GRANDNESS

ENHANCING BRAND VISIBILITY
STRENGTHENING GROWTH AND VALUE

ANNUAL REPORT 2019

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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 China. 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 2014, the Group further launched its new range of snack food products under its in-house brand 好田园® ("Hao Tian Yuan").

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

Established track record and market

Well-established network of distributors and reputable retailers

Experienced and dedicated management team

Possess good technical knowledge

Production plants are strategically located in various provinces in the PRC

Consistently high quality products

OUR PRODUCTS

BEVERAGES

CANNED FRUITS

CANNED VEGETABLES

The Group's sustained effort in building brand value have yielded positive results. Growing brand awareness and brand equity, combined with an expanded reach in the market have seen us strengthen our market position as well as value to garner new pools of customer base and revenue streams.

木瓜干
草莓干
黄桃干
手工山药
开心果
香菇脆

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 2019 ("FY2019").

In FY2019, we continued to focus on our strengths, steadily expanding our range and reach. Our efforts have built resilience to moderate the impact of economic downtrends and allowed us to post acceptable results.

THE YEAR IN NUMBERS

For the year under review, our performance was largely impacted by the ongoing trade war between the People's Republic of China and the United States of America. The back-and-forth trade tariffs have resulted in a macroeconomic slowdown that translated to a 16.9% decrease in Group revenue as we saw softer demand for our overseas and domestic canned products segment as well as beverages segment. For FY2019, we posted total sales of RMB2.93 billion as compared to the RMB3.53 billion recorded for FY2018.

In line with the lower revenue, gross profit fell by 19.9% or RMB240.74 million from RMB1.21 billion in FY2018 to RMB1.00 billion in FY2019. Overall gross profit margin ("GPM") also decreased mainly due to promotional expenses incurred and sales rebate to customers during the financial year.

From a segmental perspective, the beverages segment continued to lead contribution to Group revenue, making up for 79.3% of total revenue while canned products for overseas and domestic made up 11.3% and 9.4% respectively. Revenue from all segments was lower with the beverage segment down 10.2% to RMB2.33 billion, the overseas canned segment down 33.1% to RMB333.0 million and the domestic canned segment down 37.6% to RMB275.6 million.

Despite challenges in the operating environment and the softer performance, the Group remained profitable with a net profit attributable to shareholders of RMB208.5 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. As of the first half of 2019, we had successfully rolled out our products to approximately

1,400 convenience stores within petrol stations operated by PetroChina and Sinopec. By 30 April 2019, our products were accessible in approximately 500 petrol station convenience stores in the Guangdong province and approximately 900 petrol station convenience stores in the Guangxi province. Moreover, the Group's products are in stock in around 10,000 Meiyijia convenience stores and 150 Meiyiduo supermarkets.

POSITIONING TO OVERCOME

The outlook for FY2020 appears to be challenging as existing issues such as US-China trade tensions are compounded by the Novel Coronavirus ("COVID-19") global pandemic. The outbreak has stymied economic activity globally by affecting production, disrupting supply chains and markets, and financially impacting firms and financial markets.

The Group was also affected with government-issued directives to cease operations. To date, some of our operations have reopened while others remain closed due to travel restrictions in China. The health and safety of our staff and communities are a priority and we will continue observing necessary precautions to combat the virus outbreak while working closely with the government to have our facilities back online as soon as permissible.

Although the pandemic is projected to have significant impact with countries forecasting drastic reductions in gross domestic product ("GDP") and recessions, we remain cautiously optimistic of our long-term prospects as the fundamental of our business and industry remain intact.

One such factor is demand in China. Prior to virus outbreak, the National Bureau of Statistic of China announced that for the first nine months of 2019, China's economy continued to grow with GDP increasing by 6.2% year-on-year to RMB69,779.8 billion. Total retail sales of consumer goods improved by 8.2% to RMB29,667.4 billion with retail sales of consumer goods in urban areas rising by 8.0% to RMB25,352.4 billion and retail sales in rural areas gaining a 9.0% increase to RMB4,315.0 billion. Online retail sales of physical goods also saw a 20.5% increase to RMB5,777.7 billion, and accounted for 19.5% of the total retail sales of consumer goods in China.

Furthermore, health awareness continues to rise in China alongside higher disposable income and lifestyle changes. Consumers there show increasing demand for convenient products and functional health food through online and offline spending. This may translate into significant pent-up demand that will fuel eventual recovery.

To capitalise on this, we will continue to scale up our strategy of reaching out to engage new customers while strengthening and encouraging consumption through existing and new sales channels. 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.

As we maintain a positive outlook, we are also aware that the COVID-19 outbreak is rapidly evolving and other external pressures may continue to hinder economic recovery. As such we will temper 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 Soh Beng Keng, Prof. Ling Chung Yee (Lead Independent Director) and Mr Zhang Jinze (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

主席献词

尊敬的各位股东，

我很荣幸代表中华食品工业集团的董事会，向各位提呈截至2019年12月31日止财政年度（“2019财年”）的年报。

在2019财年里，我们继续主力于集团的强项，稳步扩展我们的产品范围及覆盖面。我们的努力为我们建立了抵御能力，以缓和经济下滑所带来的冲击，让我们能仍旧提呈出可接受的业绩。

收入及盈利

回顾2019财年，我们的业绩大致受到了中国和美国之间持续的贸易战的影响。两国反复来回的贸易关税造成了宏观经济放缓，导致本集团的所有产品的需求减弱，集团收入下滑16.9%。 相比2018财年所记的人民币35.3亿总销售额，在2019财年，我们的总销售额为人民币29.3亿。

与较低收入相符，毛利下滑19.9%（人民币2.41亿），由2018财年的人民币12.1亿跌至2019财年的人民币10.0亿。整体毛利率也有所下降，主要是由于该财政年度支出的促销费用和对客户的销售回扣。

由业务版块角度来看，饮料业务版块继续为我们的集团收入做出最大的贡献，为总收入的79.3%，而罐头产品业务版块于国外市场及国内市场的贡献则分别为11.3%和9.4%。 所有业务板块的收入都有所下滑，饮料业务版块收入下降10.2%至人民币23亿、国外市场出售的罐头产品业务版块下降33.1%至人民币3.33亿、罐头产品的销售额于国内市场下降了37.6%至人民币2.76亿。

尽管面对经营环境的挑战和业绩疲软，本集团在本年度仍保持盈利，取得人民币2.09亿的净利。

拓展业务范围

在如今快速变化的经济环境里，我们拥护敏捷度的当儿，我们亦坚持清晰明确的原则，并专注于提高知名度及增加可接触现有及潜在顾客的多种渠道的策略。

在这一点上，我们已在我们与中国两家最大的加油站运营商中石油和中石化的合资企业取得了进展。2019年的前半年，我们成功的在中石油和中

石化设于加油站内1,400便利商店推出我们的产品。到了2019年4月30日，我们的产品可在广东省约500家加油站便利商店及广西省约900家加油站便利商店找到。此外，本集团的产品也在大约10,000家美宜佳便利商店和150家美宜多超市出售。

定位克服挑战

新型冠状病毒（“COVID-19”）全球疫症加剧了中美贸易关系紧张等的现有问题，2020财年的前景看来具有挑战性。疫情的爆发影响了生产、扰乱了供应链及市场、也对企业和金融市场造成财务影响，从而阻碍了全球经济活动。

本集团也受到政府发布的停止运营指令的影响。至今，我们部分的业务已重新开放，而其他业务则因中国的旅游限制，仍然关闭。集团员工和社区的健康与安全为我们的优先，我们会继续遵守对抗病毒的必要预防措施，并且与政府密切合作以确保尽早让我们的设施恢复操作。

尽管流行疫情预计将造成重大影响，许多国家纷纷预测国内生产总值大幅度减少和经济衰退，由于我们的业务和行业的根本基础保持不变，我们对我们长期前景保持谨慎乐观的态度。

其中一个因素就是中国的需求。疫情爆发之前，国家统计局公布，在2019年的前九个月公布，中国经济持续增长，国内生产总值同比增长6.2%达人民币697,798亿。消费品的总零售销量上涨了8.2%至人民币296,674亿,当中城市地区出售的消费品零售销量涨了8.0%至人民币253,524亿,另外郊区出售的消费品零售销量也涨了9.0%至人民币43,150亿。有形产品的网络零售销量也增涨了20.5%至人民币57,777亿,占中国消费品总零售销量的19.5%。

此外，随着可支配收入和生活方式的改变，中国的健康意识继续提高。那里的消费者对便利产品和功能性健康食品通过在线和离线消费的需求不断增加。这可能会转化为大量被压抑的需求，总而推动复苏。

为充分利用这点，我们将继续多大与新客户互动的策略，同时通过现有和新的销售渠道加强及鼓励消费。我们相信，我们策略的基本驱动力，如中国消费者对便利及健康食品不断增强的需求，任然良好。加上横跨离线和在线渠道的消费品的需求不断上升，这将转化成我们可以利用来增加价值的其他途径。我们将继续提高品牌知名度以扩大市场份额，同时我们也会扩大产品范围以增加回报。

在我们保持乐观态度同时，我们也了解2019新型冠状病毒爆发迅速速变，而其他外在压力也可能继续阻挠经济复苏。因此，我们将调整策略并谨慎管理风险，以保持稳健而有弹性，特别是通过持久经济放缓的可能性。

感谢

我要感谢所有，特别是在过去一年里，支持本集团的人。我谨代表董事会向各位董事、商业伙伴及员工致谢。董事会在这一年里有一些变动 - 在此我要向苏明庆先生，林中一先生（首席独立董事）和张金则先生（独立董事）对于集团做出的贡献致谢。对于所有其他利益相关者，我们衷心感谢您一直以来对我们的信任，我们期待克服所有挑战，与您再共一年。

黄育鹏
主席及首席执行官

OPERATIONS AND FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS FOR FY2019

RMB (million)	FY2019	FY2018	Change %
Revenue	2,934.4	3,531.1	(16.9)
Gross profit	966.6	1,207.4	(19.9)
Gross profit margin	32.9%	34.2%	(1.3ppt)
Distribution costs	(440.1)	(490.7)	(10.3)
Administrative expenses	(114.7)	(147.0)	(22.0)
Finance costs	(64.9)	(57.2)	13.5
Cessation of internal production	(12.2)	(227.4)	(94.6)
Other operating expenses	(27.8)	(48.7)	(42.9)
Fair value loss on derivative on convertible loan	-	(44.1)	-
Net profit attributable to shareholders	208.5	153.8	35.6

For the year under review, the Group's revenue decreased by 16.9% or RMB596.7 million to RMB2.93 billion from the RMB3.53 billion recorded for FY2018. The decline in revenue for all segments was mainly due to the ongoing trade war between People's Republic of China ("PRC") and United States of America ("US"). For the canned products segment, sales to the overseas market declined by RMB164.9 million to RMB333.0 million while sales to the domestic market was lower by RMB166.2 million and amounted to RMB275.6 million. Meanwhile, the beverage segment generated RMB2.3 billion in revenue, a RMB265.5 million decline.

