RMB
Loss per share:			
- Basic	26	**(3.13)**	(132.34)
- Diluted	26	**(3.13)**	(132.34)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

The Group	Note	Share capital RMB'000	Retained profits RMB'000	Share option reserve RMB'000	Merger reserve RMB'000	Statutory common reserve RMB'000	Total attributable to equity holders of the parent RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020		791,500	2,346,340	76,479	(31,414)	244,561	3,427,466	12,250	3,439,716
Total comprehensive income for the year:									
Loss and total comprehensive loss for the year		–	(1,521,075)	–	–	–	(1,521,075)	(210)	(1,521,285)
Contributions by and distributions to owners:									
Transfer to statutory reserve	15	–	(3,828)	–	–	3,828	–	–	–
		–	(3,828)	–	–	3,828	–	–	–
At 31 December 2020		**791,500**	**821,437**	**76,479**	**(31,414)**	**248,389**	**1,906,391**	**12,040**	**1,918,431**
Total comprehensive loss for the year:									
Loss and total comprehensive loss for the year		**–**	**(36,006)**	**–**	**–**	**–**	**(36,006)**	**(187)**	**(36,193)**
Contributions by and distributions to owners:									
Transfer to statutory reserve	15	**–**	**16,002**	**–**	**–**	**(16,002)**	**–**	**–**	**–**
		–	**16,002**	**–**	**–**	**(16,002)**	**–**	**–**	**–**
At 31 December 2021		**791,500**	**801,433**	**76,479**	**(31,414)**	**232,387**	**1,870,385**	**11,853**	**1,882,238**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

The Group	Note	2021 RMB'000	2020 RMB'000
Cash Flows from Operating Activities			
Profit/(loss) before taxation		**9,015**	(1,643,140)
Adjustments for:			
Depreciation of property, plant and equipment	24(g)	**158,325**	171,057
Write off of property, plant and equipment	24(f)	**–**	216,883
Impairment of property, plant and equipment	24(f)	**–**	130,810
Loss on disposal of property, plant and equipment	24(f)	**17,338**	9,129
(Reversal of)/provision for allowance on trade receivables	24(f)	**(13,893)**	147,480
Write off of other receivables	24(f)	**27,816**	–
Loss on disposal of subsidiaries	24(f)	**2,294**	–
Interest expense	24(d)	**90,931**	122,763
Interest income	24(a)	**(640)**	(1,113)
Gain on settlement of bank borrowings	24(a)	**(164,365)**	–
Change in fair value of Exchangeable Bonds	24(a)	**–**	(41,850)
Exchange gain		**(4,980)**	(51,590)
Operating cash flows before working capital changes		**121,841**	(939,571)
(Increase)/decrease in inventories		**(17,078)**	4,992
Decrease in trade receivables		**228,225**	158,266
Decrease in other receivables		**162,482**	496,251
Increase in trade payables		**51,922**	58,539
Increase in other payables		**7,357**	52,531
Cash generated from/(used in) operations		**554,749**	(168,992)
Income tax paid		**–**	(50,016)
Net cash generated from/(used in) operating activities		**554,749**	(219,008)
Cash Flows from Investing Activities			
Purchases of property, plant and equipment	4	**(375,077)**	(17,718)
Proceeds from disposal of property, plant and equipment		**827**	–
Deposits paid for non-current assets	9	**(314,184)**	(31,746)
Refund of deposits paid for non-current assets	9	**97,694**	–
Proceeds from disposal of subsidiaries, net of cash disposed		**579**	–
Interest received		**640**	1,113
Net cash used in investing activities		**(589,521)**	(48,351)
Cash Flows from Financing Activities			
Repayment of lease liabilities	22	**(347)**	(302)
Proceeds from drawdown of bank borrowings	22	**70,000**	64,000
Repayment of bank borrowings	22	**(45,600)**	(86,664)
Interest paid	22	**(9,250)**	(1,507)
Net cash generated/(used in) from financing activities		**14,803**	(24,473)
Net decrease in cash and cash equivalents		**(19,969)**	(291,832)
Cash and cash equivalents at beginning of year	13	**308,357**	600,189
Cash and cash equivalents at end of year	13	**288,388**	308,357

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 22 January 2024.

1 General information

Sino Grandness Food Industry Group Limited (the "Company") was incorporated in Singapore on 20 April 2007 as a private limited company under the name of Sino Grandness Food Industry Group Pte. Ltd. On 12 November 2009, the Company was converted into a public company and assumed the present name of Sino Grandness Food Industry Group Limited. The Company was listed on the SGX-ST on 23 November 2009.

The registered office of the Company is located at 10 Anson Road, #25-06 International Plaza, Singapore 079903. The principal place of business of the Group was located at 7/F, Unit 0729, Block 2B, Skyworth Inno Valley, 1 Tangtou Road, Shiyan Street, Baoan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC").

The financial statements of the Group as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

2 Basis of preparation

2(a) Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), except for non-compliances with:

- SFRS(I) 1-36 Impairment of Assets regarding impairment of non-financial assets;
- SFRS(I) 9 Financial Instruments regarding impairment of financial assets; and
- The consequential effects of the above on the computation of EPS as per SFRS(I) 1-33 Earning Per Share.

2(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency. All financial information presented in RMB has been rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

2(d) Going concern basis

The Group recorded a net loss of RMB36.2 million (2020: RMB1,521.3 million) for the financial year ended 31 December 2021 and as at that date, the Company's current liabilities exceeded its current assets by RMB262.0 million (2020: RMB287.6 million). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

As at 31 December 2021, the Company has defaulted on the repayment of the loan principal and accrued interest from a related party, Soleado Holdings Pte. Ltd. ("Soleado") of RMB173.0 million (2020: RMB157.8 million) which was due on 6 January 2019. The initial due date was 16 May 2018.

2 Basis of preparation (Cont'd)

2(d) Going concern basis (Cont'd)

The circumstances arising from the Company's and the Group's fundamental uncertainties relating to the going concern basis are as follows:

(a) The Company has been served with a letter of demand dated 7 January 2019 by Soleado for the principal sum of US$20.0 million and interest under the Repayment Framework Agreement dated 20 July 2018 to the loan agreement dated 13 April 2016. As of 7 January 2019, the interest reported to be due from the Company to Soleado was US$1.2 million and other charges of SGD30,000 being costs and expenses for legal and professional fees. The second letter of demand was served on 23 January 2019. As at the date of this report, a sum of SGD2.0 million (equivalent to MB10.0 million) has been repaid on 19 June 2019 and remaining balance of US$19.7 million and interest thereon, totalling RMB173.0 million, remains outstanding.

(b) Arising from the defaults mentioned herein, in so far as the Amended and Restated 2018 Restructuring Agreement (the "2018 RRA") in relation to the exchangeable bonds signed on 14 January 2019 as announced by the Company on 17 January 2019, there were certain conditions stipulated in the convertible loan agreement signed on 13 April 2016 which must be observed.

In so far as Convertible Bonds are concerned, based on the 2018 RRA, all these Convertible Bonds are to be converted into preference shares of GF Cayman upon full redemption. There are two features identified in relation to the Convertible Bonds:

i. The redemption to the sum in aggregate of RMB50.3 million for the 2011 SB2 Bonds and RMB128.3 million for the 2012 SB2 Bonds together with the interest thereon where the bonds are repayable on the Completion Date (13 January 2020) or early redemption on certain circumstances; and

ii. The circumstances are spelt out under the Exchangeable Bonds dated 1 March 2016. Amongst others are,

- where there is a breach of any terms or obligations under the bond instrument; and

- where there is a cross-default which would refer to any non-payment of any financial indebtedness being due and repayable.

(c) Subject to completion and continuing compliance with certain provisions under the 2018 RRA, the redemption obligation may however be subject to a standstill if there not having occurred any event of default. The standstill period is when the bondholders will forebear to take action to claim or enforce the obligations of Garden Fresh (HK) Fruit & Vegetable Beverage Co. Limited ("GF Hong Kong"), GF Cayman or the Company for the amounts due and payable under the bonds.

To the best of the knowledge of the directors of the Company, there is no communication from the bondholders whether, in writing or otherwise, that there is any action taken to claim or to enforce the obligations in respect of the aforesaid bonds. The Completion Date or the redemption date is assumed to be 13 January 2020.

As at 31 December 2021, the principal and and interest thereon due to the bondholders amounted to RMB812.9 million (2020: RMB750.6 million).

Steps taken to address the material uncertainty related to going concern include:

- The Group is preparing to repatriate funds of RMB150.0 million back from the PRC by way of dividend which require the relevant approval from the PRC's regulatory bodies. The letter of application to the SAFE regulator was dated 26 February 2019. The approval is still pending at the date of these financial statements.

2 Basis of preparation (Cont'd)

2(d) Going concern basis (Cont'd)

Steps taken to address the material uncertainty related to going concern include: (Cont'd)

- On 25 March 2019, the Company announced that it has entered into a placement agreement with JW Capital Group Limited on 22 March 2019 where the Company agrees to allot and issue and JW Capital Group Limited agrees to subscribe for 170,000,000 new shares ("Placement Shares") at an issue price of SGD0.04 per share at an aggregate consideration of SGD6.8 million. 60% of the proceeds shall be used to repay the loan from Soleado and the remaining 40% of the proceeds shall be applied to the Group's general working capital use. The proposed placement is subject to certain conditions, including amongst others, the in-principle approval to be obtained from the SGX-ST. On 3 May 2019, the Company announced that the SGX-ST has on that day, granted the in-principle approval for the listing and quotation of 170,000,000 Placement Shares.

- As at the date of this financial statements, the Company has completed the issue and allotment of 85,000,000 Placement Shares ("Tranche 1") and 85,000,000 Placement Shares ("Tranche 2") for an aggregate proceeds of SGD3,350,000 (net of estimated placement expenses of approximately SGD50,000) during the financial year ended 31 December 2019. As at the date of this report, a sum of SGD2.0 million (equivalent to RMB10.0 million) has been used to pay the loan in part to Soleado and another sum of US$0.5 million (equivalent to RMB2.5 million) has been used to pay the loan interest to DEG.

- Management reiterates that the wholly-owned subsidiary, GF Cayman is continuing its efforts to seek for listing in the New York Stock Exchange ("NYSE"). The proposed listing is in progress as at the date of these financial statements. As announced by the Company on 25 June 2019, an investment agreement was entered into by and among the Company, GF Hong Kong and Baoao Equity Investment Partnership (LLP) (广东宝傲股权投资合伙企业(有限合伙)) (the "Investor") on that day for the subscription of 4.65% of the enlarged share capital in GF Hong Kong by the Investor for an aggregate consideration of US$30.0 million (equivalent to approximately RMB200.0 million), subject to the fulfillment of certain conditions as set out in the said announcement.

- On 9 July 2019, the Company has received a letter dated 9 July 2019 from Soleado where the lender agreed to a standstill and shall forebear from taking any actions to claim or enforce the obligations of the Company or guarantors to repay the amount due and payable to Soleado for a period up to and including 31 December 2019 upon payment of US$1.5 million to Soleado by 31 August 2019. The amount was paid on 10 July 2019. Since then, there was no further payment up to the date of these financial statements.

- On 5 June 2020, Soleado has, in writing, informed the Company that the shareholders of Soleado may require Soleado to demand settlement or to take legal action against the Company if warranted. In addition, the pledged shares (102 million shares) of the Company owned by Huang Yupeng will be realised if called upon. At the date of this financial statements, the Company is still in negotiation with Soleado on the extension of repayment of the loan.

- The Company has prepared a twelve-month projected cashflows forecast from the date of this report to review the appropriateness of the going concern. There is sufficient monthly working capital for the Group to continue the operating business for the next twelve months and that the Group is able to continue to obtain support from its existing customers and suppliers. The circumstances leading to the event of realisation of assets are very unlikely and remote.

- The Chairman of the Company has provided the Group with a letter of undertaking for not to recall the amounts due to himself from the Group and the Company for at least the next twelve months from the date these financial statements.

Based on current circumstances, there is uncertainty as to whether the Group and the Company are able to meet their contractual obligation in the next twelve months as and when they fall due, and consequently, there is uncertainty as to their respective abilities to continue as a going concern for the next twelve months. Notwithstanding the above, the Board of Directors has assessed and is of the view that it is appropriate that the financial statements of the Group and Company are to be prepared on a going concern basis.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current. No such adjustments have been made to these financial statements.

2 Basis of preparation (Cont'd)

2(e) Use of estimates and judgements

The preparation of financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies, assumptions and estimation uncertainties that have a significant effect on the financial statements is described as follow:

Impairment of non-financial assets

The Group and the Company assess annually whether their non-financial assets (including the Group's property, plant and equipment and deposits paid for non-financial assets and the Company's interests in subsidiaries) have any indication of impairment in accordance with the accounting policy. The recoverable amounts of the non-financial assets have been determined based on the higher of the value in use of the asset and the fair value less costs of disposal based on techniques and key assumptions and estimates as adopted by management as disclosed in the respective notes to the financial statements. These calculations require the use of judgements and estimates.

As of 31 December 2021 and 2020, management did not perform an assessment of the possible impairment of property, plant and equipment (including land use rights and right-of-use assets).

Expected credit losses (ECLs) of financial assets

As described in the accounting policies of the Group in Note 3 'Impairment', the Group assesses whether the credit risk of a financial assets has increased significantly and makes provision for ECLs accordingly. Management uses judgements, estimates and assumptions in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amount of the Group's financial assets at the end of the reporting period is disclosed in Notes 7, 11, 12 and 13 to the financial statements.

As of 31 December 2021 and 2020, management did not perform an assessment of the possible impairment of the Group's financial assets.

Interest in a joint venture

The Group holds 51% ownership interest of a joint venture, Pinle Shenzhen Industrial Company Limited, recognised in the consolidated accounts using the equity method in accordance with the percentage owned. Management has assessed that the holding is a joint arrangement as there is a contractual arrangement with the other party resulting in the Group having joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. As the joint arrangement provide the Group with rights to the net assets of the arrangements, the arrangement is a joint venture to the Group.

Further details are disclosed in Note 5 to the financial statements.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provisions for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

2 Basis of preparation (Cont'd)

2(e) Use of estimates and judgements (Cont'd)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in the valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 35.1 to the financial statements.