Gross profit for the year under review was RMB1.00 billion, a decrease of 19.9% or RMB240.80 million versus RMB1.20 billion in FY2018. The Group's overall gross profit margin ("GPM") decreased to 32.9% mainly due to promotional expenses incurred and sales rebate to customers during the financial year.

The Group's net profit attributable to shareholders grew by 35.6% in the year to RMB208.5 million compared to RMB153.8 million recorded for FY2018.

Cash and cash equivalents was lower at RMB600.2 million as at 31 December 2019, the decrease was mainly driven by acquisition of property, plant and equipment and repayment of bank borrowings, partially offset by bank loans obtained, cash generated from issue of new shares and net cash generated from operations.

The Group's earnings per share delivered a significant gain, growing from RMB15.7 cents per share in FY2018 to RMB19.8 cents per share in FY2019. In contrast, net asset value saw a decline by RMB28.1 cents per share to RMB304.2 cents per share for FY2019 from the RMB332.3 cents per share reported for FY2018.

SEGMENTAL REVIEW

Product Segment		12 Months (FY) Jan – Dec 2019 RMB Million	12 Months (FY) Jan – Dec 2018 RMB Million	Change %
Canned Products	Overseas	333.0	497.9	(33.1)
Canned Products	Domestic	275.6	441.8	(37.6)
Beverage		2,325.9	2,591.4	(10.2)
Total		**2,934.5**	**3,531.1**	**(16.9)**

For FY2019, we generated RMB2.3 billion from our beverage segment as compared to the RMB2.6 billion in FY2018. The canned products for the overseas market segment recorded a 33.1% decline in sales at RMB333.0 million whereas in FY2018, the segment posted RMB497.9 million in revenue. Revenue for the domestic canned products segment was 37.6% lower than last year at RMB275.6 million compared to RMB441.8 million in FY2018.

GROSS PROFIT

Product Segment		12 Months (FY) Jan – Dec 2019 RMB Million	12 Months (FY) Jan – Dec 2018 RMB Million	Change %
Canned Products	Overseas	81.6	133.1	(38.7)
Canned Products	Domestic	86.6	161.0	(46.2)
Beverage		798.4	913.3	(12.6)
Total		**966.6**	**1,207.4**	**(19.9)**

Gross profit for the beverage segment was lower by 12.6% at RMB798.4 million from RMB913.3 million in FY2018. The canned products for overseas segment saw a 38.7% decline in gross profit from RMB133.1 million in FY2018 to RMB81.6 million this year. Likewise, gross profit for the canned products for the domestic segment also declined, dropping by 46.2% to RMB86.6 million as compared to the RMB161.0 million the previous year.

We remain undeterred by the headwinds for FY2019 and unprecedented events at the start of FY2020. We will continue to uphold sustainable operations and leverage on our reach in China and beyond to grow our brand. As we navigate through challenges and opportunities alike, we remain focused on unlocking long-term value for our stakeholders.

CONCLUSION

For the financial year ending 31 December 2020, 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

HUANG YUSHAN
Executive Director

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.

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).

ZHU JUN
Executive Director

Mr Zhu Jun 朱俊 is our Executive Director and was appointed on 19 January 2012. He is responsible for the corporate investment of our Group. He graduated from Huanghe Science & Technology University of Henan Province in 1993. In 2000, he joined China Green Foodstuff (Shares) Group Co., Ltd as general manager of investment department and was responsible for investment planning and production of the Group. He was subsequently promoted to chief production officer of the Group in 2006. He joined our Group as general manager of investment department in 2009 and was responsible for investment planning of our Group.

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 fund raising, international merger and acquisition, initial public offerings exercises. Mr Lai graduated from Shenzhen University in 2004 with a MBA degree in international law.

GONG SHULI
Independent Director

Mr. Gong Shuli 龚树立 is our Independent Director and was appointed on 5 July 2019. Mr Gong graduated from Tianjin University of Science & Technology in Food Engineering. He joined China National Research Institute of Food & Fermentation Industries ("CNRIFF") since 1982. During his engagement with CNRIFF from 1982 to 2018, he gained his vast experience in both Light Industry Foods Engineering and National Sport Medical Departments. He retired from CNRIFF in 2018.

SENIOR MANAGEMENT

Mr Leyng Thai Weng was appointed as our Chief Financial Officer on 11 August 2020 and is overall responsible for the financial matters of our Group including overseeing our Group's financial reporting, compliance with post listing obligation and company secretarial matters. He has more than 10 years of experience in finance and accounting. Prior to joining, he was the Director (Consultancy) of KBS Capital Partner (S) Pte. Ltd. From 2013 to 2018, he was the Financial Controller of China Bearing (Singapore) Ltd., a company listed on the SGX-ST. He holds a Bachelor of Accounting from the University of Malaya and obtained a Master of Business Administration from the Murdoch University, Australia. He is also a Chartered Accountant of the Malaysia Institute of Accountants.

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.

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.

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Huang Yupeng (Chairman and CEO)
Huang Yushan (Executive Director)
Zhu Jun (Executive Director)
Lai Jingwei (Independent Director)
Gong Shuli (Independent Director)
Zhang Jingze (Independent Director)
- retired on 8 August 2019
Soh Beng Keng (Lead Independent Director)
- resigned on 25 December 2019
Ling Chung Yee (Lead Independent Director)
-appointed on 24 December 2019 and resigned on 13 October 2020

AUDIT COMMITTEE

Soh Beng Keng (Chairman)
- resigned on 25 December 2019
Ling Chung Yee (Chairman)
-appointed on 25 December 2019 and resigned on 13 October 2020
Lai Jingwei
Gong Shuli

NOMINATING COMMITTEE

Lai Jingwei (Chairman)
Ling Chung Yee
-appointed on 25 December 2019 and resigned on 13 October 2020
Gong Shuli
Soh Beng Keng
- resigned on 25 December 2019

REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)
- resigned on 25 December 2019
Ling Chung Yee (Chairman)
-appointed on 25 December 2019 and resigned on 13 October 2020
Lai Jingwei
Gong Shuli

JOINT COMPANY SECRETARIES

Chew Kok Liang (LLB) (Hons)
Teo Chia Hui

REGISTERED OFFICE

30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

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

Foo Kon Tan LLP
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621
Partner-in-charge: Yeo Boon Chye (appointed since financial year ended 2017) a member of the Institute of Singapore Chartered Accountants

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

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CORPORATE GOVERNANCE REPORT

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 2019 ("FY2019") 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 FY2019 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	12	11	–	–	–	–	–	–
Huang Yushan	12	9	–	–	–	–	–	–
Soh Beng Keng(1)	12	12	4	4	1	1	1	1
Zhu Jun	12	12	–	–	–	–	–	–
Wong Chee Meng, Lawrence(2)	6	5	–	–	–	–	–	–
Lai Jingwei	12	6	3	3	0	0	0	0
Zhang Jinze(3)	8	4	–	–	1	1	1	1
Chalermchai Mahagitsiri(4)	4	0	–	–	–	–	–	–
Gong Shuli(5)	4	4	3	3	0	0	0	0
Ling Chung Yee(6)	0	0	0	0	0	0	0	0

(1) Mr Soh Beng Keng resigned on 25 December 2019

(2) Mr Wong Chee Meng, Lawrence resigned on 25 February 2019

(3) Mr Zhang Jinze retired on 8 August 2019

(4) Mr Chalermchai Mahagitsiri resigned on 31 January 2019

(5) Mr Gong Shuli was appointed on 5 July 2019

(6) Prof. Ling Chung Yee was appointed on 24 December 2019 and resigned with effect from 13 October 2020

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. Due to COVID-19 situation, the Company would arrange for first-time Director, Mr Gong Shuli to attend the mandatory training conducted by the Singapore Institute of Directors as soon as practicable.

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 five members, three of whom are Executive Directors and two of whom are Independent Directors. The Directors of the Company are:-

Executive Directors

Huang Yupeng (Chairman and Chief Executive Officer)
Huang Yushan
Zhu Jun

Independent Directors

Lai Jingwei
Gong Shuli

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 within 2 months. 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.

In line with Provision 3.3 of the Code, Mr Soh Beng Keng who resigned as the Lead Independent Director of the Company with effect from 25 December 2019, and the said vacancy was succeeded by Prof. Ling Chung Yee with effect from 25 December 2019. The Company will endeavor to fill the vacancy within 2 months from the date of resignation of Prof. Ling Chung Yee. 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 two members, all of whom are Independent Directors. The members of the NC are:

Lai Jingwei	(Chairman)
Gong Shuli	
Soh Beng Keng	(resigned with effect from 25 December 2019)
Ling Chung Yee	(appointed as member of NC on 25 December 2019 and resigned with effect from 13 October 2020)

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 within 2 months.

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 and Mr Gong Shuli. 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.

The NC has reviewed and recommended the re-election of Mr Zhu Jun and Mr Lai Jingwei who are retiring at the forthcoming Annual General Meeting to be held on 4 December 2020 (the "forthcoming AGM"). The Board has accepted the recommendation and the retiring Directors who will be offering themselves for re-election.

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
Zhu Jun	19 January 2012	30 April 2018 (to be re-elected at the forthcoming AGM)	–	Nil	Nil
Lai Jingwei	2 April 2018	30 April 2018 (to be re-elected at the forthcoming AGM)	–	Nil	Nil
Gong Shuli	5 July 2019	8 August 2019	–	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.