2(f) Changes in accounting policies

(i) New standards and amendments

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance of the Group or financial position of the Group and the Company.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to:		
SFRS(I) 16	Covid-19-Related Rent Concessions	1 June 2020
SFRS(I) 9, SFRS (I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

2 Basis of preparation (Cont'd)

2(f) Changes in accounting policies (Cont'd)

(i) New standards and amendments (Cont'd)

The Group has not adopted the following amendments to standards and interpretations applicable to the Group that have been issued but not yet effective:

Reference	Description	Effective date (Annual periods beginning on or after)
Various	Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to:		
SFRS(I) 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
SFRS(I) 1-37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
SFRS(I) 1-16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
SFRS(I) 3	Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-1 and SFRS(I) Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
SFRS(I) 1-8	Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS(I) 1-12	International Tax Reform – Pillar Two Model Rules	1 January 2023
SFRS(I) 1-1	Classification of Liabilities as Current or Non-current	1 January 2024
SFRS(I) 16	Lease Liability in a Sale and Leaseback	1 January 2024
SFRS(I) 1-1	Non-current Liabilities with Covenants	1 January 2024

Management expects that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of activities and assets includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

3 Significant accounting policies (Cont'd)

Basis of consolidation (Cont'd)

(i) Business combinations (Cont'd)

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the consideration transferred (generally measured at fair value); plus
- the recognised amount of any non-controlling interest (NCI) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally measured at fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NCI that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree in the event of liquidation are measured at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets at the date of acquisition. The measurement basis taken is elected for each business combination. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Cost related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3 Significant accounting policies (Cont'd)

Basis of consolidation (Cont'd)

(iv) Investments in equity-accounted investees

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its investment in a joint venture, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vi) Subsidiaries and joint ventures in the separate financial statements

Interests in subsidiaries and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency differences arising on translation are generally recognised in profit or loss.

Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition of or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at the reporting date and during the reporting period, the Group only held financial assets measured at amortised cost.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(ii) Classification and subsequent measurement (Cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

<u>Financial assets at amortised cost</u>

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

3 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

3 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(vii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible loan and exchangeable bonds denominated in United States dollars that can be converted to ordinary shares at the option of the holder, where the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

(viii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

Expected credit losses (ECLs) are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3 Significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

(i) Recognition and measurement

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Office premises	Over remaining period of lease
Factory and warehouse premises	20 to 40 years
Renovation	5 years
Plant and machinery	10 years
Motor vehicles	5 to 10 years
Office equipment	5 to 10 years

No depreciation has been provided for construction-in-progress.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment, if any, are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Right-of-use of assets under leasing arrangement are presented together with the owned assets of the same class in property, plant and equipment. Details of such leased assets are disclosed in Note 4(d) to the financial statements. Also refer to the accounting policies narrated under "Leases".

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3 Significant accounting policies (Cont'd)

Leases (Cont'd)

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

3 Significant accounting policies (Cont'd)

Leases (Cont'd)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

Rental income from sub-leased property is recognised as 'other operating income'.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average basis method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- intra-group financial guarantee contracts (FGC).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

3 Significant accounting policies (Cont'd)

Impairment (Cont'd)

(i) Non-derivative financial assets (Cont'd)

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3 Significant accounting policies (Cont'd)

Impairment (Cont'd)

(i) Non-derivative financial assets (Cont'd)

Credit-impaired financial assets **(Cont'd)**

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating units (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

3 Significant accounting policies (Cont'd)

(ii) Non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

An impairment loss in respect of joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture may be impaired.

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which they have operations. In particular, the Singapore incorporated company in the Group contributes to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations.

(ii) Termination benefits

Termination benefits are expenses at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The Company has an employee share option plan for the granting of non-transferable options. The Company issues equity-settled share-based payments to certain employees.

3 Significant accounting policies (Cont'd)

Employee benefits (Cont'd)

(iii) Share-based payment transactions (Cont'd)

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognised as employee benefit exepense in profit or loss.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Revenue

(i) Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those POs.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Rental income

Rental income from the rental of factory and warehouse space is recognised upon acceptance of tenancy and is accounted for on a straight-line basis over the lease terms.

3 Significant accounting policies (Cont'd)

Finance income and finance costs

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and join venture to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3 Significant accounting policies (Cont'd)

Income tax (Cont'd)

The Group recognises deferred tax liabilities on withholding tax of the forecast dividend payout of the earnings of its PRC subsidiaries.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, for the effect of all dilutive potential ordinary shares, which comprise convertible loan and share options granted to employees.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Government grant/subsidy

Government grant/subsidy is recognised at its fair value where there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with. When the grant is related to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant/subsidy relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3 Significant accounting policies (Cont'd)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

4 Property, plant and equipment

The Company	Office equipment RMB'000
Cost	
At 1 January 2020, 31 December 2020 and 31 December 2021	73
Accumulated depreciation	
At 1 January 2020	56
Depreciation for the year	5
At 31 December 2020	61
Depreciation for the year	3
At 31 December 2021	**64**
Net book value	
At 31 December 2020	12
At 31 December 2021	**9**

4 Property, plant and equipment (Cont'd)

The Group	Office premises RMB'000	Factory and warehouse premises RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction-in-progress RMB'000	Land use rights RMB'000	Other equipment RMB'000	Total RMB'000
Cost									
At 1 January 2020	2,172	929,284	1,051,109	3,324	1,970	10,292	89,393	52,424	2,139,968
Additions	–	–	17,718	–	–	–	–	–	17,718
Transfer from deposits	–	–	295,393	–	–	–	–	–	295,393
Disposals	–	–	(9)	–	(21)	(9,187)	–	–	(9,217)
Written off	–	(202,914)	(73,982)	(3)	(47)	–	(6,359)	(1,409)	(284,714)
At 31 December 2020	2,172	726,370	1,290,229	3,321	1,902	1,105	83,034	51,015	2,159,148
Additions	**–**	**–**	**374,776**	**218**	**10**	**–**	**–**	**73**	**375,077**
Transfer from deposits	**–**	**–**	**720**	**–**	**–**	**158,500**	**–**	**–**	**159,220**
Disposals	**–**	**–**	**(55,764)**	**–**	**–**	**–**	**–**	**–**	**(55,764)**
At 31 December 2021	**2,172**	**726,370**	**1,609,961**	**3,539**	**1,912**	**159,605**	**83,034**	**51,088**	**2,637,681**
Accumulated depreciation and impairment									
At 1 January 2020	333	171,125	336,163	2,445	1,598	–	11,239	8,897	531,800
Depreciation for the year	391	62,713	103,530	225	39	–	1,782	2,377	171,057
Disposals	–	–	(69)	–	(19)	–	–	–	(88)
Provision for impairment	–	23,238	107,558	–	14	–	–	–	130,810
Written off	–	(66,822)	(1,006)	–	(3)	–	–	–	(67,831)
At 31 December 2020	724	190,254	546,176	2,670	1,629	–	13,021	11,274	765,748
Depreciation for the year	**–**	**30,518**	**122,615**	**159**	**63**	**–**	**1,641**	**3,329**	**158,325**
Disposals	**–**	**–**	**(37,599)**	**–**	**–**	**–**	**–**	**–**	**(37,599)**
At 31 December 2021	**724**	**220,772**	**631,192**	**2,829**	**1,692**	**–**	**14,662**	**14,603**	**886,474**
Net book value									
At 31 December 2020	1,448	536,116	744,053	651	273	1,105	70,013	39,741	1,393,400
At 31 December 2021	**1,448**	**505,598**	**978,769**	**710**	**220**	**159,605**	**68,372**	**36,485**	**1,751,207**

4 Property, plant and equipment (Cont'd)

Property, plant and equipment includes the Group's right-of-use assets of RMB71,183,000 (2020: RMB70,013,000).

Depreciation is charged to:

The Group	Note	2021 RMB'000	2020 RMB'000
Cost of sales		**65,351**	65,870
Distribution costs	24(b)	**366**	2,019
Administration expenses	24(c)	**92,608**	103,168
		158,325	171,057

Security

At the reporting date, the carrying amounts of property, plant and equipment of the Group which have been pledged to financial institutions to secure bank borrowings were as follows:

The Group	Note	2021 RMB'000	2020 RMB'000
At net book value,			
- Factory and warehouse premises	19(f)	**–**	222,361
- Plant and machinery	19(b),(f)	**–**	200,443
Land use rights	19(e),(f)	**36,761**	37,686
		36,761	460,490

Impairment assessment

As of 31 December 2021 and 2020, management did not perform an assessment of the possible impairment of property, plant and equipment (including land use rights and right-of-use assets).

5 Joint venture

The Group	2021 RMB'000	2020 RMB'000
Unquoted equity investment, at cost	**–**	–
Share of post-acquisition loss	**–**	–
	–	–

As announced by the Company on 2 August 2018, pursuant to the Joint Venture Agreement dated 26 July 2018, the Group has 51% interest in the ownership and voting rights in a joint venture, Pinle Shenzhen Industrial Company Limited ("Pinle") with a registered capital of RMB50.0 million, that is held through a subsidiary, GF Shenzhen.

The said joint venture was incorporated on 20 April 2018 in the PRC. The Group jointly controls the venture with other partner, Dongqi Shenzhen Trading Company Limited ("Dongqi Shenzhen"), under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Pinle shall engage in the distribution of food and beverage products under new brands to be registered with the relevant authorities. These new products shall be distributed into new channels to be established by Dongqi Shenzhen, including supermarkets and convenience stores within PetroChina and Sinopec petrol stations in China.

As at reporting date, no capital contribution has been made by GF Shenzhen (Note 31(iv)). As a result, the Group did not recognise its share of losses of RMB23,000 (2020: RMB23,000) in the joint venture for the financial year ended 31 December 2021.

5 Joint venture (Cont'd)

Aggregate information of joint venture that is not individually material

The Group	2021 RMB'000	2020 RMB'000
Revenue	–	–
Loss and total comprehensive loss for the year	–	(2)
Share of loss and total comprehensive loss for the year	–	(1)
Unrecognised share of loss of joint venture	**(23)**	(23)

6 Subsidiaries

The Company	2021 RMB'000	2020 RMB'000
Unquoted equity investments, at cost	**11**	40,011
Amount due from a subsidiary (non-trade)	**218,773**	218,773
	218,784	258,784

The fair value of share options relates to the share options granted to the employees of the subsidiaries.

The non-trade amount due from a subsidiary, Grandness (HK) Industry Co., Limited is regarded as an extension of the Company's net investment in the said subsidiary as the amount due the subsidiary is neither planned nor likely to be settled in the foreseeable future. The amount due from the subsidiary is unsecured, interest-free and has no fixed term of repayment.

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Proportion of interests and voting rights held by the Group 31 Dec 2021 %	31 Dec 2020 %	Principal activities
Held by the Company				
Grandness (HK) Industry Co., Ltd. (振鹏达(香港)实业有限公司)[1]	Hong Kong	**100**	100	Investment holding
Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司)[2]	The People's Republic of China ("PRC")	**–**	100	Inactive
Held by Grandness (HK) Industry Co., Ltd. (振鹏达(香港)实业有限公司)				
Shenzhen Grandness Industry Group Co., Ltd. (深圳振鹏达实业集团有限公司)[3]	PRC	**100**	58.3^	Sale of canned vegetables and canned fruits
Grandness (Anhui) Foods Co., Ltd. (振鹏达(安徽)食品有限公司)[6]	PRC	**16.7@**	100	Production and sale of fruits and vegetable juices
Garden Fresh Group Holding Co., Ltd. (鲜绿园集团控股有限公司)[2]	Cayman Islands	**100**	100	Investment holding
Held by Garden Fresh Group Holding Co., Ltd (鲜绿园集团控股有限公司)				
Garden Fresh Beverage Group Co., Ltd. (鲜绿园饮料集团有限公司)[2]	British Virgin Islands	**100**	100	Investment holding

6 Subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Proportion of interests and voting rights held by the Group		Principal activities
		31 Dec 2021 %	31 Dec 2020 %	
Held by Garden Fresh Beverage Group Co., Limited (鲜绿园饮料集团有限公司)				
Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd. (鲜绿园(香港)果蔬饮料有限公司)[1]	Hong Kong	**100**	100	Investment holding
Held by Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd. (鲜绿园(香港)果蔬饮料有限公司)				
Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Ltd. (鲜绿园(深圳)果蔬饮料有限公司)[5]	PRC	**100**	100	Sale of fruits and vegetable juices
Garden Fresh (Hubei) Food & Beverage Co., Ltd. (鲜绿园(湖北)食品饮料有限公司)[4]	PRC	**–**	100	Production and sale of fruits and vegetable juices
Held by Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Ltd. (鲜绿园(深圳)果蔬饮料有限公司)				
Garden Fresh (Shenzhen) Beverage Technology Co., Ltd. (鲜绿园(深圳)饮品科技有限公司)[2]	PRC	**100**	100	Investment holding
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Ltd. (四川鲜绿园果蔬饮料有限公司)[7]	PRC	**–**	90[&]	Production and sale of fruits and vegetable juices
Held by Garden Fresh (Shenzhen) Beverage Technology Co., Ltd. (鲜绿园(深圳)饮品科技有限公司)				
Garden Fresh (Anhui) Fruit & Vegetable Beverage Co., Ltd. (安徽鲜绿园果蔬饮料有限公司)[6]	PRC	**100**	100	Production and sale of fruits and vegetable juices
Garden Fresh (Hubei) Food & Beverage Co., Ltd. (鲜绿园(湖北)食品饮料有限公司)[4]	PRC	**100**	–	Production and sale of fruits and vegetable juices
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Ltd. (四川鲜绿园果蔬饮料有限公司)[7]	PRC	**100**	–	Production and sale of fruits and vegetable juices
Held by Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司)				
Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司)[2]	PRC	**71.77[#]**	51[#]	Inactive
Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司)[2]	PRC	**100**	100	Inactive
Grandness (Hubei) Foods Co., Ltd. (湖北振鹏达食品有限公司)[4]	PRC	**100**	100	Production and sale of canned vegetables and canned fruits
Hao Tian Yuan Industry (Shenzhen) Co. Ltd. (好田园实业(深圳)有限公司)[2]	PRC	**51**	51	Sale and distribution of food and related products
Grandness (Anhui) Foods Co., Ltd. (振鹏达(安徽)食品有限公司)[2]	PRC	**83.3[@]**	–	Production and sale of fruits and vegetable juices
Grandness (Shanxian) Food Co., Ltd. (山东单县振鹏达食品有限公司)[2]	PRC	**–**	100	Inactive

6 Subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Proportion of interests and voting rights held by the Group		Principal activities
		31 Dec 2021 %	31 Dec 2020 %	
<u>Held by Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司)</u>				
Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司)[2]	PRC	4.78[#]	4.78[#]	Inactive
<u>Held by Grandness (Hubei) Foods Co., Ltd. (湖北振鹏达食品有限公司)</u>				
Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司)[2]	PRC	4.78[#]	–	Inactive
<u>Held by Grandness (Shanxian) Food Co., Ltd. (山东单县振鹏达食品有限公司)</u>				
Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司)[2]	PRC	–	4.78[#]	Inactive
<u>Held by Garden Fresh (Hubei) Food & Beverage Co., Ltd. (鲜绿园(湖北)食品饮料有限公司)</u>				
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Ltd. (四川鲜绿园果蔬饮料有限公司)[7]	PRC	–	10[&]	Production and sale of fruits and vegetable juices
<u>Held by Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司)</u>				
Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司)[3]	PRC	–	41.7[^]	Sale of canned vegetables and canned fruits
Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司)[2]	PRC	–	20.77[#]	Inactive

^ Together with other wholly-owned subsidiary of the Company, the effective interest in Shenzhen Grandness Industry Group Co., Ltd. totalled 100%.

@ Together with other wholly-owned subsidiaries of the Company, the effective interest in Grandness (Anhui) Foods Co., Ltd. totalled at 100%.

Together with other wholly-owned subsidiaries of the Company, the effective interest in Grandness (Sichuan) Foods Co., Ltd. totalled at 81.33%.

& Together with other wholly-owned subsidiary of the Company, the effective interest in Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited totalled 100%.

1. Exempted from local statutory audit.
2. Audit is not required by law in the country of incorporation.
3. The local auditor is Shenzhen Tianying Certified Public Accountants (Partnership) (深圳天英会计师事务所(普通合伙)).
4. The local auditor is Yichang Yihui Changbanpo Certified Tax Agents Co., Ltd (宜昌泽辉长坂坡税务师事务所有限公司).
5. The local auditor is Shenzhen Yida Certified Public Accountants Co., Ltd (深圳市义达会计师事务所有限责任公司).
6. The local auditor is Anhui Zhan Wang Certified Public Accountant Co., Ltd (安徽展望会计师事务).
7. The local auditor is Sichuan Guozhou Certified Public Accountants Co., Ltd (四川国洲会计师事务所有限公司).

6 Subsidiaries (Cont'd)

Restructuring

During the year, the Group has undergone a restructuring for the purpose of more efficient management of the two operating segments as follow:

(i) Interests in Shanxi Yongji Huaxin Food Co., Ltd. and Grandness (Shanxian) Food Co., Ltd. have been fully disposed, with a loss of RMB2,294,000 recognised in profit or loss (Note 24(f)).

(ii) Shenzhen Grandness Industry Group Co., Ltd. has become a wholly owned subsidiary of Grandness (HK) Industry Co., Ltd. (2020: 58.3% and 41.7% held by Grandness (HK) Industry Co., Ltd. and Shanxi Yongji Huaxin Food Co., Ltd., respectively).

(iii) 16.7% and 83.3% of Grandness (Anhui) Foods Co., Ltd. are held by Grandness (HK) Industry Co., Ltd. and Shenzhen Grandness Industry Group Co., Ltd., respectively (2020: wholly owned by Grandness (HK) Industry Co., Ltd.).

(iv) Garden Fresh (Hubei) Food & Beverage Co., Ltd. and Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Ltd. have become wholly owned subsidiaries of Garden Fresh (Shenzhen) Beverage Technology Co., Ltd. (2020: Garden Fresh (Hubei) Food & Beverage Co., Ltd. was wholly owned by Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd. and 90% and 10% of Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Ltd. were held by Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Ltd. and Garden Fresh (Hubei) Food & Beverage Co., Ltd., respectively).

(v) 71.77%, 4.78% and 4.78% of Grandness (Sichuan) Foods Co., Ltd. are held by Shenzhen Grandness Industry Group Co., Ltd., Dongpeng (Chengdu) Agricultural Development Co., Ltd. and Grandness (Hubei) Foods Co., Ltd., respectively (2020: 51%, 20.77%, 4.78% and 4.78% were held by Shenzhen Grandness Industry Group Co., Ltd., Shanxi Yongji Huaxin Food Co., Ltd., Dongpeng (Chengdu) Agricultural Development Co., Ltd. and Grandness (Shanxian) Food Co., Ltd., respectively).

Impairment assessment

As of 31 December 2021 and 2020, management did not perform an assessment of the possible impairment of the Company's interests in subsidiaries.

6 Subsidiaries (Cont'd)

NCI in subsidiaries

The Group's subsidiaries that have material NCI are as follows:

	2021		
	Hao Tian Yuan Industry (Shenzhen) Co., Ltd.	**Grandness (Sichuan) Foods Co., Ltd.**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
NCI percentgage of ownership interest and voting interest	**49%**	**18.67%**	
Carrying amount of NCI	**10,588**	**1,265**	**11,853**
Loss allocated to NCI	**(103)**	**(84)**	**(187)**
Summarised financial information before intra-group elimination			
As at 31 December 2021			
Non-current assets	**29**	**39,371**	
Current assets	**10,895**	**2,670**	
Non-current liabilities	**–**	**–**	
Current liabilities	**–**	**(35,262)**	
Net assets	**10,924**	**6,779**	
Year ended 31 December 2021			
Revenue	**4**	**–**	
Loss and total comprehensive loss for the year	**(26)**	**(448)**	
Cash flows from operating activities	**40**	**13**	
Cash flows from investing activities	**–**	**–**	
Cash flows from financing activities	**–**	**–**	
Net increase in cash and cash equivalents	**40**	**13**	

6 Subsidiaries (Cont'd)

NCI in subsidiaries (Cont'd)

	2020		
	Hao Tian Yuan Industry (Shenzhen) Co., Ltd	Grandness (Sichuan) Foods Co., Ltd	Total
	RMB'000	RMB'000	RMB'000
NCI percentgage of ownership interest and voting interest	49%	18.67%	
Carrying amount of NCI	10,691	1,349	12,040
Profit allocated to NCI	(38)	(172)	(210)
Summarised financial information before intra- group elimination			
As at 31 December 2020			
Non-current assets	5	40,630	
Current assets	11,128	2,582	
Non-current liabilities	–	–	
Current liabilities	–	(35,985)	
Net assets	11,133	7,227	
Year ended 31 December 2020			
Revenue	66	–	
Loss and total comprehensive loss for the year	(78)	(869)	
Cash flows from operating activities	10	(21)	
Cash flows from investing activities	(7)	–	
Cash flows from financing activities	–	–	
Net increase/(decrease) in cash and cash equivalents	3	(21)	

7 Amounts due from/to subsidiaries

The Company	**2021** **RMB'000**	2020 RMB'000
Amounts due from subsidiaries		
Non-current and non-trade		
Grandness (HK) Industry Co., Limited	**472,823**	508,986
Garden Fresh (Hubei) Food & Beverage Co, Limited	**6,376**	6,525
Garden Fresh Beverage Group Co. Ltd.	**21**	20
	479,220	515,531
Amounts due to subsidiaries		
Current and non-trade		
Garden Fresh (HK) Fruit & Vegetable Beverage Co, Limited	**(662)**	(661)
Shenzhen Grandness Industry Groups Co., Ltd.	**(44,623)**	(45,585)
Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited	**(108)**	(54)
	(45,393)	(46,300)

The non-trade amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Impairment assessment

As of 31 December 2021 and 2020, management did not perform an assessment of the expected credit losses of the Company's amounts due from subsidiaries.

8 Deferred tax liabilities

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui [2008] No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, no deferred tax liabilities arise from undistributed profits of the Company's PRC subsidiaries accumulated up till 31 December 2007. Provision for deferred tax liabilities however, would be required on profits accumulated from 1 January 2008 onwards.

The deferred tax liabilities relate to the PRC withholding tax on the portion of the distributable profits of RMB259.6 million (2020: RMB251.6 million) to be derived from the Group's subsidiaries in the PRC which is expected to be distributed out as dividends to its shareholders.

9 Deposits paid for non-current assets

The Group	2021 RMB'000	2020 RMB'000
Advances to contractor for construction of workshop		
Balance at beginning of year	**97,694**	97,694
Refunded	**(97,694)**	–
Balance at end of year	**–**	97,694
Advances to suppliers for purchases of plant and machinery		
Balance at beginning of year	**148,120**	455,906
Additions	**314,184**	31,746
Transfer to value added tax	**–**	(44,139)
Transfer to property, plant and equipment	**(159,220)**	(295,393)
Balance at end of year	**303,084**	148,120
Total		
At 31 December 2020		245,814
At 31 December 2021		**303,084**

Deposits paid for non-current assets relate to advances paid to suppliers for the construction of workshop, factory and warehouse and plant and machinery, which upon completion, such amounts will be transferred to property, plant and equipment under non-current assets.

The advances of RMB97.7 million paid to a contractor as of 31 December 2020 for the construction of workshop have been fully refunded by the contractor in October 2021 due to termination of the contracts.

As at 31 December 2020, advances to suppliers for purchases of plant and machinery is an amount of RMB38.9 million pledged for DEG loan granted to a subsidiary of the Group (Note 19(f)). The pledge has been released as at 31 December 2021.

Impairment assessment

As of 31 December 2021 and 2020, management did not perform an assessment of the possible impairment of the Group's deposits paid for non-current assets.

10 Inventories

The Group	2021 RMB'000	2020 RMB'000
Finished goods	**8,100**	2,688
Packaging materials	**9,327**	1,961
Raw materials	**5,311**	928
Other materials	**23**	106
	22,761	5,683

In the financial year ended 31 December 2021, RMB1,069,807,000 (2020: RMB1,445,302,000) were recognised as an expense and included in 'cost of sales'.

11 Trade receivables

The Group	Note	2021 RMB'000	2020 RMB'000
Gross trade receivables		**847,783**	1,188,010
Less: Expected credit loss on trade receivables			
Balance at beginning of year		**(147,480)**	–
Reversal of/(provision for) allowance during the year	24(f)	**13,893**	(147,480)
Written off		**112,002**	–
Balance at end of year		**(21,585)**	(147,480)
Net trade receivables		**826,198**	1,040,530

Trade receivables are due within 120 days (2020: 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables:

2021	Current RMB'000	Past due: Within 30 days RMB'000	Past due: 31 to 60 days RMB'000	Past due: 61 to 90 days RMB'000	Past due: 91 to 120 days RMB'000	Past due: More than 120 days RMB'000	2021 RMB'000
Trade receivables	**697,709**	**38,870**	**11,629**	**19,320**	**14,562**	**65,693**	**847,783**
Loss allowance	**(8,990)**	**–**	**–**	**–**	**–**	**(12,595)**	**(21,585)**
	688,719	**38,870**	**11,629**	**19,320**	**14,562**	**53,098**	**826,198**

2020	Current RMB'000	Past due: Within 30 days RMB'000	Past due: 31 to60 days RMB'000	Past due: 61 to 90 days RMB'000	Past due: 91 to 120 days RMB'000	Past due: More than 120 days RMB'000	2020 RMB'000
Trade receivables	283,064	125,038	91,633	82,317	64,486	541,472	1,188,010
Loss allowance	–	–	–	–	–	(147,480)	(147,480)
	283,064	125,038	91,633	82,317	64,486	393,992	1,040,530

Based on historical default rates, management is of the opinion that no impairment is necessary in respect of trade receivables not past due or past due but not impaired as these receivables are mainly arising from customers that have a good credit records with the Group.

Impairment on trade receivables, if any, is made on specific debts for which management is of the opinion that debts are not recoverable.

Further details of the Group's financial risk management of credit risk are disclosed in Note 33.3 to the financial statements.

11 Trade receivables (Cont'd)

The credit risk concentration profile of the Group's trade receivables based on information geographical location and product sector is as follows:

The Group	2021 RMB'000	2020 RMB'000
By geographical location		
The PRC	**776,286**	1,028,377
Europe	**41,641**	8,813
North America	**2,587**	–
Others	**5,684**	3,340
	826,198	1,040,530

The Group	2021 RMB'000	2021 % of total	2020 RMB'000	2020 % of total
By product sector				
Canned foods	**239,337**	**28.97%**	119,563	11.49%
Beverages	**586,861**	**71.03%**	920,967	88.51%
	826,198	**100.00%**	1,040,530	100.00%

Impairment assessment

As of 31 December 2021 and 2020, management did not perform an assessment of the expected credit losses of the Group's trade receivables.

12 Other receivables

	Note	The Company 2021 RMB'000	The Company 2020 RMB'000	The Group 2021 RMB'000	The Group 2020 RMB'000
Advances to					
- employees		**328**	336	**1,217**	680
- third parties		**–**	–	**80,244**	79,472
- trade suppliers		**–**	–	**38,403**	160,790
Prepaid operating expenses		**–**	–	**30,360**	5,564
VAT receivable		**–**	–	**144,215**	197,388
Export tax refunds		**–**	–	**36,691**	77,373
Deposits	(a)	**5**	7	**1,784**	2,005
Others		**637**	61	**628**	3,440
		970	404	**333,541**	526,712

(a) Included in deposits are security deposits of RMBNil (2020: RMB1.5 million) pledged with bank borrowings as at the reporting date (Note 19(b)).

(b) VAT receivable of RMB27,816,000 has been written off during the year as the relevant subsidiaries were inactive and management considered the Group will not be able to recover the balance in the foreseeable future (2020: RMBNil).

All other receivables were unsecured, interest-free and have no fixed terms of repayment.

Impairment assessment

As of 31 December 2021 and 2020, management did not perform an assessment of the expected credit losses of the Group's and the Company's other receivables.

13 Cash and cash equivalents

	The Company		The Group	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank balances	**17**	82	**288,323**	308,259
Cash on hand	**–**	–	**65**	98
	17	82	**288,388**	308,357

14 Share capital

	Number of shares		Amount	
	2021	2020	**2021**	2020
The Company and the Group	**'000**	'000	**RMB'000**	RMB'000
Issued and fully paid ordinary shares with no par value:				
Balance at beginning and end of year	**1,149,410**	1,149,410	**791,500**	791,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

15 Other reserves

	2021	2020
The Company	**RMB'000**	RMB'000
Share option reserve		
Balance at beginning and end of year	**76,478**	76,478

Statutory common reserve

According to the PRC Company Law, the subsidiaries in PRC are required to transfer between 10% and 50% of their profits after taxation to statutory common reserve until the common reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profits after taxation shall be the amount determined under the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous years' losses and for conversion to capital, if any, provided that the balance remains not less than 25% of the registered capital.

Share option reserve

Share option reserve represents the equity-settled share options granted to employees according to the ESOS Scheme (Note 27). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Merger reserve

The merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation.

16 Trade payables

The Group	2021 RMB'000	2020 RMB'000
Trade payables	**123,228**	72,185
Accrued promotional expenses	**3,075**	2,196
	126,303	74,381

The carrying amount of trade payables, due to their short duration, approximates their fair values.

17 Other payables

	The Company		The Group	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Amounts due to				
- contractors	**–**	–	**24,000**	35,000
- a director of the Company	**19,970**	42,289	**52,700**	52,700
- third parties	**–**	–	**16,000**	–
Accrued salaries	**24,400**	40,087	**59,042**	58,195
VAT and other tax payable	**–**	–	**3,443**	3,300
Others	**–**	1,468	**7,869**	6,502
	44,370	83,844	**163,054**	155,697

The carrying amount of other payables, due to their short duration, approximates their fair values.

The non-trade amounts owing are unsecured, interest-free and are repayable on demand.

The amount due to a director of the Company represents unsecured interest-free advances and are repayable on demand.

18 Lease liabilities

The Group leases office premises as lessee under operating leases. The movements of the lease liabilities are as follows:

The Group	2021 RMB'000	2020 RMB'000
Minimum lease payment payable:		
Due not later than one year	**461**	439
Due later than one year and not later than five years	**566**	1,028
	1,027	1,467
Less: Interest expenses allocated to future periods	**(86)**	(179)
Present value of minimum lease payments	**941**	1,288
Present value of minimum lease payments:		
Due not later than one year	**400**	347
Due later than one year and not later than five years	**541**	941
	941	1,288

The effective interest rate of the lease liabilities is 8.44% (2020: 8.44%) per annum.