To provide the information as set out in Appendix 7.4.1 relating to the candidate who is proposed to be appointed for the first time or re-elected to the board at a general meeting, in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting pursuant to Rule 720(6) of the Listing Manual of the SGX-ST. The Director named below is retiring and being eligible, offer herself for re-election at the upcoming AGM:-

Name of Director	**Zhu Jun**	**Lai Jingwei**
Date of appointment	19 January 2012	2 April 2018
Date of last re-appointment	30 April 2018	30 April 2018
Age	49	44
Country of principal residence	People's Republic of China	People's Republic of China
The Board's comments on the NC's recommendation for re-election	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Zhu's performance as an Executive Director of the Company	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Lai's performance as an Independent Director of the Company
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for the corporate investment of the Group	Non-Executive Independent Director
Job title	Executive Director	Independent Director
Professional qualifications	Bachelor Degree in Industrial Economy Management from Huanghe Science & Technology University of Henan Province	MBA Degree in international law from Shenzhen University
Working experience and occupation(s) during the past 10 years	General Manager of investment department of the Group from 2009 to 18 January 2012. Executive Director of the Company since 19 January 2012.	Partner of Guangdong Junyan Law Firm since 2007.
Shareholding interest in the listed issuer and its subsidiaries	Mr Zhu holds 4,127,588 options of the Company	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	None	None
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720(1))	Yes	Yes
Other Principal Commitments Including Directorships	**Other Principal Commitment:** ● Nil **Present Directorship:** ● Nil **Past Directorship (for the past 5 years):** ● Nil	**Other Principal Commitment:** ● Partner of Guangdong Junyan Law Firm **Present Directorship:** ● Nil **Past Directorship (for the past 5 years):** ● Nil

The general disclosures of the directors are as follows:

Question		Zhu Jun	Lai Jingwei
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

Question		Zhu Jun	Lai Jingwei
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
	Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
	If yes, please provide details of prior experience.	Executive Director of the Company since 19 January 2012	Independent Director of the Company since 2 April 2018
	If no, please state if the director has attended or will be attending training on the roles and responsibilities of a listed issuer as prescribed by the Exchange.	N.A.	N.A.
	Please provide details of relevant experience and the NC's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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 FY2019, 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 two members, all of whom are Independent Directors. The members of the RC are:

Soh Beng Keng	(Chairman)	(resigned with effect from 25 December 2019)
Ling Chung Yee	(Chairman)	(appointed as Chairman of RC on 25 December 2019 and resigned with effect from 13 October 2020)
Lai Jingwei		
Gong Shuli		

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 within 2 months.

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 on 4 December 2020.

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 FY2019. 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.

On 23 September 2013, the shareholders of the Company approved the adoption of an employee share option scheme known as Sino Grandness Employee Share Option Scheme ("ESOS"). The grants of options are vested over a period of time through a prescribed vesting schedule. The RC is also responsible for administering the ESOS with the objective of rewarding and retaining qualified and experienced personnel and attracting Non-Executive Directors with strong capabilities and high performance standards to work towards growth and long-term success of the Company and better alignment of their interests with the interests of shareholders. The details of the grant of options are disclosed in Directors' Statement on page 37 to 38.

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 has 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 FY2019 are as follows:

Remuneration Band	**Number of Directors**	
	2019	**2018**
Executive Directors		
S$1,500,000 and above	1	1
S$250,000 to below S$1,500,000	–	–
Below S$250,000	2	3
Total	3	4
Key Management Personnel		
Below S$250,000	5	5
Total	5	5

A breakdown of each individual Director's and key management personnel's remuneration, in percentage terms showing the level and mix for FY2019, 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	–	664	889	0	–	1,553
Below S$250,000						
Huang Yushan	–	24	–	0	–	24
Zhu Jun	–	50	–	0	–	50
Soh Beng Keng(1)	55	–	–	0	–	55
Wong Chee Meng, Lawrence(2)	8	–	–	0	–	8
Lai Jingwei	20	–	–	0	–	20
Chalermchai Mahagitsiri(3)	–	–	–	0	–	–
Gong Shuli(4)	10	–	–	0	–	10
Zhang Jinze(5)	12	–	–	0	–	12
Ling Chung Yee(6)	–	–	–	0	–	–

	Fees %	Salary %	Bonus %	Share Options %	Others %	Total %
Key Management Personnel						
Below S$250,000						
Goh Cze Khiang(7)	–	93	7	0	–	100
Wang Xiaowei	–	100	–	0	–	100
Zhang Jianan	–	100	–	0	–	100
Wang Meiling	–	100	–	0	–	100
Guo Xiaolin	–	100	–	0	–	100

(1) Mr Soh Beng Keng resigned on 25 December 2019
(2) Mr Wong Chee Meng, Lawrence resigned on 25 February 2019
(3) Mr Chalermchai Mahagitsiri resigned on 31 January 2019
(4) Mr Gong Shuli was appointed on 5 July 2019
(5) Mr Zhang Jinze retired on 8 August 2019
(6) Prof. Ling Chung Yee was appointed on 24 December 2019 and resigned on 13 October 2020
(7) Mr Goh Cze Khiang resigned on 31 March 2020

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 top five key management personnel (who are not Directors or the CEO) for FY2019 is approximately S$354,133.

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 FY2019.

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 FY2019.

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 and internal auditors 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 internal and external auditors. 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 FY2019, 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 CFO who was only appointed on 11 August 2020 is currently in discussion with the CEO and Executive Directors in respect of the issues and concerns raised by the external auditors.

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;
- Intra-group financial guarantee; and
- Fair value of Exchangeable bonds and liability owing to preference share creditor.

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 and internal 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 two members, all of whom are Independent Directors. The members of the AC are:

Soh Beng Keng	(Chairman)	(resigned with effect from 25 December 2019)
Ling Chung Yee	(Chairman)	(appointed as Chairman of AC on 25 December 2019 and resigned with effect from 13 October 2020)
Lai Jingwei		
Gong Shuli		

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 within 2 months.

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 internal and external auditors 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.

The AC has outsourced the performance of the internal audit functions of the Group to Baker Tilly TFW. The internal auditors will report directly to the AC and administratively to the Chairman and CEO of the Company. To ensure the adequacy of the internal audit function, the AC had reviewed and approved the internal audit plan before the internal audit commenced. The AC will assess and ensure that the internal auditors meet or exceed the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors provide adequate staffing with relevant experience to conduct the internal audits.

The AC, on an annual basis, conducted a review and concluded that the internal audit function is adequacy and effectiveness and independent for FY2019, In assessing the engagement of Baker Tilly TFW for the internal audit function, the AC ensured that the internal audit function is staffed with the qualification and experiences of internal audit team assigned to fulfil the scope of internal audit work agreed upon and the internal auditor's reports and its relationship with the external auditors.

The AC is further satisfied that the Internal Auditors has unfettered access to all the Company's documents, records, properties and personnel, including the access to the AC.

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. Foo Kon Tan 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 Limited and Accounting ("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 2019.

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 2019.

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 Foo Kon Tan LLP (the "Group Auditors") for consolidation purposes. Group Auditors as auditors 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 Foo Kon Tan LLP, the external auditors, for services rendered for FY2019:-

Services	**Amount (S$)**
Audit service	513,000
Non-audit fees	
Other professional fees	180,000
–Tax fee (corporate tax filing)	5,000

The Company has paid S$185,000 for non-audit services to the external auditor during FY2019, as the amount of annual fees for non-audit services compared to total annual audit fees from the Group is not more than 50%, the AC is of the view that it would not affect their independence.

The AC has direct access to the internal and external auditors and has met with them without the presence of Management for FY2019.

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.

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.

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.

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 2019.

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 2019, 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)
PM Group Company Limited	Substantial shareholder of the Company	S$1.52 million (equivalent to approximately RMB7.67 million)	Nil
Soleado Holdings Pte. Ltd.	Substantial shareholder of the Company	S$4.14 million (equivalent to approximately RMB20.95 million)	Nil

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

USE OF NET PROCEEDS

The Board refers to the issuance of 85,000,000 shares by the Company in August 2019 ("Placement 2019 (2)"). As at 29 February 2020, 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	6,660	650
- Operating expenses		7,310	6,660	650
Total	**100**	**18,275**	**17,625**	**650**

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 2019

The directors are pleased to submit this annual report to the members of the Company together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the accompanying statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 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 Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, having regards to the information as disclosed in Note 2(a) 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)
Zhu Jun (Executive director)
Ling Chung Yee (Lead independent director) (appointed on 24 December 2019 and resigned on 13 October 2020)
Lai Jingwei
Gong Shuli (appointed on 5 July 2019)

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 object was 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, other than as disclosed under "**Share options granted**" in this statement.

Directors' interests

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50, particulars of interests of the directors who held office at the end of the financial year in the shares or 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**	
	As at 1.1.2019	**As at 31.12.2019**	As at 1.1.2019	**As at 31.12.2019**
The Company -				
Sino Grandness Food Industry Group Limited				
Huang Yupeng	352,124,087	**352,124,087**	–	**–**
Chalermchai Mahagitsiri	–	**–**	130,488,508	#

Except that Chalermchai Mahagitsiri who resigned on 31 January 2019, the directors' interest in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

By virtue of the provisions of Section 7 of the Singapore Companies Act, Cap. 50, 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

At 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, the 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 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 Remuneration Committee, Lai Jingwei and Gong Shuli, 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 SGD 0.60 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 SGD 6,952,937 (approximately RMB 32.3 million) using the Binomial Option Pricing Model.

There are no share options granted in the financial year ended 31 December 2019. Information about outstanding directors' share options at the end of the reporting year is as follows:

	No. of unissued ordinary shares of the Company under option					
Name of directors	Options granted during the financial year ended 31.12.2019	Aggregate options granted since commencement of ESOS Scheme to 31.12.2019	Aggregate options exercised since commencement of ESOS Scheme to 31.12.2019	Aggregate options renounced since commencement of ESOS Scheme to 31.12.2019	Aggregate options arising from Adjustments since commencement of ESOS Scheme to 31.12.2019	Aggregate options outstanding as at 31.12.2019
Zhu Jun	–	4,700,000	–	(800,000)	227,588	4,127,588
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 31.12.2019	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.

No options to take up unissued shares of the subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of the options to take up unissued shares of the Company.

Audit committee

The Audit Committee at the end of the financial year comprises the following members:

Ling Chung Yee (Chairman) (appointed as Chairman of AC on 25 December 2019 and resigned on 13 October 2020)
Lai Jingwei
Gong Shuli (appointed on 5 July 2019)
Soh Beng Keng (Chairman) (resigned on 25 December 2019)
Wong Chee Meng, Lawrence (resigned on 25 February 2019)

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

The Audit Committee performs the functions set out in Section 201B (5) of the Singapore Companies Act, Cap. 50, the SGX 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;

Audit committee (Cont'd)

(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 2019 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;

(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, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

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

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

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

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 2019.

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.

On behalf of the Directors

HUANG YUPENG

HUANG YUSHAN

Dated: 30 October 2020

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 (collectively the "**Group**"), which comprise the statements of financial position of the Group and the Company as at 31 December 2019, the consolidated statement of profit or loss and other 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 consolidated 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

Limitation of scope and fundamental uncertainty relating to the going concern basis

We draw attention to Note 2(a) of the financial statements which states that the financial statements have been prepared on a going concern basis.

As at 31 December 2019, the Company's current liabilities exceeded its current assets by RMB 281.7 million (2018 - RMB 264.0 million).