19 Bank borrowings

The Group	Note	2021 RMB'000	2020 RMB'000
Notes payable (secured)			
- 融兴村镇银行	(a)	–	9,000
Other institutions (secured)			
- 仲利国际租赁有限公司	(b)	–	3,031
Bank loans (secured)			
- 中国建设银行股份有限公司蚌埠市分行	(c)	**5,000**	5,000
- 交通银行滨海支行	(d)	**20,000**	16,400
- 当阳农商银行营业部	(e)	**10,000**	10,000
- Deutsche Investitions			
- und Entwicklungsgesellschaft GmbH ("DEG")	(f)	–	167,288
- 友利银行深圳分行	(g)	**34,850**	–
		69,850	210,719
Amount repayable:			
Not later than one year		**69,850**	210,719
Later than one year and not later than five years		–	–
		69,850	210,719

(a) The notes granted to a subsidiary, Shenzhen Grandness Industry Groups Co., Ltd., were fully repaid on 2 June 2021. As at 31 December 2020, the notes was secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng; and
- a corporate guarantee provided by a subsidiary, GF Shenzhen.

(b) The term loan granted to a subsidiary, GF Shenzhen, was fully repaid on 1 November 2021. As at 31 December 2020, the loan was secured by, inter-alia:

- a pledge of plant and machinery with a carrying amount of RMB39.1 million (Note 4) belonging to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited ("GF Hubei"). This pledge of plant and machinery has already been on first charge (Note 19(f)); and
- a security deposit of RMB1.5 million (Note 12(d)) provided by GF Shenzhen.

Interest was charged at 11.62% per annum.

(c) The term loan granted to a subsidiary, Garden Fresh (Anhui) Fruit & Vegetable Beverage Co., Ltd. has been renewed on 25 August 2020 with the same amount. The loan was secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by a subsidiary, GF Shenzhen.

Interest is charged at one-year loan prime rate ("LPR") plus 20 basis point per annum (2020: LPR plus 20 basis point per annum).

19 Bank borrowings (Cont'd)

(d) The term loans granted to subsidiaries, GF Shenzhen and Shenzhen Grandness Industry Groups Co., Ltd., have been renewed with an amount of RMB10 million each and are repayable over 12 monthly instalments commencing from 27 July 2021 (2020: RMB9.1 million and RMB7.3 million granted to GF Shenzhen and Shenzhen Grandness Industry Groups Co., Ltd., respectively, were repayable over 24 monthly instalments commencing from 14 September 2020). The loans are secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;

Interest is charged at LPR plus 30 basis point per annum (2020: LPR plus 30 basis point per annum).

(e) The term loan granted to a subsidiary, GF Hubei is repayable over 12 monthly instalments commencing on 21 September 2020. The loan was secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by subsidiaries, GF Shenzhen and GF Hong Kong.
- land use right belonging to a subsidiary, GF Hubei with the carrying amounts of RMB36.8 million (2020: RMB37.7 million) (Note 4). This land use rights has already been on first charge and second charge (Note 19(f)).

Interest is charged at 5.5% per annum.

(f) On 8 January 2016, the term loan of US$25.0 million (equivalent to RMB171.6 million) was granted to a subsidiary, GF Hubei by DEG and the loan was disbursed on 21 July 2016. The term loan is repayable over 10 semi-annual instalments commencing from 15 April 2018 with a fixed principal payment of US$2.5 million plus any applicable interest.

As at 31 December 2020, the outstanding loan and interest payable of US$25.6 million (equivalent to RMB167.3 million) was secured by, inter-alia:

- first ranking mortgage in the amount of US$25.6 million (RMB167.3 million) on the land use rights and factory and warehouse premises belonging to GF Hubei with the carrying amount of RMB37.7 million and RMB222.3 million (Note 4), respectively;
- a pledge of deposits paid for non-current assets with a carrying amount of RMB38.9 million (Note 9) belonging to GF Hubei;
- a pledge of plant and machinery with a carrying amount of RMB200.4 million (Note 4) belonging to GF Hubei;
- corporate guarantees provided by subsidiaries, GF Shenzhen and GF Cayman; and
- a corporate guarantee provided by the Company.

Interest was charged at 6-month London Inter-Bank Offer Rate ("LIBOR") plus 3.80% per annum.

On 12 October 2021, pursuant to a loan transfer agreement between DEG and Shanghai Shichang Information Technology Co., Ltd. (上海仕昶信息科技有限公司) ("Shanghai Shichang") (the "Loan Transfer Agreement"), all rights to the DEG Loan, including the principal, interest, default penalty, late payment penalty and security, amounted to US$26,533,144 has been transferred to Shanghai Shichang from DEG. On 17 November 2021, the Group and Shanghai Shichang entered into a debt settlement agreement and agreed that the Group is to settle the then outstanding debt with Shanghai Shichang at RMB5,200,000, of which RMB4,000,000 and RMB1,200,000 are to be repaid within 3 days and 2 months from the date of the debt settlement agreement. As a result, a gain on settlement of RMB164.4 million is recognised in profit or loss during the year ended 31 December 2021 (Note 24(a)).

The whole amount of RMB5,200,000 has been fully settled on 19 November 2021 and 22 December 2021.

19 Bank borrowings (Cont'd)

(g) The term loan granted to a subsidiary, GF Shenzhen is repayable over 12 monthly instalments commencing on 25 May 2021. The loan was secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by a subsidiary, Grandness (Sichuan) Foods Co., Ltd.

Interest is charged at LPR plus 160 basis point per annum.

20 Loan from a related party

The Company and The Group	Note	**2021 RMB'000**	2020 RMB'000
At beginning of year		**157,750**	147,224
Interest charge	24(d)	**19,351**	20,696
Exchange differences		**(4,076)**	(10,170)
At end of year		**173,025**	157,750

On 13 April 2016, the Company entered into a US$20 million convertible loan agreement with a related party, Soleado. Per the convertible loan agreement, Soleado shall be entitled (but not obliged) to convert the loan or the outstanding balance thereof, into shares of the Company up to the maturity date of 16 May 2018.

Default of loan repayment

As the Company has not made payment of the principal loan amount of US$20 million on the maturity date, the Company has entered into a Repayment Framework Agreement with Soleado on 20 July 2018 where:

(a) the due date of the loan shall be extended to 6 January 2019 (the "Final Maturity Date");

(b) the interest rate of 15% per annum shall accrue on the loan from 17 May 2018 until the Final Maturity Date or such date Soleado receives full payment of the loan from the Company, whichever is earlier ("Applicable Interest Rate");

(c) the interest calculated at the Applicable Interest Rate shall be payable in quarterly instalments from 17 May 2018 to the Final Maturity Date or such date Soleado receives the full payment of the loan from the Company; and

(d) the personal guarantee of a director of the Company, Huang Yushan and the corporate guarantees provided by two subsidiaries, Shanxi Yongji Huaxin Food Co., Ltd. and Grandness (Shanxian) Food Co., Ltd. to Soleado continue to remain in full force and shall expire and be released only on such date the loan and all amounts due and payable by the Company to Soleado has been repaid in full in accordance with the Repayment Framework Agreement. There is also pledged shares of 102 million of the Company belonging to Huang Yupeng in favour of Soleado.

The Company has been served with a letter of demand dated 8 January 2019 by Soleado for repayment of the principal amount of US$20 million (equivalent to RMB139.5 million) and interest payable under the Repayment Framework Agreement dated 20 July 2018 to the loan agreement dated 13 April 2016. As of 8 January 2019, the interest reported to be owing by the Company to Soleado was US$1.2 million (equivalent to RMB8.2 million) and other charges of S$30,000 being costs and expenses for legal and professional fees.

A second letter of demand was served on 23 January 2019.

20 Loan from a related party (Cont'd)

Default of loan repayment (Cont'd)

On 19 June 2019, the Company paid a sum of US$1.5 million (equivalent to RMB10.1 million) as partial repayment to Soleado. On 9 July 2019, the Company has received a letter from Soleado where the lender agreed to a standstill and forebear from taking any actions to claim or enforce the obligations of the Company or guarantors to repay the amount due and payable to Soleado for a period up to and including 31 December 2019 upon payment of US$1.5 million (equivalent to RMB10.8 million) to Soleado by 31 August 2019. The amount was repaid on 10 July 2019.

Since then, there was no further payment made to 31 December 2019. On 5 June 2020, Soleado has, in writing, informed the Company that the shareholders of Soleado may require Soleado to demand settlement or to take legal action against the Company if warranted. In addition, the pledged shares (102 million shares) of the Company owned by Huang Yupeng will be realised if called upon.

At the date of this financial statements, the Company is still in negotiation with Soleado on the extension of repayment of the loan.

21 Bonds

The Group	**2021** **RMB'000**	2020 RMB'000
Straight Bonds	**282,765**	264,909
Exchangeable Bonds	**530,155**	485,681
	812,920	750,590

In prior years, the Group issued certain bonds, which has undergone several rounds of restructuring in the financial years ended 31 December 2016, 2017 and 2018. The bonds outstanding after the rounds of restructuring are namely the 2011 SB2 Bonds, the 2012 SB2 Bonds (collectively, the "**Straight Bonds**"), and the 2011 Bonds and the 2012 Bonds which have been restructured in 2016 into Exchangeable Bonds (the "**Exchangeable Bonds**"). For full details of the nature, original and revised terms and conditions of the previous bonds before the modifications, please refer to the annual reports for the financial year ended 31 December 2015 to 2018.

Under the 2017 Restructuring Agreement, GF Hong Kong is to fully redeem the Straight Bonds at a redemption price equal to 100% of the aggregate principal amount, together with any interest accrued.

<u>Amended terms under 2018 RRA</u>

On 14 January 2019, the Group entered into the 2018 RRA with the bondholders in relation to the extension of bond repayment dates.

The salient terms amended under the 2018 RRA include the following:

(a) within 10 business days after the date of the 2018 RRA, GF Cayman agrees to issue and allot to a holder of the 2012 Bonds, Goldman Sachs Investments Holdings (Asia) Limited ("GS"), a first 2012 Preference Share which shall form a single series with the other 2012 Preference Shares to be issued on the Completion Date (as defined below);

(b) the Completion Date shall be amended and extended to be the earlier of the following:

  (i) the Long Stop Date (as defined below); and

  (ii) ten (10) business days after the date on which the relevant company parties obtain the necessary PRC foreign exchange approvals for the remittance out of the PRC of funds for the payments to be made by such company parties pursuant to the 2018 RRA, or such other date or time as the parties may agree in writing;

21 Bonds (Cont'd)

Amended terms under 2018 RRA (Cont'd)

(c) the new long stop date ("Long Stop Date") be amended and extended to 12 months from the date of the 2018 RRA (i.e. 13 January 2020); and

(d) the expanded definition of Qualified Listing Application ("QLA") in the case of an initial public offering (IPO) of the ordinary shares of GF Cayman, has been expanded from a listing on the Main Board of the Hong Kong Stock Exchange (the "HKSE") only, to include a listing on the Main Board of the HKSE, the Nasdaq Stock Market or the New York Stock Exchange.

The key terms in the 2017 Restructuring Agreement remain the same under the 2018 RRA, save to the extent the salient terms amended under the 2018 RRA as set out below:

(a) the Straight Bonds shall be repaid and fully redeemed on the Completion Date;

(b) the substitution of the 2011 Bonds to 2011 Preference Shares and the 2012 Bonds to 2012 Preference Shares on the Completion Date; and

(c) the 2011 Preference Shares and 2012 Preference Shares are convertible under certain agreed conditions into ordinary shares of GF Cayman. The 2012 Preference Shares is convertible into 13.000% in the shares in GF Cayman and 2011 Preference Shares is convertible into 3.876% in the shares in GF Cayman.

The Company and each of the holders of the Straight Bonds further agree that new investors may subscribe or purchase GF Cayman's shares ("**New Investor Qualifying Shares**") in accordance with and subject to, inter alia, the New Investor Qualifying Conditions (as defined in the 2018 RRA).

The aggregate subscription price payable by the new investors in immediately available funds for the New Investor Qualifying Shares shall be an aggregate amount of not less than RMB210,300,000 with respect to all of the New Investor Qualifying Shares.

The New Investor Qualifying Shares will be issued as one or more series of redeemable preference shares by the Long Stop Date. Following the issuance of the New Investor Qualifying Shares on or before the Long Stop Date, no further New Investor Qualifying Shares (whether as a separate series or consolidated and forming a single series with any outstanding New Investor Qualifying Shares) will be issued save with the approval from the holders of the 2011 Preference Shares and 2012 Preference Shares. Notwithstanding the foregoing, if the new investor(s) subscribes for the New Investor Qualifying Shares in the form of ordinary shares in GF Cayman, then:

(i) GF Cayman may issue the New Investor Qualifying Shares in the form of GF Cayman Shares and the New Investor Qualifying Conditions shall apply mutatis mutandis to such subscription of the GF Cayman Shares; and

(ii) the parties to the 2018 RRA shall use their commercially best efforts to negotiate in good faith to amend the terms of the 2011 Preference Shares and 2012 Preference Shares and amend the related 2018 restructuring documents such that the rights and obligations of the parties to the 2017 Restructuring Agreement prior to the amendment would be extended to the ordinary shares in GF Cayman, unless otherwise agreed by parties.

Preference Shares

Form and transfer

(i) The 2011 Preference Shares and 2012 Preference Shares are in registered form and have a par value of RMB100,000 each.

(ii) The 2012 Preference Shares shall be denominated in RMB and all payments shall be settled in US$ at the prevailing US$-RMB exchange rate and the 2011 Preference Shares shall be denominated in RMB and all payments shall be settled in RMB or, if agreed between GF Cayman and the relevant 2011 Preference Shareholder, in US$ at the prevailing US$-RMB exchange rate.

21 Bonds (Cont'd)

Preference Shares (Cont'd)

Form and transfer (Cont'd)

(iii) The 2012 Preference Shares and the 2011 Preference Shares will initially carry a cumulative fixed rate dividend of 0% subject to any dividend stepup (or upward adjustment) following the issuance of New Investor Qualifying Shares. Dividends shall be payable semi-annually in arrear on 30 June and 31 December each year. Dividends will cease on from the due date for redemption unless payment is improperly withheld or refused.

(iv) In the event that New Investor Qualifying Shares are issued and such New Investor Qualifying Shares carry a dividend rate of more than zero per cent., the dividend rate will increase by the same percentage per annum with effect from the date of issuance of such New Investor Qualifying Shares. Any upward adjustment to the dividend rate will be permanent and will continue until the 2011 Preference Shares and 2012 Preference Shares have been redeemed, converted or purchased and cancelled in full.

(v) GF Hong Kong may, at its sole discretion, elect to defer (in whole or in part) any dividend which is otherwise scheduled to be paid to the next dividend payment date.

Ranking

(vi) In the event of a winding up of GF Cayman, the claims of the holders of the 2011 Preference Shares and 2012 Preference Shares shall:

- be subordinated to the present and future claims of all general creditors of GF Cayman;

- rank pari passu among all the holders of Preference Shares;

- rank at least pari passu with the present and future claims of all holders of any securities, liabilities or any other obligations that rank or are expressed to rank, by its terms or by operation of law, subordinated, in right of payment only, to the claims of the general creditors of GF Cayman but excluding the holders of any New Investor Qualifying Shares, and will at all times be subordinated to the present and future claims of all holders of the New Investor Qualifying Shares; and

- rank in priority to the present and future claims of all holders of any class of GF Cayman's ordinary shares.

Conversion

(vii) Holders of the 2011 Preference Shares and the 2012 Preference Shares have the right to convert their Preference Shares (without further payment) into ordinary shares of GF Cayman (the "**GF Cayman Shares**") at any time such Preference Shares remain outstanding.

(viii) Subject to condition (x) mentioned below, the number of ordinary shares a holder of Preference Shares will receive upon conversion shall be such whole number of ordinary shares which is at least equal to the number of ordinary shares which, immediately following the conversion, reflects the relevant shareholder percentage set forth below (on an as converted and fully diluted basis but disregarding the issuance of any New Investor Qualifying Shares) (the "**Conversion Ratio**"), with any fractions of an ordinary share being rounded up to the nearest whole number:

21 Bonds (Cont'd)

Preference Shares (Cont'd)

Conversion (Cont'd)

Name of bondholder	Aggregate Liquidation Preference of Preference Shares held as at the date of this Instrument	Shareholding in Garden Fresh Cayman
	RMB'000	%
2011 SB2 Bonds holders		
CDIB Capital Investment I Limited	44,200	3.547%
CDIB & Partners Investment Holding (Cayman) Ltd	4,100	0.329%
	48,300	3.876%
2012 SB2 Bonds holders		
Goldman Sachs Investments Holdings (Asia) Limited ("GS")	138,600	11.123%
CDIB & Partners Investment Holding (Cayman) Ltd	9,000	0.722%
Hon Chuan Holding Limited	4,800	0.385%
Mr. Yang Hua-Yi	4,800	0.385%
Mr. Wu Cheng-Hsueh	4,800	0.385%
	162,000	13.000%
Total	210,300	16.876%

(ix) The initial Conversion Ratio for the 2011 Preference Shares and 2012 Preference Shares into the GF Cayman Shares as set out above is calculated on the basis of a post-money valuation of RMB1.2 billion of GF Cayman and its subsidiaries. Save for the issuance of New Investor Qualifying Shares, the conversion ratio for the 2011 Preference Shares and 2012 Preference Shares into GF Cayman Shares shall be maintained at such percentages as set out above notwithstanding any future issuances of the GF Cayman Shares, but it will be subject to dilution with any issuance of the GF Cayman Shares upon (or following) the listing of the GF Cayman Shares on the Main Board of the HKSE, the Nasdaq Stock Market or the New York Stock Exchange.

(x) If:

(a) New Investor Qualifying Shares are issued; and

(b) all of the New Investor Qualifying Conditions have been satisfied in full, then the Conversion Ratio shall be adjusted downwards ("**Adjusted Conversion Ratio**") with effect from the date on which both (a) and (b) above are satisfied, in accordance with the following formula:

A x (100% - B) = C

Where:

A = Shareholding of each holder of the 2011 Preference Shares and 2012 Preference Shares in GF Cayman on an as converted and fully diluted basis immediately prior to the issuance of the New Investor Qualifying Shares, expressed as a percentage;

B = Shareholding of the New Investor(s) in GF Cayman on an as converted and fully diluted basis after the issuance of New Investor Qualifying Shares, expressed as a percentage; and

C = Shareholding of each 2011 Preference Shareholder and 2012 Preference Shareholder in GF Cayman on an as converted and fully diluted basis after the issuance of New Investor Qualifying Shares, expressed as a percentage.

21 Bonds (Cont'd)

Preference Shares (Cont'd)

Conversion (Cont'd)

(x) If: (Cont'd)

In respect of any Conversion taking place after the issuance of any New Investor Qualifying Shares, the Adjusted Conversion Ratio shall apply on an as converted and fully diluted basis which takes into account any ordinary shares issuable under the New Investor Qualifying Shares.

(xi) In the event that a holder of the Preference Shares named in the table above transfers all, or some only, of its Preference Shares in accordance with the Articles and these Conditions (such transferee (and, in turn, any subsequent transferee thereafter), a "**Subsequent Holder**"), then the Conversion Ratio or the Adjusted Conversion Ratio (as the case may be) for the 2011 Preference Shares and 2012 Preference Shares held by the Subsequent Holder registered in the Register of Members at Conversion shall be determined by reference to the relevant initial 2011 Preference Shareholder and 2012 Preference Shareholder from which its 2011 Preference Shares and 2012 Preference Shares were transferred and the corresponding shareholding percentage of such initial Preference Shareholder shown above (or, a pro rata portion thereof).

Financial covenants

(xii) So long as any 2011 Preference Share and 2012 Preference Share remains outstanding, the GF Cayman shall ensure that:

- the net gearing ratio of the Company shall not at any time exceed 1;
- the ratio of total debt to the prior financial year's EBITDA of the Company shall not at any time exceed 2.00; and
- the total equity of the Company shall not at any time fall below RMB1,500,000,000.

Redemption

No Fixed Maturity: The 2011 Preference Shares and 2012 Preference Shares are redeemable preference shares of GF Cayman. The 2011 Preference Shares and the 2012 Preference Shares may only be redeemed by GF Cayman at its option. The holders of the 2011 Preference Shares and the 2012 Preference Shares do not have any right to require GF Cayman to redeem the 2011 Preference Shares and the 2012 Preference Shares:

Subject to the Statute and the Articles, the 2011 Preference Shares and 2012 Preference Shares may be redeemed at the option of GF Cayman in whole but not in part:

- on the date falling 30 months after the Issue Date (the "**Initial Redemption Date**"), if (and only if) GF Cayman has not made a Qualified Listing Application ("**QLA**") prior to Initial Redemption Date; or
- starting from the 30th day after the date on which the QLA has been rejected, withdrawn or has lapsed (such redemption date and the Initial Redemption Date, "**Redemption Date**"), if (and only if) a QLA has been made prior to the Initial Redemption Date but has been rejected or withdrawn or has lapsed after the Initial Redemption Date,

in each case at a redemption price (calculated in RMB but paid in US$ at the prevailing US$-RMB exchange rate) which, after taking into account any dividends paid, represents an Internal Rate of Return of 7% per annum from 19 October 2011 (for the 2011 Preference Shares) or 25 July 2012 (for the 2012 Preference Shares) to the relevant redemption date. The redemption price shall be paid in US$ at the prevailing US$-RMB exchange rate.

Variation of rights

Holders of the 2011 Preference Shares and 2012 Preference Shares shall not be entitled to attend or vote at any general meetings of the shareholders of GF Cayman.

21 Bonds (Cont'd)

Preference Shares (Cont'd)

Put and call option

The Company irrevocably grants to each holder of the 2011 Preference Shares and the 2012 Preference Shares the option to require the Company to purchase or procure the purchase of, all (but not part) of the 2011 Preference Shares and the 2012 Preference Shares owned by that respective shareholder (the "**Preference Shares Put Option**"); and each holder of the 2011 Preference Shares and the 2012 Preference Shares irrevocably grants to the Company the option to require the respective shareholder to sell all (but not part) of the 2011 Preference Shares and the 2012 Preference Shares owned by that shareholder to the Company or any one of its subsidiaries (the "**Preference Shares Call Option**").

The consideration payable on each exercise of the Preference Shares Put Option shall be a cash amount in RMB or, if agreed between the Company and the relevant holder of the 2011 Preference Shares and the 2012 Preference Shares, in US$ at the prevailing US$-RMB exchange rate, per relevant preference share (the "**Preference Shares Put Exercise Price**") which, after taking into account any dividends paid pursuant to the terms and conditions of the 2011 Preference Shares and the 2012 Preference Shares, represents an Internal Rate of Return of 9% per annum (with respect to the occurrence of an Ongoing Put Option Trigger Event) or an Internal Rate of Return of 7% per annum (with respect to the occurrence of a Subsequent Put Option Trigger Event) in each case from 19 October 2011 (for the 2011 Preference Shares) or 25 July 2012 (for the 2012 Preference Shares) to the date of payment of the Preference Shares Put Exercise Price.

The consideration payable on each exercise of the Preference Shares Call Option shall be a cash amount in RMB or, if agreed between the Company and the relevant holder of the 2011 Preference Shares and the 2012 Preference Shares, in US$ at the prevailing US$-RMB exchange rate, per the relevant 2011 Preference Shares and the 2012 Preference Shares (the "**Preference Shares Call Exercise Price**") which, after taking into account any dividends paid pursuant to the terms and conditions of the 2011 Preference Shares and the 2012 Preference Shares, represents an Internal Rate of Return of 7% per annum from 19 October 2011 (for the 2011 Preference Shares) or 25 July 2012 (for the 2012 Preference Shares) to the date of payment of the Preference Shares Call Exercise Price.

Management is of the view that the preference shares instrument was considered to be a subject of an executory forward contract in view of the fact that the probability of the issuance of the preference shares was remote but may only occur in the future date when the contractual arrangement becomes more certain. As of those dates, the options were not considered to take effect yet as no preference shares in GF Cayman have been issued.

The put and call option deed has a zero fair value at inception (i.e. 28 June 2017, date of restructuring) and may become a net asset or liability in the future depending on the value of the underlying instrument, i.e. the preference shares instrument.

Straight Bonds

The principal and carrying amounts of the Straight Bonds as at the reporting date are as follow:

				Carrying Amount	
The Group	**Maturity date**	**Interest rate (per annum)**	**Principal amount**	**2021**	**2020**
			RMB'000	**RMB'000**	RMB'000
Straight Bonds					
2011 SB2 Bonds	28 September 2017	10%	50,312	**79,687**	74,642
2012 SB2 Bonds	28 September 2017	10%	128,250	**203,078**	190,267
			178,562	**282,765**	264,909

21 Bonds (Cont'd)

Exchangeable Bonds

The Group	2021 RMB'000	2020 RMB'000
Exchangeable Bonds, at fair value	**530,155**	485,681

The conversion option of the Exchangeable Bonds allowed conversion not into the shares of the issuer GF Hong Kong but its parent company, GF Cayman. The embedded derivative, therefore, is not equity in nature for the issuer, GF Hong Kong for the following reasons:

(a) not convertible into shares of the issuer, GF Hong Kong;

(b) it does not have the unconditional right not to deliver cash as the proposed listing is an uncertain future event that is beyond the control of the issuer and the holder; and

(c) the conversion is not "fixed for fixed" (ie fixed for floating). The number of shares to be issued depends on

(i) the conversion occurring prior to the Qualifying IPO Date; or

(ii) conversion occurring on the Qualifying IPO Date.

Accordingly, the embedded derivative is a financial derivative liability.

Management has designated the Exchangeable Bonds as a financial liability at FVTPL, and has measured it at its fair value, with changes in fair value recognised in profit or loss at each reporting date.

The valuation of the Exchangeable Bonds determined as at 31 December 2018 was carried out by an independent third party valuer, Jones Lang LaSalle Corporate and Appraisal Advisory Limited using discounted cash flows model. The fair value measurement of the Exchangeable Bonds is classified under fair value hierarchy Level 3 as disclosed in Note 35.1 to the financial statements.

There was no independent third party valuer appointed to determine the fair value for the Exchangeable Bonds as at 31 December 2019. The carrying amount of the Exchangeable Bonds was based on the fair value determined as at 31 December 2018.

During the year ended 31 December 2020, the Group received letters of demand from the holders of the Exchangeable Bonds demanding immediate payment on the amounts due as the completion event under the 2018 RRA did not occur as required on or before the Long Stop Date (13 January 2020). Consequently, pursuant to Clauses 3.1 and 6.3 of the 2018 RRA, the agreement automatically terminated on 14 January 2020 and all of the existing rights and remedies of the holders of the remaining Exchangeable Bonds became actionable immediately thereafter. Accordingly, the Group has reassessed the fair value of the bonds liability and recognised the change in fair value on 13 January 2020 in profit or loss for the year ended 31 December 2020.

The Group	2021 RMB'000	2020 RMB'000
Balance at beginning of year	**485,681**	484,792
Change in fair value (Note 24(a))	**–**	(41,850)
Finance cost (Note 24(d))	**44,474**	42,739
Balance at end of year	**530,155**	485,681

22 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:

The Group	Loan From a related party RMB'000	Lease liabilities RMB'000	Bank borrowings RMB'000	Bonds RMB'000
At 1 January 2020	147,224	1,590	234,838	731,844
Cash flow				
Repayment of lease liabilities	–	(302)	–	–
Drawdown of bank borrowings	–	–	64,000	–
Repayment of bank borrowings	–	–	(86,664)	–
Interest paid	–	(120)	(1,387)	–
Non-cash changes				
Changes in fair value of the Exchangeable Bonds	–	–	–	(41,850)
Exchange gain	(10,170)	–	(41,419)	–
Interest expense	20,696	120	41,351	60,596
At 31 December 2020	157,750	1,288	210,719	750,590
Cash flow				
Repayment of lease liabilities	**–**	**(347)**	**–**	**–**
Drawdown of bank borrowings	**–**	**–**	**70,000**	**–**
Repayment of bank borrowings	**–**	**–**	**(45,600)**	**–**
Interest paid	**–**	**(93)**	**(9,157)**	**–**
Non-cash changes				
Gain on settlement of bank borrowings	**–**	**–**	**(164,365)**	**–**
Exchange gain	**(4,076)**	**–**	**(904)**	**–**
Interest expense	**19,351**	**93**	**9,157**	**62,330**
At 31 December 2021	**173,025**	**941**	**69,850**	**812,920**

23 Revenue

The Group	2021 RMB'000	2020 RMB'000
Sale of		
- canned asparagus	**65,872**	77,782
- canned mushrooms	**43,378**	64,630
- canned fruits	**309,657**	235,469
- snacks	**9,255**	3,803
	428,162	381,684
Less:		
- promotional incentives for canned products	**(58,620)**	(68,920)
- volume rebates for beverages	**(8,677)**	–
- early settlement discount	**(161)**	–
	360,704	312,764
Sale of beverages	**1,204,553**	835,562
Less:		
- volume rebates for beverages	**(40,300)**	(6,735)
- early settlement discount	**–**	(49,409)
- promotional and sales incentives for beverages	**(144,249)**	(282,883)
	1,020,004	496,535
	1,380,708	809,299

Disaggregation of revenue from contracts with customers:

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

	At a point in time RMB'000	Total RMB'000
2021		
- The PRC	**1,288,320**	**1,288,320**
- Europe	**82,955**	**82,955**
- North America	**4,769**	**4,769**
- South America	**3,692**	**3,692**
- Others	**972**	**972**
	1,380,708	**1,380,708**
2020		
- The PRC	714,614	714,614
- Europe	82,207	82,207
- North America	1,562	1,562
- South America	5,945	5,945
- Others	4,971	4,971
	809,299	809,299

There is no unsatisfied performance obligation as at 31 December 2021 and 2020.