As stated in Note 2(a) to the financial statements, despite the fact that the Group has net current assets of RMB 1,447.9 million (2018 - RMB 1,241.1 million), cash and cash equivalents of RMB 600.2 million (2018 - RMB 621.8 million) as shown in the consolidated statement of financial position as at 31 December 2019 and has net positive operating cash flows of RMB 138.9 million (2018 - RMB 334.6 million), the Group nevertheless continued to default on the repayment of loan owing to Soleado Holdings Pte. Ltd. ("**Soleado**") with interest thereon of RMB 147.2 million (US$ 21.1 million) [2018 - RMB 144.8 million (US$ 21.1 million)] as at 31 December 2019 which was due on 6 January 2019 (originally due on 16 May 2018) and the Deutsche Investitions-und Entwicklungsgesellschaft ("**DEG**") loan with interest thereon of RMB 169.8 million (US$ 24.3 million) [2018 - RMB 157.2 million (US$ 22.9 million)] as at 31 December 2019. The Group's subsidiaries in the People's Republic of China ("**PRC**") ("**Group subsidiaries**") were not able to repatriate fund to the Company to allow the Company to pay off its debts to Soleado.

We draw attention to the circumstances arising from the Company's and the Group's fundamental uncertainty relating to the going concern basis as mentioned in paragraph 1 of this report:

1. Ability of the Company and the Group to repay debts when fall due

    (a) Default of indebtedness for loan from Soleado

    During the financial year ended 31 December 2019, the Company was served with several letters of demand since 8 January 2019 by Soleado for the sum of US$ 20.0 million (equivalent to RMB 139.5 million) and interest on loan ("**Soleado loan**"). Soleado is a wholly-owned subsidiary of Thoresen Thai Agencies Public Company Limited, a company listed with the Stock Exchange of Thailand. The Soleado loan was due on 6 January 2019 but was not repaid. The original due date was 16 May 2018. This constituted an event of default under the terms of the Soleado loan. A standstill up to and including 31 December 2019 was provided by Soleado in July 2019 to the Company upon the payment of US$ 1.5 million (RMB 10.8 million) on 29 August 2019. The money was repaid and disbursed from the share placement of S$ 3.4 million (RMB 17.3 million) on 10 July 2019.

Basis for Disclaimer of Opinion (Cont'd)

1. Ability of the Company and the Group to repay debts when fall due (Cont'd)

(a) Default of indebtedness for loan from Soleado (Cont'd)

Since then, there was no further payment made to 31 December 2019. Soleado has communicated to us upon our request, that there were several attempts made for immediate demand of debts or at least partial repayment to be made by the Company. Our request confirmation to Soleado is to confirm the status of the statutory demand. On 5 June 2020, Soleado, informed the Company in writing, that the shareholders of Soleado may require the company 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 Mr Huang Yu Peng will be realised if called upon. At the date of this report, the Company is still in negotiation with Soleado on the extension of repayment of the loan.

As at 31 December 2019, the loan remained outstanding was RMB 147.2 million (2018 - RMB 144.8 million).

(b) Default of indebtedness for bank loan for Deutsche Investitions-und Entwicklungsgesellschaft ("**DEG**")

i. In the financial year ended 31 December 2018, a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited ("**GF Hubei**") defaulted its loan obligation to a foreign bank, Deutsche Investitions-und Entwicklungsgesellschaft ("**DEG**") on the principal sum for the second instalment of US$ 2.5 million together with interest thereon in October 2018. Under the terms of the DEG loan agreement, the failure to repay any amounts due under the DEG loan constitutes an event of default whereby DEG is entitled to demand immediate repayment of all the loans and any accrued interest due by the Group and to terminate the loan agreement with immediate effect.

ii. On 22 January 2019, DEG demanded immediate repayment of US$ 22.9 million (RMB 157.2 million) together with the default interest. Only the accrued interest on the bank loan was paid by the disbursement of US$ 0.5 million on 28 June 2019 from the share placement proceeds. With the payment made, the bank agreed and accepted the standstill up to and including 31 December 2019.

iii. There was no further payment made to 31 December 2019. GF Hubei continues to negotiate with the bank for further extension of time. On 28 August 2020, the bank has written to us to confirm that they reserve the right to demand immediate repayment for the bank loan from GF Hubei as well as the guarantors which are Garden Fresh Group Limited, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited ("**Garden Fresh SZ**") and the Company itself. The bank also reiterated that they had demanded payment in their letters dated 21 January 2019 and 22 January 2019 but the said guarantors did not honour their contractual obligations. The bank made aware to us that GF Hubei had complied with the requirements of the State Administration of Foreign Exchange ("**SAFE**") regulations.

iv. The said bank loan is secured by way of GF Hubei's assets in Hubei. The carrying amount of the secured assets totalled RMB 481.5 million (2018 - RMB 499.5 million) as at 31 December 2019 [See Note 20(h)]. Should the bank exercise their rights to freeze the assets upon applying for Court Order, the effect and impact of the businesses of fruit beverages and canned foods will be severely affected. As of the date of this report, there is no indication of repayment made of the defaulted loan with accrued interest thereon.

v. DEG and GF Hubei entered into an agreement ("**Settlement Agreement**") dated 1 October 2020 where a director of the Company, Mr. Huang Yu Peng acknowledged on 12 October 2020 to the effect that the bank agreed to waive on the request of GF Hubei and shall not claim any remaining outstanding amount if GF Hubei shall pay to the bank an amount of US$ 2.6 million until 10 November 2020.

Basis for Disclaimer of Opinion (Cont'd)

1. Ability of the Company and the Group to repay debts when fall due (Cont'd)

(b) Default of indebtedness for bank loan for Deutsche Investitions-und Entwicklungsgesellschaft ("**DEG**") (Cont'd)

vi. DEG made aware to us on 15 October 2020 of the significant haircut embodied in the Settlement Agreement. On 19 October 2020, the bank explained to us that they have not waived the entire principal amount but to a large extent according to the bank's due diligence on the creditworthiness of the subsidiary concerned. This executory document only becomes effective upon full payment of US$ 2.6 million as mentioned above.

As at 31 December 2019, the loan owing to the bank was RMB 169.8 million (2018 - RMB 157.2 million).

vii. On the premise that the bank reiterated that there is a legal technicality to the effect of the waiver, we were unable to ascertain whether the settlement of debt, if duly carried out, is properly executed in accordance under the laws governing the waiver due to the fact that:

- the bank has a security over the subsidiary's assets where the market value of these assets is to cover at least 150% of the outstanding loan amount;

- the loan is guaranteed by Garden Fresh Group Limited, Garden Fresh SZ and the Company itself; and

- there was no professional independent financial adviser assisting the subsidiary in reaching this settlement.

(c) Liabilities owing to Bondholders

i. Under 2016 Restructuring, all the shares issued as fully paid up and registered in the name of Grandness (HK) Industry Co., Ltd. ("**Grandness HK**") are mortgaged and charged in favour of Goldman Sachs Investments Holdings (Asia) Limited ("**GS**") pursuant to a share mortgage dated 21 April 2016, as amended from time to time. This charge was entered into the Register of Members of Garden Fresh Group Holding Co., Ltd. ("**Garden Fresh Cayman**") on 10 May 2016. Based on the search of the relevant companies, the register of charge is still valid. The Bondholders comprise several parties including institutional investors.

ii. Under the 2017 Restructuring Agreement, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited ("**Garden Fresh (HK)**") is to fully redeem the 2011 SB2 bonds and 2012 SB2 bonds at a redemption price equal to 100% of the aggregate principal amount of RMB 178,562,000 (Note 22), together with any interest accrued up to the due date, 28 September 2017.

iii. On 17 January 2019, the Company announced that it entered into an Amended and Restated 2018 Restructuring Agreement ("**2018 RRA**") dated 14 January 2019 with the Bondholders in relation to the extension of bond repayment dates.

iv. The 2018 RRA contains cross default provisions which provide for the acceleration or payment of debt obligations upon any default or failure to pay or satisfy any obligations under any other agreement, namely the "Cross Default Warranty". Up to the Completion Date, under the 2018 RRA, all obligations of the Parties shall cease and all rights and remedies of the Bondholders shall remain actionable without any further demand or notice.

Basis for Disclaimer of Opinion (Cont'd)

1. Ability of the Company and the Group to repay debts when fall due (Cont'd)

   (c) Liabilities owing to Bondholders (Cont'd)

   v. In addition, there is a Standstill provision which forbears the Bondholders from taking any action to claim or enforce the obligations of the Group to repay the amounts due and payable, including all accrued and unpaid interest to the Bondholders only if there is no occurrence of an event of default up to the Completion Date.

   vi. Under the terms of the 2018 RRA, the full redemption of the principal sum of the 2012 SB2 Bonds and 2011 SB2 Bonds of RMB 128,250,000 and RMB 50,312,500 respectively with interest thereon shall be repaid on the Completion Date i.e. 13 January 2020.

   vii. In May 2020, the subsidiary, Garden Fresh (HK) negotiated with the Bondholders to allow for extension of time. The majority of the Bondholders agreed but not in writing to provide a further extension of time for the long stop up to 31 August 2020 without agreement to the standstill. The Bondholders have requested the Group to provide a repayment plan including any restructuring which they were prepared to explore on the stipulated date of on or before 30 September 2020. Amongst other conditions, the Bondholders demanded a repayment of SB2 Bonds of principal sum of RMB 128.3 million together with interest thereon of RMB 193.9 million, calculated as at 30 June 2020. As of the date of this report, there is no formal agreed plan between the Bondholders and the Group. The Company only indicate that there may be possible fund to be borrowed from financial institutions to repay the borrowings.

   viii. As at 31 December 2019, the amounts owing to the Bondholders were RMB 742.2 million, which comprise the Straight Bonds of RMB 257.4 million and Exchangeable Bonds of RMB 484.8 million, including interests thereon. As at the date of this report, the cash redemption has not been met on due date 13 January 2020. On this basis, the Bondholders have the right to exercise the mortgaged shares as mentioned herein.

   ix. At the date of this report, there is no indication of affirmative funding from external parties which the Group is currently seeking such possible fund raising exercise. Based on the 2018 annual report, there was an upcoming investor, Baoao Equity Investment Partnership (LLP) (广东宝傲股权投资合伙企业(有限合伙)) for a possible fund of US$ 30.0 million. As we understand, this placement is held on abeyance and is at exploring stage.