24(a) Other operating income

The Group	Note	2021 RMB'000	2020 RMB'000
Sales of scrap		**43**	3
Sales of raw materials and packaging materials		**27**	6,903
Cost of raw materials and packaging materials sold		**(8)**	(4,778)
		62	2,128
Government subsidy		**135**	619
Interest income – cash and cash equivalents		**640**	1,113
Net exchange gain		**14,132**	49,359
Rental income		**1,461**	5,959
Miscellaneous income		**31**	1,154
Change in fair value of Exchangeable Bonds	22	**–**	41,850
Gain on settlement of bank borrowings	19(f)	**164,365**	–
		180,826	102,182

24(b) Distribution costs

The Group	Note	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment	24(g)	**366**	2,019
Employee benefit costs	24(e)	**4,173**	16,898
Freight charges		**114,087**	139,050
Advertising expenses		**124,591**	220,953
Packaging expenses		**6,195**	9,425
Rental expenses	24(g), 30(b)	**285**	243
Marketing expenses		**294**	–
Others		**146**	381
		250,137	388,969

24(c) Administrative expenses

The Group	Note	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment	24(g)	**92,608**	103,168
Audit fees to:			
- auditors of the Company		**1,389**	1,837
Directors' fees		**–**	145
Employee benefit costs	24(e)	**7,194**	8,982
Entertainment		**155**	409
Government tax expenses		**–**	333
Professional and legal fees		**1,169**	2,425
Rental expenses	24(g), 30(b)	**54**	3,442
Repair and maintenance		**663**	2,311
Travelling expenses		**361**	353
Utilities		**334**	440
Others		**3,746**	6,958
		107,673	130,803

24(d) Finance costs

The Group	Note	2021 RMB'000	2020 RMB'000
Interest expenses:			
- Bank borrowings		**9,157**	41,351
- Lease liabilities	30(b)	**93**	120
- Bonds	21	**62,330**	60,596
- Loan from a related party	20	**19,351**	20,696
Bank charges		**126**	387
		91,057	123,150
The interest rate per annum ranged from:			
- Bank borrowings	19	**3.85%-8.00%**	3.80%-11.62%
- Bonds	21	**10.00%-25.00%**	10.00%-25.00%
- Loan from a related party	20	**15.00%**	15.00%
- Lease liabilities	18	**8.44%**	8.44%

24(e) Employee benefit costs

The Group	Note	2021 RMB'000	2020 RMB'000
Directors' remuneration:			
- salaries and related costs		**3,356**	3,555
Key management personnel (other than directors):			
- salaries and related costs		**80**	886
Other employees:			
- salaries and related costs		**18,074**	34,457
		21,510	38,898

Employee benefit costs are charged to:

The Group	Note	2021 RMB'000	2020 RMB'000
Cost of sales		**10,143**	13,018
Distribution costs	24(b)	**4,173**	16,898
Administrative expenses	24(c)	**7,194**	8,982
		21,510	38,898

24(f) Other operating expenses

The Group	Note	2021 RMB'000	2020 RMB'000
Write off of property, plant and equipment	4	**–**	216,883
Less: Government subsidy on property, plant and equipment written off		**–**	(38,366)
Impairment of property, plant and equipment	4	**–**	130,810
Loss on disposal of property, plant and equipment		**17,338**	9,129
(Reversal of)/provision for allowance on trade receivables	11	**(13,893)**	147,480
Write off of other receivables		**27,816**	–
Loss on disposal of subsidiaries		**2,294**	–
Others		**290**	461
		33,845	466,397

24(g) Profit/(loss) before taxation

The Group	Note	2021 RMB'000	2020 RMB'000
Profit/(loss) before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	4	**158,325**	171,057
Rental expenses	24(b),(c)	**339**	3,685

25 Taxation

The Group	2021 RMB'000	2020 RMB'000
Current tax expense		
Current year	**37,209**	7,629
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**7,999**	(129,484)
Tax expense/(credit)	**45,208**	(121,855)

25 Taxation (Cont'd)

The tax expense/(credit) on the results of the financial year varies from the amount of income tax determined by applying the relevant statutory rate of income tax on Group's results as a result of the following:

The Group	2021 RMB'000	2020 RMB'000
Profit/(loss) before taxation	**9,015**	(1,643,140)
Tax at statutory rate of 25%	**6,629**	(401,840)
Tax at statutory rate of 17%	**(4,135)**	(7,935)
Tax at statutory rate of 16.5%	**1,254**	1,802
Tax effect on non-taxable income	**(1,402)**	(1,977)
Tax effect on non-deductible expenses	**42,823**	109,433
Deferred tax assets not recognised	**18,356**	308,146
Utilisation of deferred tax assets previously not recognised	**(26,316)**	–
Changes in temporary differences	**7,999**	(129,484)
	45,208	(121,855)

The Group has unutilised tax losses of certain subsidiaries amounting to approximately RMB1,321.9 million (2020: RMB1,372.1 million), which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. These unutilised losses cannot be allowed to offset the taxable profits of other subsidiaries. All tax losses will expire after five years from the year of assessment they relate to.

The expiry date of the unutilised tax losses are as follows:

The Group	2021 RMB'000	2020 RMB'000
Year 2020	**–**	4,531
Year 2021	**–**	4,813
Year 2022	**–**	13,219
Year 2023	**31,012**	47,017
Year 2024	**56,804**	69,936
Year 2025	**1,179,021**	1,232,585
Year 2026	**55,016**	–
Total	**1,321,853**	1,372,101

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB1,321.9 million (2020: RMB1,372.1 million) arising from these unutilised tax losses because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

26 Loss per share

Basic loss per share

The calculation of basic loss per share has been based on the loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

The Group	2021 RMB'000	2020 RMB'000
Net loss attributable to ordinary shareholders of the Company	**(36,006)**	(1,521,075)

The Group	2021	2020
	No. of shares '000	
Weighted-average number of ordinary shares outstanding	**1,149,410**	1,149,410

The Group	2021 RMB	2020 RMB
Basic loss per share (cents)	**(3.13)**	(132.34)

Diluted loss per share

The calculation of diluted loss per share has been based on the loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. No adjustment has been made as all potential ordinary shares are anti-dilutive as at 31 December 2021 and 2020.

At 31 December 2021, 51,776,822 share options (2020: 51,776,822) were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

27 Employee share option scheme (the "ESOS Scheme")

	Weighted-average exercise options 2021 '000	Options price 2021 SGD	Weighted-average exercise options 2020 '000	Options price 2020 SGD
Outstanding at beginning and end of year	**51,777**	**0.30**	51,777	0.30
Exercisable at year end	**51,777**	**0.30**	51,777	0.30

There are no share options granted in the financial years ended 31 December 2021 and 2020.

28 Related party transactions

In relation to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties at mutually agreed amounts:

The Group	2021 RMB'000	2020 RMB'000
Interest charged on loan from a related party (Note 20 and 24(d))	**19,351**	20,696

The related party refers to a group of companies, of which a shareholder is also holding ordinary shares of the Company.

Remunerations to the directors and key management personnel are disclosed in Note 24(e) to the financial statements.

29 Dividends

There was no dividend declared for the years ended 31 December 2021 and 2020.

30 Leases

Leases as lessee

The Group leases office premises, factory and warehouse premises, plant and machinery, leasehold land and staff accommodation. The leases for office premises, factory and warehouse premises, plant and machinery, leasehold land and staff accommodation typically run for a period of 2-5 years, 10 years, 3 years, 50 years and 12 months or less, respectively. The leases are renegotiated after expiry to reflect market rentals.

(a) Carrying amounts of right-of-use assets and lease liabilities

The carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the financial year ended 31 December 2021 are disclosed in Note 4 and Note 18 to the financial statements respectively.

(b) Amounts recognised in profit or loss

	Note	2021 RMB'000	2020 RMB'000
Depreciation of right-of-use assets, include in:			
- cost of sales		**716**	828
- distribution costs		**–**	26
- administrative expenses		**925**	928
	4	**1,641**	1,782
Interest expense on lease liabilities, included in finance costs	24(d)	**93**	120
Expenses in relation to short-term leases, included in:			
- distribution costs	24(b)	**285**	243
- administrative expenses	24(c)	**54**	3,442
		339	3,685

(c) Total cash outflows

The Group had total cash outflows for leases of RMB440,000 (2020: RMB422,000) during the year ended 31 December 2021.

31 Commitments

(i) Operating lease

At the reporting date, the Group was committed to making the following lease rental payment under non-cancellable operating leases for office premises:

The Group	2021 RMB'000	2020 RMB'000
Not later than one year	**461**	440
Later than one year and not later than five years	**566**	1,026
	1,027	1,466

(ii) Capital commitments

At the reporting date, the Group's capital commitments contracted but not provided for in the consolidated financial statements are as follow:

The Group	2021 RMB'000	2020 RMB'000
Expenditure contracted for the constructions of:		
- equipment	**33,676**	11,100
	33,676	11,100

(iii) Corporate guarantees

As at 31 December 2020, the Company has provided corporate guarantee for the DEG loan (Note 19(f)) amounted to RMB167.3 million granted to wholly-owned subsidiary, GF Hubei for which the Company is exposed to liabilities which is capped at RMB167.3 million. The guarantee has been released during the year ended 31 December 2021 as the DEG loan has been fully settled.

(iv) Other commitments

Uncalled capital contribution

The Group	Note	2021 RMB'000	2020 RMB'000
Subsidiaries			
Hao Tian Yuan Industry (Shenzhen) Co., Ltd.	6	**25,500**	25,500
Joint ventures			
Pinle Shenzhen Industrial Company Limited	5	**25,500**	25,500
		51,000	51,000

32 Operating segments

The Group has the following reportable segments. These segments offer different products and services and are managed separately. The Group's CEO (the chief operating decision maker) reviews internal management reports of each segment periodically. The following summary describes the operations in each of the Group's reportable segments.

(1) Grandness segment – Manufacturing and sale of canned vegetables and canned fruits ("Canned vegetable and fruits"); and

(2) Garden Fresh segment – Sale of fruit juices ("Fruit beverages").

The manufacturing arm and the distribution arm are regarded as one line business for segmental reporting.

Information regarding the results of each reportable segment is included below. Performance is measured based on the operating profit or loss. Segment operating profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(a) Information about reportable segments

	Canned vegetable and fruits		**Fruit beverages**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
The Group	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
REVENUE						
Total sales*	**360,704**	312,764	**1,020,004**	496,535	**1,380,708**	809,299
RESULTS						
Segment result	**(131,526)**	(295,867)	**231,598**	(1,265,973)	**100,072**	(1,561,840)
Finance costs	**(20,224)**	(50,254)	**(70,833)**	(72,896)	**(91,057)**	(123,150)
Change in fair value of Exchangeable Bonds	**–**	–	**–**	41,850	**–**	41,850
Profit/(loss) before taxation	**(151,750)**	(346,121)	**160,765**	(1,297,019)	**9,015**	(1,643,140)
Taxation	**(7,999)**	121,855	**(37,209)**	–	**(45,208)**	121,855
Net loss	**(159,749)**	(224,266)	**123,556**	(1,297,019)	**(36,193)**	(1,521,285)

* There were no inter-segment transactions during the financial year

	Canned vegetable and fruits		**Fruit beverages**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
The Group	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
OTHER INFORMATION						
Reportable segment assets (excluding taxation)	**956,206**	1,194,991	**2,388,067**	2,050,744	**3,344,273**	3,245,735
Reportable segment liabilities (excluding taxation)	**278,036**	318,104	**1,064,615**	1,029,021	**1,342,651**	1,347,125
Capital expenditure	**92,036**	17,718	**597,225**	31,746	**689,261**	49,464
Depreciation and amortisation	**40,225**	68,488	**118,100**	102,569	**158,325**	171,057
Write off of property, plant and equipment	**–**	178,517	**–**	–	**–**	178,517
Impairment of property, plant and equipment	**–**	130,810	**–**	–	**–**	130,810
(Reversal of)/provision for allowance on trade receivables	**8,990**	–	**(22,883)**	147,480	**(13,893)**	147,480

32 Operating segments (Cont'd)

(b) Geographical segments

The distribution of the Group's sales based on geographical location of customers are disclosed in Note 23 to the financial statements.

All non-current assets employed by the Group are located in the PRC.

(c) Reconciliations of reportable segment assets and liabilities

The Group	2021 RMB'000	2020 RMB'000
Assets		
Total assets for reportable segments	**3,344,273**	3,245,735
VAT receivable (Note 12)	**144,215**	197,388
Export tax refunds (Note 12)	**36,691**	77,373
Total assets for statement of financial position	**3,525,179**	3,520,496

The Group	2021 RMB'000	2020 RMB'000
Liabilities		
Total liabilities for reportable segments	**1,342,651**	1,347,125
Deferred tax liabilities	**259,638**	251,640
VAT and other tax payable (Note 17)	**3,443**	3,300
Current tax payable	**37,209**	–
Total liabilities for statement of financial position	**1,642,941**	1,602,065

(d) Major customer

The Group did not have a single customer whose revenue represented more than 10% of the Group's total revenue (2020: Nil).

33 Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- foreign currency risk
- interest rate risk
- credit risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

33 Financial risk management (Cont'd)

Risk management framework (Cont'd)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

33.1 Foreign currency risk

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

The Group operates and sells its products in several countries other than PRC and transacts in foreign currencies. The currencies in which these transactions primarily are denominated are Reminbi (RMB), Singapore dollar (SGD) and US dollar (US$). However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

Exposure to foreign currency risk

The summary of quantitative data about the Company's exposure to currency risk as reported to management based on its risk management policy is as follows:

The Company	Note	Singapore Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
2021						
Amounts due from subsidiaries	**7**	**–**	**–**	**479,220**	**–**	**479,220**
Other receivables	**12**	**939**	**–**	**31**	**–**	**970**
Cash and cash equivalents	**13**	**4**	**10**	**–**	**3**	**17**
		943	**10**	**479,251**	**3**	**480,207**
Other payables	**17**	**2,559**	**4,995**	**36,816**	**–**	**44,370**
Amounts due to subsidiaries	**7**	**–**	**–**	**45,393**	**–**	**45,393**
Loan from a related party	**20**	**–**	**173,025**	**–**	**–**	**173,025**
		2,559	**178,020**	**82,209**	**–**	**262,788**
Net exposure		**(1,616)**	**(178,010)**	**397,042**	**3**	**217,419**
2020						
Amounts due from subsidiaries	7	–	–	515,531	–	515,531
Other receivables	12	–	–	404	–	404
Cash and cash equivalents	13	64	18	–	–	82
		64	18	515,935	–	516,017
Other payables	17	–	–	83,844	–	83,844
Amounts due to subsidiaries	7	–	–	46,300	–	46,300
Loan from a related party	20	–	157,750	–	–	157,750
		–	157,750	130,144	–	287,894
Net exposure		64	(157,732)	385,791	–	228,123

33 Financial risk management (Cont'd)

33.1 Foreign currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

The summary of quantitative data about the Group's exposure to currency risk as reported to management based on its risk management policy is as follows:

The Group	Note	Singapore Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
2021						
Trade receivables	11	**–**	**49,912**	**776,286**	**–**	**826,198**
Other receivables (excluding tax receivables and prepayments)	12	**4,479**	**–**	**117,789**	**7**	**122,275**
Cash and cash equivalents	13	**34**	**441**	**287,897**	**16**	**288,388**
		4,513	**50,353**	**1,181,972**	**23**	**1,236,861**
Trade payables	16	**–**	**–**	**126,303**	**–**	**126,303**
Other payables (excluding tax payables)	17	**10,935**	**27,144**	**121,529**	**3**	**159,611**
Lease liabilities	18	**–**	**–**	**941**	**–**	**941**
Bank borrowings	19	**–**	**–**	**69,850**	**–**	**69,850**
Loan from a related party	20	**–**	**173,025**	**–**	**–**	**173,025**
Bonds	21	**–**	**812,920**	**–**	**–**	**812,920**
		10,935	**1,013,089**	**318,623**	**3**	**1,342,650**
Net exposure		**(6,422)**	**(962,736)**	**863,349**	**20**	**(105,789)**
2020						
Trade receivables	11	–	12,153	1,028,377	–	1,040,530
Other receivables (excluding tax receivables and prepayments)	12	341	–	246,038	8	246,387
Cash and cash equivalents	13	97	123	308,121	16	308,357
		438	12,276	1,582,536	24	1,595,274
Trade payables	16	–	–	74,381	–	74,381
Other payables (excluding tax payables)	17	2,808	9,347	140,242	–	152,397
Lease liabilities	18	–	–	1,288	–	1,288
Bank borrowings	19	–	167,288	43,431	–	210,719
Loan from a related party	20	–	157,750	–	–	157,750
Bonds	21	–	750,590	–	–	750,590
		2,808	1,084,975	259,342	–	1,347,125
Net exposure		(2,370)	(1,072,699)	1,323,194	24	248,149

33 Financial risk management (Cont'd)

33.1 Foreign currency risk (Cont'd)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the SGD and US$ exchange rates (against RMB), with all other variables held constant, of the Company's and the Group's profit or loss and equity:

		2021 RMB'000		2020 RMB'000	
The Company		**Profit net of tax**	**Equity**	Profit net of tax	Equity
SGD	- strengthened 5%	**(81)**	**(81)**	2	2
	- weakened 5%	**81**	**81**	(2)	(2)
US$	- strengthened 5%	**(8,901)**	**(8,901)**	(7,887)	(7,887)
	- weakened 5%	**8,901**	**8,901**	7,887	7,887
The Group					
SGD	- strengthened 5%	**(321)**	**(321)**	(119)	(119)
	- weakened 5%	**321**	**321**	119	119
US$	- strengthened 5%	**(48,137)**	**(48,137)**	(53,635)	(53,635)
	- weakened 5%	**48,137**	**48,137**	53,635	53,635

33.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of the changes in market interest rates.

Exposure to interest rate risk

The Company's and the Group's exposure to interest rate risk arises primarily from their bank borrowings, lease liabilities, loan from a related party and bonds.

The table below sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

The Company	**Within 1 year RMB'000**	**1-2 years RMB'000**	**2-3 years RMB'000**	**More than 3 years RMB'000**	**Total RMB'000**
2021					
Fixed rate					
Loan from a related party	**173,025**	**–**	**–**	**–**	**173,025**
Floating rate					
Cash and cash equivalents	**17**	**–**	**–**	**–**	**17**
2020					
Fixed rate					
Loan from a related party	157,750	–	–	–	157,750
Floating rate					
Cash and cash equivalents	82	–	–	–	82

33 Financial risk management (Cont'd)

33.2 Interest rate risk (Cont'd)

Exposure to interest rate risk (Cont'd)

The table below sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

The Group	Within 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	More than 3 years RMB'000	Total RMB'000
2021					
Fixed rate					
Loan from a related party	**173,025**	**–**	**–**	**–**	**173,025**
Bonds	**812,920**	**–**	**–**	**–**	**812,920**
Lease liabilities	**400**	**541**	**–**	**–**	**941**
Floating rate					
Bank borrowings	**69,850**	**–**	**–**	**–**	**69,850**
Cash and cash equivalents	**288,388**	**–**	**–**	**–**	**288,388**
2020					
Fixed rate					
Loan from a related party	157,750	–	–	–	157,750
Bonds	750,590	–	–	–	750,590
Lease liabilities	347	941	–	–	1,288
Floating rate					
Bank borrowings	210,719	–	–	–	210,719
Cash and cash equivalents	308,357	–	–	–	308,357

The other financial instruments of the Company and the Group that are not included in the above tables are not subject to significant interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate instruments at the end of reporting period and on the assumption that the change took place at the beginning of the financial year and is held constant throughout the period. The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions.

	2021 RMB'000		2020 RMB'000	
The Company	**Profit net of tax**	**Equity**	Profit net of tax	Equity
Interest rate				
- decreased 1%	**(1)**	**(1)**	(1)	(1)
- increased 1%	**1**	**1**	1	1
The Group				
Interest rate				
- decreased 1%	**(2,185)**	**(2,185)**	(976)	(976)
- increased 1%	**2,185**	**2,185**	976	976

33 Financial risk management (Cont'd)

33.3 Credit risk

Credit risk is the risk of financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and the Company's receivables from customers and debt investments and the Company's non-trade amounts due from subsidiaries.

The carrying amounts of financial assets and contract assets represent the Group and the Company's maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. The five (2020: five) largest debtors accounted about 6.8% (2020: 6.2%) of the total receivables at the reporting date. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

The Group's and the Company's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial assets is their carrying amount presented on the statements of financial position.

As at 31 December 2020, the Company also provided intra-group corporate guarantee to a subsidiary, GF Hubei, for the DEG loan as detailed in Note 19(f) and Note 31(iii). The guarantee has been released during the year ended 31 December 2021 as the DEG loan has been fully settled. This guarantee was subject to impairment assessment under SFRS(I) 9. However, no impairment assessment had been made by management as at 31 December 2020.

Ageing analysis and credit risk concentration of the Group's trade receivables are disclosed in Note 11 to the financial statements.

Expected credit losses

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

33 Financial risk management (Cont'd)

33.3 Credit risk (Cont'd)

Expected credit losses (Cont'd)

The Group's and the Company's major classes of financial assets are cash and cash equivalents, trade and other receivables and amounts due from subsidiaries. No impairment assessment on the Group's and the Company's other receivables and amounts due from subsidiaries has been made by management as at the reporting date.

During the financial year ended 31 December 2021, the Group has written off RMB112,002,000 and reversed allowance of RMB13,893,000 (2020: provided for allowance of RMB147,480,000) on trade receivables (Note 11).

33.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows over the remaining contractual maturities:

The Company	**Less than 1 year RMB'000**	**Between 1 to 5 years RMB'000**	**Total RMB'000**
2021			
Other payables	**44,370**	**–**	**44,370**
Loan from a related party	**173,025**	**–**	**173,025**
Amounts due to subsidiaries	**45,393**	**–**	**45,393**
	262,788	**–**	**262,788**
2020			
Other payables	83,844		83,844
Loan from a related party	157,750	–	157,750
Amounts due to subsidiaries	46,300	–	46,300
	287,894	–	287,894

33 Financial risk management (Cont'd)

33.4 Liquidity risk (Cont'd)

The Group	Less than 1 year RMB'000	Between 1 to 5 years RMB'000	Total RMB'000
2021			
Trade payables	**126,303**	**–**	**126,303**
Other payables (excluding tax payables)	**159,611**	**–**	**159,611**
Bank borrowings	**71,764**	**–**	**71,764**
Loan from a related party	**173,025**	**–**	**173,025**
Bonds	**812,920**	**–**	**812,920**
Lease liabilities	**461**	**566**	**1,027**
	1,344,084	**566**	**1,344,650**
2020			
Trade payables	74,381	–	74,381
Other payables (excluding tax payables)	152,397	–	152,397
Bank borrowings	195,715	18,132	213,847
Loan from a related party	157,750	–	157,750
Bonds	750,590	–	750,590
Lease liabilities	439	1,027	1,466
	1,331,272	19,159	1,350,431

33.5 Market price risk

The Group does not hold any quoted or marketable financial instrument, hence it is not exposed to any significant market price risk.

34 Capital management

The primary objectives of the Company's and Group's capital management are to ensure that it maintains a strong credit rating and to maintain an optimal capital structure to support its business and maximise shareholder value.

The Company and the Group manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loan. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

The Company and the Group are not subject to externally imposed capital requirement.

The Company and the Group monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's and the Group's goal in capital management is to maintain a capital to overall financing structure ratio of between 20% - 50%. Net debt is calculated as the sum of trade payables, other payables, lease liabilities, bank borrowings, loan from a related party, amounts due to subsidiaries and bonds less cash and cash equivalents.

34 Capital management (Cont'd)

		The Company		The Group	
	Note	**2021**	2020	**2021**	2020
		RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	16	**–**	–	**126,303**	74,381
Other payables	17	**44,370**	83,844	**163,054**	155,697
Lease liabilities	18	**–**	–	**941**	1,288
Bank borrowings	19	**–**	–	**69,850**	210,719
Loan from a related party	20	**173,025**	157,750	**173,025**	157,750
Amounts due to subsidiaries	7	**45,393**	46,300	**–**	–
Bonds	21	**–**	–	**812,920**	750,590
		262,788	287,894	**1,346,093**	1,350,425
Less: Cash and cash equivalents	13	**(17)**	(82)	**(288,388)**	(308,357)
Net debt		**262,771**	287,812	**1,057,705**	1,042,068
Equity attributable to the equity holders of the Company		**436,014**	447,459	**1,870,385**	1,906,391
Capital and net debt		**698,785**	735,271	**2,928,090**	2,948,459
Gearing ratio		**38%**	39%	**36%**	35%

35 Financial instruments

35.1 Measurement of fair values

The carrying amount of financial assets and financial liabilities measured at amortised cost with a maturity of less than one year is assumed to approximate their fair values.

The table below presents financial instruments measured at fair value and classified by level of fair value measurement hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
The Group	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
2021				
Liabilities				
Exchangeable Bonds (Note 21)	**–**	**530,155**	**–**	**530,155**
2020				
Liabilities				
Exchangeable Bonds (Note 21)	–	485,681	–	485,681

There were no transfers between Levels 1, 2 and 3 during the year.

35 Financial instruments (Cont'd)

35.2 Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category were as follows:

The Company	Note	**2021 RMB'000**	2020 RMB'000
Financial assets at amortised cost			
Amounts due from subsidiaries	7	**479,220**	515,531
Other receivables	12	**970**	404
Cash and cash equivalents	13	**17**	82
		480,207	516,017
Financial liabilities at amortised cost			
Other payables	17	**44,370**	83,844
Loan from a related party	20	**173,025**	157,750
Amounts due to subsidiaries	7	**45,393**	46,300
		262,788	287,894

The Group	Note	**2021 RMB'000**	2020 RMB'000
Financial assets at amortised cost			
Trade receivables	11	**826,198**	1,040,530
Other receivables (excluding tax receivables and prepayments)	12	**122,275**	246,387
Cash and cash equivalents	13	**288,388**	308,357
		1,236,861	1,595,274
Financial liabilities at amortised cost			
Trade payables	16	**126,303**	74,381
Other payables (excluding tax payables)	17	**159,611**	152,397
Bank borrowings	19	**69,850**	210,719
Loan from a related party	20	**173,025**	157,750
Bonds (excluding Exchangeable Bonds)	21	**282,765**	264,909
		811,554	860,156
Financial liabilities at FVTPL			
Exchangeable bonds	21	**530,155**	485,681

36 Contingencies

Certain subsidiaries of the Group is a party to various legal proceedings in the PRC incidental to its business. The Group faces exposure from actual or potential claims and legal proceedings of approximately RMB381,000 as at 31 December 2021 (2020: RMB8.7 million). All legal proceedings as at 31 December 2020 have been settled during the year. As at the date of this financial statements, the ultimate result of the legal proceedings cannot be predicted with certainty.

37 Events after end of reporting period

37.1 Bank borrowings obtained and repaid

Subsequent to the year end, the Group obtained additional bank loans totalling RMB148.0 million and repaid bank loans totalling RMB94.0 million.

STATISTICS OF SHAREHOLDINGS

As at 22 January 2024

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	1,149,410,658	One vote per share (excluding treasury shares and subsidiary holdings)
Treasury Shares and Subsidiary Holdings	Nil	Nil

DISTRIBUTION OF SHAREHOLDERS AS AT 22 JANUARY 2024

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	37	1.56	1,792	0.00
100 – 1,000	60	2.53	30,543	0.00
1,001 – 10,000	440	18.56	2,922,629	0.25
10,001 – 1,000,000	1,737	73.26	229,931,897	20.01
1,000,001 and above	97	4.09	916,523,797	79.74
TOTAL	**2,371**	**100.00**	**1,149,410,658**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 22 JANUARY 2024

	SHAREHOLDER'S NAME	NO. OF SHARES	%
1.	RAFFLES NOMINEES (PTE) LIMITED	164,991,013	14.35
2.	HUANG YUPENG	102,100,000	8.88
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	81,564,489	7.10
4.	SOLEADO HOLDINGS PTE LTD	81,450,857	7.09
5.	DBS NOMINEES PTE LTD	62,335,203	5.42
6.	SOO WEE KIAT (SU WEIJIE)	42,683,900	3.71
7.	BNP PARIBAS NOMINEESS SINGAPORE PTE LTD	27,978,008	2.43
8.	UOB KAY HIAN PTE LTD	25,039,071	2.18
9.	OCBC SECURITIES PRIVATE LTD	23,611,207	2.05
10.	DBSN SERVICES PTE LTD	23,100,082	2.01
11.	PHILLIP SECURITIES PTE LTD	17,783,334	1.55
12.	OCBC NOMINEES SINGAPORE PTE LTD	14,617,216	1.27
13.	CHEN TIK LUNG @ CHAN TIK LUNG	14,500,000	1.26
14.	UNITED OVERSEAS BANK NOMINEES PTE LTD	13,809,470	1.20
15.	ZHU XILIN	8,822,500	0.77
16.	NG KHENG IMM MRS LEE SWEE KHIANG	8,188,000	0.71
17.	TAN CHONG MENG	7,165,400	0.62
18.	HUANG SHU HUA	6,976,700	0.61
19.	HSBC (SINGAPORE) NOMINEES PTE LTD	6,841,325	0.60
20.	SEAH KOK BENG	6,000,000	0.52
	TOTAL	**739,557,775**	**64.33**

STATISTICS OF SHAREHOLDINGS

As at 22 January 2024

LIST OF SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

		DIRECT INTEREST		DEEMED INTEREST	
	NAME	NO. OF SHARES	%	NO. OF SHARES	%
1.	Huang Yupeng	352,124,087	30.64	–	–
2.	Chalermchai Mahagitsiri(1)	–	–	130,488,508	11.35
3.	Soleado Holdings Pte. Ltd.	93,544,559	8.14	–	–
4.	Thoresen Thai Agencies Public Company Limited(2)	–	–	93,544,559	8.14
5.	JW Capital Group Limited	170,000,000	14.79	–	–

Notes:

(1) Deemed interest arises from shares held by Soleado Holdings Pte. Ltd. and PM Group Company Limited.