   (d) Preparation of Group's cashflow forecast and profit projection

   As part of the going concern assessment, we require management to prepare a forecast for the cashflow and profit projection for the next 12 months from the date of this report to ascertain the ability of the Company and the Group to continue as a going concern in the light of the circumstances having regard to the multiple uncertainties associated, namely, with the following conditions and events:

   - the outcome of the repayment of liabilities owing to creditors and the possible legal actions and the implications of the cross-default provisions as mentioned herein;

   - the impact on the pandemic as to the disruptions of business in particular to the distributors for sales orders and the effect on cessation of contract manufacturers for beverage business;

   - the management of working capital whether it is sufficient in the light of immediate repayment of liabilities owing to creditors as long overdue;

   - the outcome of fund raising to the sum of RMB 800 million from two financial institutions in the PRC/Hong Kong (as announced by the Company on 12 September 2020); and

   - as well as management's future plan based on available information at the time at which the critical judgement and significant estimates were made.

Basis for Disclaimer of Opinion (Cont'd)

1. Ability of the Company and the Group to repay debts when fall due (Cont'd)

    (d) Preparation of Group's cashflow forecast and profit projection (Cont'd)

    Furthermore, as mentioned in this report under the paragraph 2 - Recoverability of trade receivables, there was a mismatch of the timing of receipts from trade receivables and payments made to trade suppliers. The collection from trade receivables was slow. On the other hand, the suppliers not only demanded immediate payment but also down-payment before committing to supply raw materials in December 2019. The advances to trade suppliers have significantly increased from RMB 77.0 million as at 31 December 2018 to RMB 638.6 million as of 31 December 2019 (Note 13).

    Without these forecasts, we consider that there is a limitation of scope by the Company and the Group in their assessment of the appropriateness of the going concern assumption in the light of circumstances and events not made known to us. We were unable to obtain sufficient and appropriate evidence regarding the going concern assumptions.

    (e) Possible liquidation of assets in the event of defaults

    The Group subsidiaries in the PRC have total non-current assets amounted to RMB 2,080.3 million which comprise mainly production facilities and buildings on leasehold land from the State. Should there be a trigger of default for immediate repayment of debts or application by creditor for Court Order to freeze the assets of the Group or any event which may lead to the realisation of assets on the premise of the mortgaged shares as described in the preceding paragraphs, the value of the non-current assets will be significantly affected and impaired. The non-current assets may be classified to held-for-sale. The financial statements do not incorporate any of such adjustments and reclassifications which may arise from these uncertainties.

    As announced by the Company on 20 July 2020, the Group expected to report a loss for the three-months ended 31 March 2020 for the first time since the Company was listed with the Stock Exchange of Singapore. Based on unaudited management accounts, the Group's bank balance was RMB 600.2 million as at 31 December 2019 where a principal bank confirmed the bank balance from the two bank accounts was RMB 594.5 million, representing 99% of total cash and cash equivalents as at 31 December 2019. These bank accounts may be frozen as explained above.

    The outcome of the negotiation for extension of time or refinancing with Soleado and DEG as well as the action (which no longer standstill) to be taken by the Bondholders for the liabilities owing becomes uncertain where these creditors reserve their right of legal actions.

    Because of the matters referred to the preceding paragraphs, we were unable to assess whether the going concern assumption is appropriate as to the Group's ability to continue as a going concern in the next twelve months from the date of this report. The resultant effect may cause adjustments to be made to the financial statements and reclassification of accounts for which no such adjustment has been effected in the books. Due to the limitation of scope by the Company where there was no cash flow forecast and profit forecast being provided to us to address the uncertainty surrounding the going concern assumptions, we were unable to determine whether the use of going concern basis is appropriate in the preparation of the financial statements.

    The effect of Covid-19 and the impact of the pandemic is as disclosed in Note 37 *Events after end of reporting period*.

Basis for Disclaimer of Opinion (Cont'd)

2. Recoverability of trade receivables

   i. There are two business segments of the Group. The segments were the fruit beverages, and the canned vegetable and fruits and the trade receivables were RMB 1,135.5 million and RMB 179.8 million respectively. As at 31 December 2019, the trade receivables were RMB 1,315.3 million net of impairment. Towards the end of 2019, a subsidiary, Garden Fresh SZ provided an incentive to the distributors for early repayment of debts where the sales rebates amounted to RMB 87.3 million incurred in December 2019. Another incentive was also similarly made in April 2020. The management has on 25 March 2020, officially implemented such early settlement payment incentives to encourage customers to make prompt payments. Based on the available unaudited management accounts as at 30 June 2020, the money received from Group's trade receivables was RMB 415.1 million and there were deductions amounting to RMB 102.6 million for promotional expenses against the trade receivable as a settlement of debts.

   Because of the matters described in the preceding paragraph, we were unable to ascertain whether the trade receivables as at 31 December 2019 can be recoverable arising from the Covid-19 and the impact of the pandemic.

3. Impairment assessment of property, plant and equipment and non-current assets of the Group

   i. As shown in Note 5 to the financial statements, the carrying amount of the property, plant and equipment (including right-of-use assets and land use rights) as at 31 December 2019 was RMB 1,443.2 million and deposits paid for non-current assets of RMB 633.3 million (Note 10). Property, plant and equipment mainly comprise factory and warehouse premises with carrying amount of RMB 677.1 million and plant and machinery of RMB 655.1 million as at 31 December 2019. The plant and machinery are mainly automated production lines, where the specifications of the machinery are customised towards the Group's requirements of the manufacturing of the beverage, whether in can, glass bottles or plastic. There are two business segments, namely the fruit beverages and canned vegetable and fruits.

   Canned vegetable and fruits segment

   ii. The canned vegetable and fruits segment has a carrying value of RMB 608.4 million for property, plant and equipment, mainly in three locations in the PRC. Nearly 88.5% of these assets are located in Anhui and Shanxian. The canned vegetable and fruits segment's loss before taxation is RMB 59.4 million [Note 32(a)].

   iii. The carrying amount of the property, plant and equipment (including land use rights) recorded in the books of Grandness (Anhui) Foods Co., Ltd. ("**GAH**") was RMB 396.1 million as at 31 December 2019. The production plant for canned vegetable and fruits products in Anhui was fully commissioned in 2018 where there were only two months of production. However, there were no production activities in 2019. There were no employees in GAH since December 2018. No impairment has been made to the financial statements to reflect the impact of the idle plant.

   iv. As at 31 December 2019, the carrying value of the property, plant and equipment (including land use rights) recorded in the books of Grandness (Shanxian) Foods Co., Ltd. ("**GSX**") was RMB 142.2 million, net of impairment of RMB 88.0 million. An impairment loss of RMB 105.1 million was made in FY2018 due to known pending the urban development programme by the municipal. During the financial year ended 31 December 2019, an amount of RMB 17.1 million was reversed upon disposals of certain plant and equipment. The management of the Group subsidiaries indicated that an expected price in the region of RMB 40 million has been informally agreed. There is no formal letter provided from the local authorities to this effect. No adjustment has been made to reduce the carrying amount to the recoverable sum.

   v. In relation to the canned vegetable and fruits production plant in Hubei, the carrying amount of the property, plant and equipment recorded in the books of Grandness (Hubei) Foods Co., Ltd. was RMB 34.6 million as at 31 December 2019. There were no production activities from January to May for both the financial years ended 31 December 2018 and 2019 attributed to seasonality of fruits harvests. There is an indicator of possible impairment to be made.

Basis for Disclaimer of Opinion (Cont'd)

3. Impairment assessment of property, plant and equipment and non-current assets of the Group (Cont'd)

Canned vegetable and fruits segment (cont'd)

vi. As at 31 December 2019, there were deposits of RMB 81.4 million placed with 临沂泉通机械设备有限公司 for two canned fruits production lines (水果罐头生产线) located in Anhui and deposits of RMB 178.6 million placed with 象山双鱼轻工机械有限公司 for another two canned fruits production lines (水果罐头生产线) located in Anhui (Note 10). Based on the unaudited management accounts, the assets for both deposits paid were delivered. However, we did not find the assets during our sighting. There were some dispute as to the contract between 象山双鱼轻工机械有限公司 and the management. We did not receive reply to the confirmation of balance other than a letter of dispute. As explained in paragraph 3(iii) above, there is an indicator of possible impairment to be made.

vii. We were unable to ascertain the recoverability of the deposits paid for non-current assets of RMB 97.7 million placed with 江西雄基钢构建材有限公司 recorded in the books of GAH (Note 10). This is because the deposit paid since FY2016 is for the proposed construction of factory and warehouse facilities where the construction and build-up (using prefabrication) has been on hold as the grounding has not been completed. It was expected to be completed in financial year 2019. Under the PRC rules, there is a breach of contract though not mentioned in the contract. No impairment has been made.

Fruit beverages segment

viii. The fruit beverages segment has a carrying value of RMB 834.8 million for property, plant and equipment, mainly in three locations in the PRC. Nearly 99.6% of these assets are in Hubei, Anhui and Sichuan.

ix. As described in the preceding paragraphs above, one of the Bondholders has the mortgage over the shares in a subsidiary, Garden Fresh Cayman, the immediate holding company of the subsidiaries of the fruit beverages segment. Should the said Bondholder exercise the rights over the mortgage, the value of the property, plant and equipment of the fruit beverages segment would be significantly impaired. The completion long-stop date agreed on 1 May 2020 was already due on 31 August 2020.

x. There was a stoppage of production during the Covid-19 from January 2020 onwards to mid of 2020 and a reduction in distributors. Because of the pandemic, there is an indication of possible adverse changes in the near future arising from market environment in which the Group operates. The carrying amount of the Group's net assets of RMB 3,496.6 million exceeded the Company's market capitalisation of approximately S$34.5 million (RMB 172.4 million) as of 31 December 2019.

xi. Because of the pandemic, a subsidiary, Anhui Garden Fresh Fruit & Vegetable Beverage Co., Limited agreed with a supplier, 江苏星A包装机械集团有限公司 for the manufacture of two beverage production lines (无菌冷罐装饮料罐生产线, 利乐包装功能性饮料灌装生产线) in Anhui and one beverage production line (易拉罐饮料灌装生产线) in Hubei, to refund the deposit money subsequent to year ended 31 December 2019 as the supplier defaulted their contractual obligation to deliver the plants on the agreed time schedule. The said non-current deposits to be refunded stood at RMB 193.2 million as at 31 December 2019. As at the date of this report, the negotiation is still on going as to the proposed schedule of repayment. The management of the Group subsidiaries did not carry out any impairment assessment as to the recoverability of these deposits.

The management of the Group subsidiaries did not duly perform an assessment of the possible impairment as at the reporting date nor there is a profit forecast prepared for impairment assessment in the light of the circumstances as stated herein. Neither is there a valuation report from independent professional valuer made available to us for our review. As of the date of this report, there is no 2019 forecast on the capital budget made available to us though it was indicated in the minute book. We were unable to ascertain the recoverable amount of the idle production plant for the canned vegetable and fruits and fruit beverages as well as the money spent on the new production plant installed in mid of 2020.

Basis for Disclaimer of Opinion (Cont'd)

3. Impairment assessment of property, plant and equipment and non-current assets of the Group (Cont'd)

   No allowance for impairment has been recognised and recorded during the financial year ended 31 December 2019. As at 31 December 2019, accumulated impairment losses of RMB 88.0 million relates to the impairment losses made for GSX.

   On the basis of the matters as described in the preceding paragraphs, we were not able to obtain sufficient appropriate audit evidence to determine the extent of impairment to be made on the carrying amount of the property, plant and equipment and the recoverability of these non-current assets.

4. Other receivables

   - Recoverability of advances to trade suppliers

   - Recoverability of advances to acquire new patents and VAT receivables

   As shown in Note 13 to the financial statements, the carrying amount of the advances to trade suppliers was RMB 638.6 million for money placed to secure the delivery of supplies. The said amount comprised the advances of RMB 473.2 million made to outsourcing manufacturers where a sum of RMB 193.4 million was for the canned fruits and vegetable goods and another sum of RMB 279.8 million for fruits and vegetable beverage goods. The balance of RMB 165.4 million was for advances placed with suppliers of raw materials, packaging materials and others. The advances of RMB 279.8 million for the fruits and vegetable beverage goods made was stipulated in the terms of the contract where a down-payment of 30% is required.

   As at the date of this report, there was a refund of RMB 35.0 million from an outsourcing manufacturer to Shenzhen Grandness Industry Groups Co., Ltd. ("**Shenzhen Grandness**") and RMB 26.1 million payments made by Shenzhen Grandness to outsourcing manufacturers for the canned fruits and vegetable goods. The goods received subsequent to the reporting date totalled RMB 449.3 million. The net balance of RMB 180.4 million from trade suppliers for which the expected delivery for raw materials and packaging materials is considered owing too long a period and they may be credit impaired of which the advances of RMB 35.0 million is for canned fruits and vegetable and the balance of RMB 145.4 million is for vegetable and fruit beverages according to unaudited management accounts as at 30 June 2020. The update is based on the Goods Received Notes, an internal generated document.

   As fully explained in the preceding paragraph, we were unable to determine the recoverability of the advances of RMB 180.4 million made to these trade suppliers.

   In addition to the matter disclosed in relation to advances to suppliers, we were unable to determine the recoverability of advances to acquire new patents of RMB 16.2 million recorded in the books of Garden Fresh SZ and VAT receivable of RMB 18.9 million and RMB 10.2 million recorded in the books of GAH and GSX respectively as at 31 December 2019. The advances to acquire the new patents were paid since 2016.

5. Investments in subsidiaries and amount owing by subsidiaries

   As at 31 December 2019, the Company's cost of investments in the subsidiaries was RMB 328.3 million (Note 7) and the amount owing by subsidiaries were RMB 568.2 million (Note 8).

   As fully explained in paragraphs 3 and 4, the resultant effects caused us to be unable to determine whether the amounts owing by the subsidiaries can be recoverable as well as to the carrying value of the cost of investments made in these subsidiaries as mentioned in Note 7 to the financial statements.

Basis for Disclaimer of Opinion (Cont'd)

6. Intra-group financial guarantee

In so far as to the intra-group financial guarantee for the default of the DEG loan, the Company did not recognise the provision for intra-group financial guarantee contract and no assessment of impairment has been regarded as at the reporting date on the premise that there is a waiver agreed by DEG on the request of the subsidiary, GF Hubei. This is not in compliance with SFRS(I) 9 *Financial Instruments*.

7. Fair value of Exchangeable bonds and liability owing to preference share creditor

As fully explained in Note 22 to the financial statements, the carrying values of the Straight bonds and Exchangeable bonds were RMB 257.4 million and RMB 484.8 million respectively as at 31 December 2019. The Straight bonds are determined based on the interest rate of 10% per annum accrued. The Exchangeable bonds are based on the fair value determined in FY2018. In so far as to the one preference share issued on 22 January 2019, the preference share has not been recorded and recognised in the books. There is no valuer appointed to determine the fair value at the inception date and at the reporting date for the preference share, and the put and call option as well as the fair value for Exchangeable bonds as at 31 December 2019. In this respect, we were unable to determine the application of the split accounting of preference share as to the liability and/or equity component. Accordingly, we were unable to ascertain the fair value of the Exchangeable bonds and the fair value measurement of the preference share as to its liability and/or equity component.

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, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ["**SFRS(I)**"], and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 Group's 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 the financial statements of the Group.

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

i. As disclosed in the 2018 Annual Report, the Group made an application before the SAFE administration on 26 February 2019 to request for the repatriation of profits to the sum of RMB 150 million. Our legal counsel pointed out that the application only need to be applied to the bank with the relevant documents and reiterated that the application is only for the use to declare dividends and not for any other purposes.

INDEPENDENT AUDITOR'S REPORT

To the Members of Sino Grandness Food Industry Group Limited

Report on Other Legal and Regulatory Requirements (Cont'd)

ii. During the financial year ended 31 December 2019, there was a capital injection in GAH of RMB 44.0 million (equivalent to HK$ 50.0 million) by Shenzhen Grandness representing shareholding interest of 83.3% (2018 - Nil) and thereby reducing the holding of Grandness (Hong Kong) industry Co., Ltd. from 100% to 16.7%. The capital contribution of GAH has increased from HK$ 10.0 million to HK$ 60.0 million according to the verification of capital contribution report dated 24 January 2019. However, the money for the capital injected has been withdrawn on the same day to a third party, who is also the provider of the fund for this capital injection. In the verification of capital contribution by the approved PRC auditor, it was affirmed by the then senior personnel of GAH that no fund can be withdrawn. As at 31 December 2019, Shenzhen Grandness is a creditor to GAH of RMB 614.2 million. The verification of capital contribution report certified that the paid up of capital is by way of cash and not otherwise.

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 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 Yeo Boon Chye.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 30 October 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	The Company 31 December 2019 RMB'000	The Company 31 December 2018 RMB'000 (Revised) (Note 38)	The Group 31 December 2019 RMB'000	The Group 31 December 2018 RMB'000
ASSETS					
Non-Current Assets					
Land use rights	4	**–**	–	**–**	106,988
Property, plant and equipment	5	**17**	21	**1,443,220**	1,353,360
Joint venture	6	**–**	–	**–**	–
Subsidiaries	7	**328,260**	329,604	**–**	–
Amount owing by subsidiaries	8	**568,181**	542,592	**–**	–
Deferred tax assets	9(a)	**–**	–	**3,814**	5,832
Deposits paid for non-current assets	10	**–**	–	**633,291**	577,300
		896,458	872,217	**2,080,325**	2,043,480
Current Assets					
Inventories	11	**–**	–	**9,744**	24,323
Trade receivables	12	**–**	–	**1,315,324**	1,584,684
Other receivables	13	**205**	158	**825,041**	340,650
Bank balances, deposits and cash	14	**1,528**	8,199	**600,189**	621,793
		1,733	8,357	**2,750,298**	2,571,450
Total assets		**898,191**	880,574	**4,830,623**	4,614,930
EQUITY					
Capital and Reserves					
Share capital	15	**790,863**	755,344	**790,863**	755,344
(Accumulated losses)/Retained profits		**(252,618)**	(226,580)	**2,415,057**	2,217,486
Other reserves	16	**76,478**	78,496	**289,627**	280,108
		614,723	607,260	**3,495,547**	3,252,938
Non-controlling interests		**–**	–	**1,015**	1,598
Total equity		**614,723**	607,260	**3,496,562**	3,254,536
LIABILITIES					
Non-Current Liabilities					
Obligations under finance leases	19(a)	**–**	–	**–**	2,321
Lease liabilities	19(b)	**–**	–	**1,871**	–
Bank borrowings	20	**–**	–	**3,075**	–
Deferred tax liabilities	9(b)	**–**	1,000	**26,741**	27,741
		–	1,000	**31,687**	30,062
Current Liabilities					
Trade payables	17	**28,322**	21,115	**45,377**	102,729
Other payables	18	**43,041**	35,842	**91,923**	114,312
Obligations under finance leases	19(a)	**–**	–	**–**	3,405
Lease liabilities	19(b)	**–**	–	**2,458**	–
Current tax payable		**–**	–	**43,244**	45,133
Bank borrowings	20	**–**	–	**229,919**	200,897
Convertible loan	21(a)	**–**	–	**–**	–
Loan from a related party	21(b)	**147,224**	144,819	**147,224**	144,819
Amount owing to subsidiaries	8	**64,881**	70,538	**–**	–
Bonds	22	**–**	–	**742,229**	719,037
		283,468	272,314	**1,302,374**	1,330,332
Total liabilities		**283,468**	273,314	**1,334,061**	1,360,394
Total equity and liabilities		**898,191**	880,574	**4,830,623**	4,614,930

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

The Group	Note	**Year ended 31 December 2019 RMB'000**	Year ended 31 December 2018 RMB'000
Revenue	23	**2,934,479**	3,531,113
Cost of sales		**(1,967,848)**	(2,323,740)
Gross profit		**966,631**	1,207,373
Other operating income	24(a)	**22,609**	38,164
Distribution costs	24(b)	**(440,130)**	(490,670)
Administrative expenses	24(c)	**(114,728)**	(146,963)
Cessation of internal production			
- Property, plant and equipment written off	5	**–**	(71,714)
- Loss on disposal of property, plant and equipment	24(g)	**(7,605)**	(9)
- Reversal of impairment loss / (Impairment loss on property, plant and equipment)	5	**17,076**	(105,132)
- Depreciation of property, plant and equipment	5(a)	**(19,323)**	(34,836)
- VAT receivables written off		**–**	(13,676)
- Inventories written off	11	**(2,362)**	(1,983)
		(12,214)	(227,350)
Other operating expenses	24(f)	**(27,777)**	(48,671)
Finance costs	24(d)	**(64,866)**	(57,237)
Profit before income tax, gain on extinguishment of debt and changes in fair values of the derivative in relation to convertible loan, and exchangeable bonds including derivatives		**329,525**	274,646
Gain on extinguishment of debt	21(a)	**–**	55,017
Fair value loss on derivative on convertible loan	21(a)	**–**	(44,105)
Changes in fair value of exchangeable bonds	22	**–**	36,657
Profit before taxation	24(g)	**329,525**	322,215
Taxation	25	**(121,000)**	(168,453)
Profit for the year and representing total comprehensive income		**208,525**	153,762
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**209,108**	154,195
Non-controlling interests		**(583)**	(433)
		208,525	153,762
		Cents RMB	Cents RMB (Revised) (Note 38)
Earnings per share:			
- Basic	26(a)	**19.80**	15.74
- Diluted	26(b)	**17.94**	9.37

Note: There are no other comprehensive income items for both financial years.