(2) Deemed interest arises from shares held by Soleado Holdings Pte. Ltd.

The percentage of shareholding above is computed based on the total number of issued shares of 1,149,410,658.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Based on information available to the Company as at 22 January 2024, approximately 43.22% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sino Grandness Food Industry Group Limited (the "**Company**") will be held at RNN Conference Center, 137 Cecil Street, Cecil Building #04-01, Singapore 069537 on Wednesday, 28 February 2024 at 4.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

To consider and, if deemed fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2021 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Director of the Company retiring pursuant to the Constitution of the Company:

   Madam Huang Yushan (Retiring under Regulation 91) **(Resolution 2)**
   [Explanatory Note (1)]

3. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Mr Huang Yupeng
Chairman and Chief Executive Officer
8 February 2024
Singapore

Explanatory Notes:

(1) Madam Huang Yushan will, upon re-election as a Director of the Company, remain as the Executive Director of the Company. Please refer to the Corporate Governance Report on page 15 under "Board of Directors" and "Principle 4: Board Membership" of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

NOTES:

FORMAT OF MEETING

1. The Annual General Meeting will be held, in a wholly physical format, at RNN Conference Center, 137 Cecil Street, Cecil Building #04-01, Singapore 069537 on 28 February 2024 at 4.00 p.m. Shareholders, including Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") Investors, and (where applicable) duly appointed proxies and representatives will be able to ask questions and vote at the Annual General Meeting by attending the Annual General Meeting in person. There will be no option for shareholders to participate virtually.

2. The Notice of Annual General Meeting, Member Proxy Form, Request Form (to request for printed copy of the Annual Report) and the Annual Report will be sent to members via publication on the SGXNet at the URL https://www.sgx.com/securities/company-announcements. Printed copies of the Notice of AGM, Proxy Forms and Request Form will also be sent by post to members. Members who wish to receive a printed copy of the Annual Report are required to complete the Request Form and email it to request@grandnessgroups.com, or post it to the Company at 9 Raffles Place, Republic Plaza, Tower I, #26-01, Singapore 048619 by 15 February 2024.

APPOINTMENT OF PROXIES

3. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

4. A member who is not a Relevant Intermediary* is entitled to appoint not more than two proxies to attend and vote at Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

5. A member who is a Relevant Intermediary* is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   *A Relevant Intermediary (as defined in Section 181 of the Companies Act 1967) is either:

   (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services under the Securities Futures Act 2001 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

6. The instrument appointing a proxy must be signed by the appointer or his/her attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

7. The duly executed Proxy Form (together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority, failing previous registration with the Company), must be submitted i) personally or by post to the office of the Share Registrar of the Company (Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)) at 9 Raffles Place, Republic Plaza, Tower I, #26-01, Singapore 048619, or ii) electronically to the email of the Company's Share Registrar at proxy@grandnessgroups.com not less than 48 hours before the time appointed for holding the Annual General Meeting, i.e., by 4.00 p.m. on Monday, 26 February 2024, and in default of which the Proxy Form shall not be treated as valid.

   A member who wishes to submit the Proxy Form must complete and sign the Proxy Form, before submitting the hardcopy by post to the address provided above, or before scanning and sending it by email to the email address provided above.

8. Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including CPF Investors and SRS Investors, who wish to exercise their votes by appointing a proxy should approach their respective relevant intermediaries (which would include, in the case of CPF Investors and SRS Investors, CPF Agent Banks and SRS Operators) through which they hold such shares in order to submit their voting instructions at least seven working days before the AGM (i.e. by 4.00 p.m. on Monday, 19 February 2024.

9. In the Proxy Form, a member should specifically direct the proxy on how he/she is to vote for or vote against (or abstain from voting on) the Resolutions in the form of proxy, failing which the proxy (including the Chairman if he is appointed as proxy) will vote or abstain from voting at his/her discretion.

10. The Company shall be entitled to reject the instrument appointing a proxy(ies) if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.

SUBMISSION OF QUESTIONS

11. Shareholders, or where applicable, their appointed proxy(ies), may submit substantial and relevant questions related to the Resolutions to be tabled for approval at the Annual General Meeting in advance of the Annual General Meeting i) by post to the office of the Share Registrar of the Company (Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)) at 9 Raffles Place, Republic Plaza, Tower I, #26-01, Singapore 048619; or ii) via email to the Company's email address at questions@grandnessgroups.com.

    When submitting questions by post or via email, shareholders should also provide the following details: (i) the shareholder's full name; (ii) the shareholder's email address; and (iii) the manner in which the shareholder holds shares in the Company (e.g., via CDP, CPF/SRS and/or physical scrip), for verification purposes.

    All questions submitted in advance must be received by 10.00 a.m. on 18 February 2024.

12. The Company will respond to questions submitted after the 18 February 2024 deadline at the Annual General Meeting itself. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed.

13. Shareholders, including CPF and SRS investors, and (where applicable) duly appointed proxies and representatives can also ask the Chairman of the Meeting substantial and relevant questions related to the Resolutions to be tabled for approval at the Annual General Meeting, at the Annual General Meeting itself.

VOTING RESULTS

14. An independent scrutineer will be appointed by the Company to direct and supervise the counting and validation of all valid votes cast and through Proxy Forms received as of the above-mentioned deadline. The voting results will be announced during the Annual General Meeting in respect of the Resolutions put to the vote at the Annual General Meeting. The Company will also issue an announcement on SGXNet on the results of the Resolutions put to vote at the AGM.

MINUTES

15. Minutes of the Annual General Meeting will be provided within one (1) month after the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof); and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING PURSUANT TO REGULATION 91 OF THE CONSTITUTION OF THE COMPANY

	HUANG YUSHAN
Age	59
Date Of Appointment	29 August 2008
Job Title	Executive Director
Date of last re-election as Director (if applicable)	8 August 2019
Country of principal residence	People's Republic of China ("**PRC**")
The Board's comments on the re-election (including rationale, selection criteria, and the search and nomination process)	The retiring and re-election of Madam Huang Yushan at the forthcoming Annual General Meeting (FY2021) is pursuant to Regulation 91 of the Constitution.
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for human resource and administration of the Group.
Professional qualifications	Bachelor's Degree in Accountancy from Shenzhen Radio and TV University Qualified as an intermediate accountant by the Ministry of Finance (PRC)
Relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company of its principal subsidiaries	Madam Huang is a sister of Mr Huang Yupeng, who is the Chairman and Chief Executive Officer and substantial shareholder of the Company.
Conflict of interests (including any competing business)	Nil
Working experience and occupation(s) during the past 10 years	For information on the working experience and occupation(s) of Madam Huang, please refer to the section on "Board of Directors" of the Annual Report.
Undertaking submitted to the Company in the form of Appendix 7.7 (Listing Rule 720(1))	Yes
Shareholding interest in the Company and its subsidiaries	Madam Huang holds 5,833,163 options of the Company.
Other Principal Commitments including Directorships	Past Directorships (for the last 5 years) Nil Present Directorships Nil Present Principal Commitments Nil
Date of announcement of first appointment	29 August 2008
Responses to questions (a) to (k) under Appendix 7.4.1 of the Mainboard Listing Rules	Negative confirmation

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED
(Company Registration No. 200706801H)
(Incorporated in the Republic of Singapore)

PROXY FORM – ANNUAL GENERAL MEETING

IMPORTANT:
1. The FY2021 Annual General Meeting ("**AGM**") will be held, in a wholly physical format, at RNN Conference Center, 137 Cecil Street, Cecil Building #04-01, Singapore 069537 on Wednesday, 28 February 2024 at 4.00 p.m.
2. Relevant Intermediaries* (as defined in Section 181 of the Companies Act 1967 of Singapore), may appoint more than two proxies to attend and vote at the Annual General Meeting.
3. Shareholders who wish to exercise their voting rights at the AGM may:
   a) (where the Shareholder is an individual) attend and vote at the AGM;
   b) (where the Shareholder is an individual or a corporate) appoint proxy(ies) (other than the Chairman of the AGM) to attend and vote at the AGM on their behalf; and
   c) (where the Shareholder is an individual or a corporate) appoint the Chairman of the AGM as proxy to vote on their behalf.
4. For investors holding shares of Sino Grandness Food Industry Group Limited through Relevant Intermediaries (as defined in the Notice of AGM), including CPF/SRS investors, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. Such investors who wish to exercise their voting rights should approach their Relevant Intermediary as soon as possible. CPF/SRS investors should approach their respective CPF Agent Banks or SRS Operators at least 7 working days before the AGM (i.e. by Monday, 19 February 2024 at 4.00 p.m.).

I/We*, ______________________________ (name) ____________________ (NRIC/Passport/UEN)

of ____ (address)

being a member/members of SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED (the "Company"), hereby appoint:

Name	Email Address	NRIC/Passport No.	Number of Shares/Proportion of Shareholding (%)

and/or

or failing whom, the Chairman of the AGM, as my/our* proxy/proxies* to attend, speak and vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the AGM of the Company to be held at RNN Conference Center, 137 Cecil Street, Cecil Building #04-01, Singapore 069537 on Wednesday, 28 February 2024 at 4.00 p.m. and at any adjournment thereof. I/We* direct my/our proxy/proxies* to vote for or against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific indication as to voting is given, the *proxy/proxies may vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the AGM. If no person is named in the space above, the Chairman of the AGM shall be *my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated below, for *me/us and on *my/our behalf at the AGM and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided if you wish your proxy/proxies to exercise all your votes "For" or "Against" or "Abstain" from voting on the resolutions as set out in the Notice of AGM. Alternatively, if you wish your proxy/proxies to exercise your votes both "For", "Against" or to "Abstain" from voting on the proposed resolution, please indicate the number of Shares in the box provided. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM.)

ORDINARY RESOLUTIONS				
ORDINARY BUSINESS		**For**	**Against**	**Abstain**
Resolution 1	To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2021 together with the Auditors' Report thereon.			
Resolution 2	To re-elect Madam Huang Yushan, a Director who retires pursuant to Regulation 91 of the Constitution of the Company.			

Dated this ________ day of ________________ 2024

Total Number of Shares held in:	
CDP Register	
Register of Members	

____
Signature(s) of Members(s)
and/or Common Seal of Corporate Shareholder

*** delete as appropriate**

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. In the Proxy Form, a Shareholder should specifically direct the proxy on how he/she is to vote for, vote against, or to abstain from voting, on the resolutions. If no specific direction as to voting is given, the proxy (including the Chairman of the AGM) will vote or abstain from voting at his/her discretion.

3. A Shareholder (who is not a Relevant Intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his/her/its behalf. A proxy need not be a Shareholder. Any appointment of a proxy by a Shareholder attending the AGM shall be null and void and such proxy shall not be entitled to vote at the AGM. Where a Shareholder (other than a Relevant Intermediary) appoints two (2) proxies, the appointments shall be invalid unless he/she/it specifies the number of Shares or proportion of his/her/its shareholding to be represented by each proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act 1967.

4. A Shareholder who is a Relevant Intermediary may appoint more than two (2) proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Shareholder. Where such Shareholder appoints two (2) or more proxies, the appointments shall be invalid unless such member specifies the number of Shares to be represented by each proxy.

5. The instrument appointing a proxy:

   a) If submitted personally or by post, must be deposited at the office of the Share Registrar of the Company, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd., at 9 Raffles Place, Republic Plaza, Tower I, #26-01, Singapore 048619; or

   b) If submitted by electronic means, must be sent by email to proxy@grandnessgroups.com,

   in either case, to be received by 4.00 p.m. on 26 February 2024, being 48 hours before the time appointed for holding of the AGM (or at any adjournment thereof). Members are strongly encouraged to submit completed proxy forms electronically via email.

   The proxy form for the AGM may also be accessed at the SGX website at the URL https://www.sgx.com/securities/company-announcements.

6. The instrument appointing a proxy must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation.

7. Where the instrument appointing a proxy is signed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

8. A corporation which is a member may also authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967.

9. Completion and return of this proxy form shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 8 February 2024.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Huang Yupeng
(Chairman and CEO)

Huang Yushan
(Executive Director)

Li Xueying
(Independent Director)
Appointed on 15 August 2022

Tan Qing Wen, Jeremy
(Independent Director)
Appointed on 30 May 2023

Lai Jingwei
(Independent Director)
Resigned on 14 March 2022

AUDIT COMMITTEE

Li Xueying
(Chairman)
Appointed on 15 August 2022

Tan Qing Wen, Jeremy
(Independent Director)
Appointed on 30 May 2023

Lai Jingwei
Resigned on 14 March 2022

NOMINATING COMMITTEE

Tan Qing Wen, Jeremy
(Independent Director)
Appointed on 30 May 2023

Li Xueying
(Independent Director)
Appointed on 15 August 2022

Lai Jingwei
(Chairman)
Resigned on 14 March 2022

REMUNERATION COMMITTEE

Tan Qing Wen, Jeremy
(Independent Director)
Appointed on 30 May 2023

Li Xueying
(Independent Director)
Appointed on 15 August 2022

Lai Jingwei
(Chairman)
Resigned on 14 March 2022

JOINT COMPANY SECRETARIES

Dr. Qiu Yang
Appointed on 17 January 2022

Chew Kok Liang (LLB) (Hons)
Resigned on 18 February 2021

Siau Kuei Lian
Appointed on 18 February 2021
Resigned on 17 January 2022

Teo Chia Hui
Resigned on 5 November 2021

REGISTERED OFFICE

10 Anson Road
#25-06 International Plaza
Singapore 079903

COMPANY REGISTRATION NUMBER

200706801H

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

AUDITORS AND REPORTING AUDITORS

RT LLP
Public Accountants and Chartered Accountants
70 Shenton Way
#07-15 Eon Shenton
Singapore 079118

Partner-in-charge:

Mr. Kenneth Ng Boon Chong
(Appointed since financial year ended 31 December 2020)

PRINCIPAL BANKERS

Bank of Communication Co., Ltd.
Shenzhen Nanhai Branch
New Era Apartment
Dongbin Road Nanshan District
Shenzhen City

The People's Republic of China

DBS Bank (China) Limited
18/F Resource Building 5001 Shennan
Dong Road Shenzhen City 518001
The People's Republic of China

GRANDNESS

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

10 Anson Road
#25-06 International Plaza
Singapore 079903

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Tel: (65) 63278398