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 2019

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 2018		755,344	2,077,139	66,087	(31,413)	219,177	3,086,334	2,031	3,088,365
Total comprehensive income for the year:									
Profit for the year, representing total comprehensive income for the year		–	154,195	–	–	–	154,195	(433)	153,762
Contributions by and distributions to owners:									
Share-based payment expense under ESOS Scheme	16	–	–	12,409	–	–	12,409	–	12,409
Transfer to statutory reserve	16	–	(13,848)	–	–	13,848	–	–	–
		–	(13,848)	12,409	–	13,848	12,409	–	12,409
At 31 December 2018		**755,344**	**2,217,486**	**78,496**	**(31,413)**	**233,025**	**3,252,938**	**1,598**	**3,254,536**
Total comprehensive income for the year:									
Profit for the year, representing total comprehensive income for the year		**–**	**209,108**	**–**	**–**	**–**	**209,108**	**(583)**	**208,525**
Contributions by and distributions to owners:									
Issuance of shares pursuant to share placement	15	**35,519**	**–**	**–**	**–**	**–**	**35,519**	**–**	**35,519**
Share-based payment expense under ESOS Scheme	16	**–**	**–**	**(2,018)**	**–**	**–**	**(2,018)**	**–**	**(2,018)**
Transfer to statutory reserve	16	**–**	**(11,537)**	**–**	**–**	**11,537**	**–**	**–**	**–**
		35,519	**(11,537)**	**(2,018)**	**–**	**11,537**	**33,501**	**–**	**33,501**
At 31 December 2019		**790,863**	**2,415,057**	**76,478**	**(31,413)**	**244,562**	**3,495,547**	**1,015**	**3,496,562**

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 2019

	Note	**Year ended 31 December 2019 RMB'000**	Year ended 31 December 2018 RMB'000 (Revised) (Note 38)
Cash Flows from Operating Activities			
Profit before taxation		**329,525**	322,215
Adjustments for:			
Changes in fair value of exchangeable bonds	22	**–**	(36,657)
Fair value loss on derivative on convertible loan	21(a)	**–**	44,105
Gain on extinguishment of debt	21(a)	**–**	(55,017)
Depreciation of property, plant and equipment	5	**145,589**	139,744
Property, plant and equipment written off	5	**–**	71,714
(Reversal of impairment loss) / Impairment loss on property, plant and equipment	5	**(17,076)**	107,200
Amortisation of land use rights	4	**–**	1,809
Share-based payment expense under ESOS Scheme	16	**(2,018)**	12,409
Loss on disposal of property, plant and equipment	24(g)	**9,119**	9
VAT receivable written off		**–**	13,676
Inventories written off	11	**2,362**	1,983
Advances to acquire patents written off	24(f)	**16,800**	16,200
Trade debts written off	12, 24(f)	**9,816**	12,981
Interest expense	24(d)	**64,866**	57,237
Interest income	24(a)	**(1,093)**	(2,412)
Exchange loss		**4,455**	14,200
Operating cash flows before working capital changes		**562,345**	721,396
Decrease/(Increase) in restricted bank balance		**197**	(197)
Decrease in inventories		**12,217**	11,976
Increase in operating receivables		**(240,835)**	(201,384)
Decrease in operating payables		**(73,159)**	(31,837)
Cash generated from operations		**260,765**	499,954
Income tax paid		**(121,870)**	(165,277)
Interest paid		**–**	(68)
Net cash generated from operating activities		**138,895**	334,609
Cash Flows from Investing Activities			
Acquisition of plant and equipment (Note A)		**(133,592)**	(172,648)
Proceeds from disposal of plant and equipment		**943**	207
Deposits paid for non-current assets (Note A)		**(55,991)**	(215,293)
Amount owing by related parties		**(1,037)**	(1,289)
Interest received		**1,093**	2,412
Net cash used in investing activities		**(188,584)**	(386,611)
Cash Flows from Financing Activities			
Amount owing to a director of the Company		**8,638**	17,646
Decrease in deposits pledged with banks		**7,332**	28,112
Proceeds from share issue	15	**35,519**	–
Advanced partial subscription received from a related party	18	**–**	10,267
Repayment of finance leases liabilities		**–**	(5,616)
Repayment of lease liabilities		**(4,731)**	–
Bank loans obtained		**78,722**	53,670
Bank loans repaid		**(68,963)**	(83,075)
Interest paid		**(20,903)**	(12,919)
Net cash generated from financing activities		**35,614**	8,085
Net decrease in cash and cash equivalents		**(14,075)**	(43,917)
Cash and cash equivalents at beginning of year		**614,264**	658,181
Cash and cash equivalents at end of year	14	**600,189**	614,264

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

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:

	Amount owing to a director of the Company	Amount owing to a related party	Obligations under finance leases	Lease liabilities	Bank borrowings	Convertible loan	Loan from a related party	Pledged deposits	Bonds: Straight bonds	Bonds: Exchangeable bonds
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017	35,622	–	10,745	–	207,800	141,867	–	35,444	212,758	521,449
Cash flow										
Additions	17,646	10,267	–	–	53,670	–	–	–	–	–
Repayments of principal/interest	–	–	(5,616)	–	(83,075)	(7,687)	(5,232)	–	–	–
Gain on extinguishment of debt	–	–	–	–	–	(55,017)	–	–	–	–
Discharge of deposits pledged with banks	–	–	–	–	–	–	–	(28,112)	–	–
Non-cash changes										
Fair value loss on derivative on convertible loan	–	–	–	–	–	44,105	–	–	–	–
Changes in fair value of exchangeable bonds	–	–	–	–	–	–	–	–	–	(36,657)
Accrued interest	–	–	597	–	14,978	7,524	12,583	–	21,487	–
Exchange translation	–	–	–	–	7,524	(2,321)	8,997	–	–	–
Convertible loan reclassified to loan from a related party	–	–	–	–	–	(128,471)	128,471	–	–	–
At 31 December 2018	53,268	10,267	5,726	–	200,897	–	144,819	7,332	234,245	484,792
Cash flow										
Additions	**8,638**	**–**	**–**	**–**	**78,722**	**–**	**–**	**–**	**–**	**–**
Repayments of principal/interest	**–**	**–**	**–**	**(4,731)**	**(68,963)**	**–**	**(20,903)**	**–**	**–**	**–**
Discharge of deposits pledged with banks	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,332)**	**–**	**–**
Non-cash changes										
Adoption of SFRS(I) 16: Finance leases reclassified to lease liabilities	**–**	**–**	**(5,726)**	**5,726**	**–**	**–**	**–**	**–**	**–**	**–**
Additions of principal	**–**	**–**	**–**	**2,851**	**–**	**–**	**–**	**–**	**–**	**–**
Additions of interest	**–**	**–**	**–**	**483**	**–**	**–**	**–**	**–**	**–**	**–**
Accrued interest	**–**	**–**	**–**	**–**	**20,243**	**–**	**20,948**	**–**	**23,192**	**–**
Exchange translation	**–**	**–**	**–**	**–**	**2,095**	**–**	**2,360**	**–**	**–**	**–**
At 31 December 2019	**61,906**	**10,267**	**–**	**4,329**	**232,994**	**–**	**147,224**	**–**	**257,437**	**484,792**

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 2019

Reconciliation of liabilities arising from financing activities (Cont'd)

Note A :

Property, plant and equipment

During the financial year ended 31 December 2019, the Group acquired property, plant and equipment with an aggregate cost of RMB 121.2 million (2018 - RMB 321.5 million), of which RMB Nil (2018 - RMB 128.5 million) was transferred from deposits paid for non-current assets and RMB 2.9 million was from additions of right-of-use assets. Cash payments of RMB 133.6 million (2018 - RMB 172.6 million) were made to purchase property, plant and equipment. As at 31 December 2019, the amount owing to contractors and suppliers of property, plant and equipment recorded under "Other payables" totalled RMB 5.1 million (2018 - RMB 20.4 million) (Note 18).

Deposits paid for non-current assets

At 31 December 2019, the Group recorded RMB 633.3 million (2018 - RMB 577.3 million) as deposits paid for non-current assets. During the financial year ended 31 December 2019, cash payments of RMB 56.0 million (2018 - RMB 215.3 million) were made. There was no transfer of deposits paid for non-current assets to plant and equipment during the financial year ended 31 December 2019 (2018 - RMB 128.5 million, excluding a sum of RMB 20.5 million relating to VAT).

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

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

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 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712. The principal place of business of the Group was located at 56th Floor Tower A, Union Plaza, No. 5022, Binhe Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China ("**PRC**").

Since 1 May 2019, the principal place of business of the Group is re-located to 7/F, Unit 0729, Block 2B, Skyworth Inno Valley, 1 Tangtou Road, Shiyan Street, Baoan District, Shenzhen, The PRC.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

2(a) Going concern basis

As at 31 December 2019, the Company's current liabilities exceeded its current assets by RMB 281.7 million (2018 - RMB 264.0 million).

The Group has net current assets of RMB 1,447.9 million (2018 - RMB 1,241.1 million), cash and cash equivalents of RMB 600.2 million (2018 - RMB 621.8 million) as shown in the consolidated statement of financial position as at 31 December 2019 and has net positive operating cash flows of RMB 138.9 million (2018 - RMB 334.6 million).

The Group nevertheless continued to default on the repayment of loan owing to Soleado Holdings Pte. Ltd. ("**Soleado**") with interest thereon of RMB 147.2 million (US$ 21.1 million) [2018 - RMB 144.8 million (US$ 21.1 million)] as at 31 December 2019 which was due on 6 January 2019 (originally due on 16 May 2018) and the Deutsche Investitions-und Entwicklungsgesellschaft ("**DEG**") loan with interest thereon of RMB 169.8 million (US$ 24.3 million) [2018 - RMB 157.2 million (US$ 22.9 million)] as at 31 December 2019. The subsidiaries in the People's Republic of China ("**PRC**") were not able to repatriate fund to the Company to allow the Company to pay off its debts to Soleado.

The following disclosures are made in response to the going concern assumptions:

(a) <u>Default of indebtedness for loan from Soleado</u>

During the financial year ended 31 December 2019, the Company was served with several letters of demand since 8 January 2019 by Soleado for the sum of US$ 20.0 million (equivalent to RMB 139.5 million) and interest on loan ("**Soleado loan**"). Soleado is a wholly-owned subsidiary of Thoresen Thai Agencies Public Company Limited, a company listed with the Stock Exchange of Thailand. The Soleado loan was due on 6 January 2019 but was not repaid. The original due date was 16 May 2018. This constituted an event of default under the terms of the Soleado loan. A standstill up to and including 31 December 2019 was provided by Soleado in July 2019 to the Company upon the payment of US$ 1.5 million (RMB 10.8 million) on 29 August 2019. The money was repaid and disbursed from the share placement of S$ 3.4 million (RMB 17.3 million) on 10 July 2019.

Since then, there was no further payment made to 31 December 2019. Soleado has communicated to us upon our request, that there were several attempts made for immediate demand of debts or at least partial repayment to be made by the Company. On 5 June 2020, Soleado informed the Company in writing, that the shareholders of Soleado may require the company 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 Mr Huang Yu Peng 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.

As at 31 December 2019, the loan remained outstanding was RMB 147.2 million (2018 - RMB 144.8 million).

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

(b) Default of indebtedness for bank loan for Deutsche Investitions-und Entwicklungsgesellschaft ("**DEG**")

i. In the financial year ended 31 December 2018, a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited ("**GF Hubei**") defaulted its loan obligation to a foreign bank, Deutsche Investitions-und Entwicklungsgesellschaft ("**DEG**") on the principal sum for the second instalment of US$ 2.5 million together with interest thereon in October 2018. Under the terms of the DEG loan agreement, the failure to repay any amounts due under the DEG loan constitutes an event of default whereby DEG is entitled to demand immediate repayment of all the loans and any accrued interest due by the Group and to terminate the loan agreement with immediate effect.

ii. On 22 January 2019, DEG demanded immediate repayment of US$ 22.9 million (RMB 157.2 million) together with the default interest. Only the accrued interest on the bank loan was paid by the disbursement of US$ 0.5 million on 28 June 2019 from the share placement proceeds. With the payment made, the bank agreed and accepted the standstill up to and including 31 December 2019.

iii. There was no further payment made to 31 December 2019. GF Hubei continues to negotiate with the bank for further extension of time. On 28 August 2020, the bank confirmed that they reserve the right to demand for immediate repayment for the bank loan from GF Hubei as well as the guarantors which are Garden Fresh Group Limited, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited ("**Garden Fresh SZ**") and the Company itself. The guarantors have also been served with letters of demand dated 21 January 2019 and 22 January 2019. The bank is fully aware that GF Hubei had complied with the requirements of the State Administration of Foreign Exchange ("**SAFE**") regulations.

iv. The said bank loan is secured by way of GF Hubei's assets in Hubei. The carrying amount of the secured assets totalled RMB 481.5 million (2018 - RMB 499.5 million) as at 31 December 2019 [See Note 20(h)]. Should the bank exercise their rights to freeze the assets upon applying for Court Order, the effect and impact of the businesses of fruit beverages and canned foods will be severely affected. As of the date of this financial statements, there is no repayment made of the defaulted loan with accrued interest thereon.

v. DEG and GF Hubei entered into an agreement ("**Settlement Agreement**") dated 1 October 2020 where a director of the Company, Mr. Huang Yu Peng acknowledged on 12 October 2020 to the effect that the bank shall not claim any remaining outstanding amount if GF Hubei shall pay to the bank an amount of US$ 2.6 million until 10 November 2020.

vi. The Settlement Agreement causes the bank to have a significant haircut due to the waiver of debt agreed by the bank to the said subsidiary. This executory document only becomes effective upon full payment of US$ 2.6 million as mentioned above.

As at 31 December 2019, the loan owing to the bank was RMB 169.8 million (2018 - RMB 157.2 million).

(c) Liabilities owing to Bondholders

i. Under 2016 Restructuring, all the shares issued as fully paid up and registered in the name of Grandness (HK) Industry Co., Ltd. ("**Grandness HK**") are mortgaged and charged in favour of GS pursuant to a share mortgage dated 21 April 2016, as amended from time to time. This charge was entered into the Register of Members of Garden Fresh Group Holding Co., Ltd. ("**Garden Fresh Cayman**") on 10 May 2016. Based on the search of the relevant companies, the register of charge is still valid. The Bondholders comprise several parties including institutional investors.

ii. Under the 2017 Restructuring Agreement, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited ("**Garden Fresh (HK)**") is to fully redeem the 2011 SB2 bonds and 2012 SB2 bonds at a redemption price equal to 100% of the aggregate principal amount of RMB 178,562,000 (Note 22), together with any interest accrued up to the due date, 28 September 2017.

iii. On 17 January 2019, the Company announced that it entered into an Amended and Restated 2018 Restructuring Agreement ("**2018 RRA**") dated 14 January 2019 with the Bondholders in relation to the extension of bond repayment dates.

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

(c) Liabilities owing to Bondholders (Cont'd)

iv. The 2018 RRA contains cross default provisions which provide for the acceleration or payment of debt obligations upon any default or failure to pay or satisfy any obligations under any other agreement, namely the "**Cross Default Warranty**". Up to the Completion Date, under the 2018 RRA, all obligations of the Parties shall cease and all rights and remedies of the Bondholders shall remain actionable without any further demand or notice.

v. In addition, there is a Standstill provision which forbears the Bondholders from taking any action to claim or enforce the obligations of the Group to repay the amounts due and payable, including all accrued and unpaid interest to the Bondholders only if there is no occurrence of an event of default up to the Completion Date.

vi. Under the terms of the 2018 RRA, the full redemption of the principal sum of the 2012 SB2 Bonds and 2011 SB2 Bonds of RMB 128,250,000 and RMB 50,312,500 respectively with interest thereon shall be repaid on the Completion Date i.e. 13 January 2020.

vii. In May 2020, the subsidiary, Garden Fresh (HK) negotiated with the Bondholders to allow for extension of time. The majority of the Bondholders agreed but not in writing to provide a further extension of time for the long stop up to 31 August 2020 without agreement to the standstill. The Bondholders have requested the Group to provide a repayment plan including any restructuring which they were prepared to explore on the stipulated date on or before 30 September 2020. Amongst other conditions, the Bondholders demanded a repayment of SB2 Bonds of principal sum of RMB 128.3 million together with interest thereon of RMB 193.9 million, calculated as at 30 June 2020. As of the date of this financial statements, there is no formal agreed plan between the Bondholders and the Group. The Company only indicates that there may be possible fund to be borrowed from financial institutions to repay the borrowings.

viii. As at 31 December 2019, the amounts owing to the Bondholders were RMB 742.2 million (2018 - RMB 719.0 million), which comprise the Straight Bonds of RMB 257.4 million (2018 - RMB 234.2 million) and Exchangeable Bonds of RMB 484.8 million (2018 - RMB 484.8 million), including interests thereon. As at the date of this report, the cash redemption has not been met on due date 13 January 2020. On this basis, the Bondholders have the right to exercise the mortgaged shares as mentioned herein.

ix. At the date of this financial statements, there is no indication of affirmative funding from external parties which the Group is currently seeking such possible fund raising exercise. Based on the 2018 annual report, there was an upcoming investor, Baoao Equity Investment Partnership (LLP) (广东宝傲股权投资合伙企业(有限合伙)) for a possible fund of US$ 30.0 million. The Group holds this placement on abeyance and is at exploring stage.

(d) Preparation of Group's cashflow forecast and profit projection

Having regard to the need to prepare forecast for the cashflow and profit projection for the next 12 months from the reporting date, the directors of the Company and the Group are aware of the multiple uncertainties which may affect the appropriateness of the going concern assumption in the light of the circumstances, namely, with the following conditions and events:

- the outcome of the repayment of liabilities owing to creditors and the possible legal actions and the implications of the cross-default provisions as mentioned herein;
- the impact on the pandemic as to the disruptions of business in particular to the distributors for sales orders and the effect on cessation of contract manufacturers for beverage business;
- the management of working capital whether it is sufficient in the light of immediate repayment of liabilities owing to creditors as long overdue;
- the outcome of fund raising to the sum of RMB 800 million from two financial institutions in the PRC/Hong Kong (as announced by the Company on 12 September 2020); and

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

(d) Preparation of Group's cashflow forecast and profit projection (Cont'd)

- as well as management's future plan based on available information at the time at which the critical judgement and significant estimates were made.

Furthermore, there was a mismatch of the timing of receipts from trade receivables and payments made to trade suppliers. The collection from trade receivables was slow (Note 12). On the other hand, the suppliers not only demanded immediate payment but also down-payment before committing to supply raw materials in December 2019. The advances to trade suppliers have significantly increased from RMB 77.0 million as at 31 December 2018 to RMB 638.6 million as of 31 December 2019 (see Note 13).

2(b) Basis of preparation

The financial statements have incorporated the revisions made in response to the 4 queries raised by the Accounting and Corporate Regulatory Authority in their letter dated 20 November 2019 in relation to the FY2017 audited financial statements ("**FY2017**") as described in Note 38. The impacts of the revision to FY2018 audited financial statements are disclosed in Note 38 to the financial statements.

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") under the historical cost convention, except for non-compliances with:

- SFRS(I) 36 *Impairment of Assets* regarding impairment of non-financial assets;

- SFRS(I) 109 *Financial Instruments* regarding impairment of financial assets, valuation of exchangeable bonds, recognition and measurement of put and call option and preference share and intra-group financial guarantee; and

- the consequential effects of above on the computation of EPS as per SFRS(I) 1-33 *Earnings Per Share*.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

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.

Significant judgements and accounting estimates

The preparation of the financial statements in conformity with SFRS(I) 1 requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

Significant judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amount recognised in the financial statements:

2(b) Basis of preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

Determining Cash Generating Units ("**CGU**")

In performing impairment assessments of non-financial assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The management of the Company has exercised judgement and has identified three CGUs of the Group:

- all entities in the manufacturing and sale of canned vegetables and canned fruits as a single CGU;
- all entities in the sale of fruit juices as a single CGU; and
- entity in the sale of vegetable and fruits snacks as a CGU.

According to the assessment by the management of the Company, the following support the determination of the CGUs of the Group:

- pricing is controlled and set centrally by the head office across all products by category (canned vegetable and fruits and fruit beverages); and
- prices of products purchased from manufacturing entities take into account of the subsequent sale to external distributors.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Impairment of property, plant and equipment (Note 5)

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on the higher of the value-in-use of the asset and the fair value less costs to sell based on techniques as disclosed in Note 5 to the financial statements. These calculations require the use of judgements and estimates.

The key assumptions and estimates are disclosed in Note 5 to the financial statements.

In the financial year ended 31 December 2019, the management did not perform an assessment of the possible impairment of property, plant and equipment (including land use rights and right-of-use assets) as at the reporting date.

Joint venture (Note 6)

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 6 to the financial statements.

2(b) Basis of preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

Income taxes (Notes 9 and 25)

The Group has exposure to income taxes in the jurisdictions in which it operates. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The extent of deferred taxation provided on the undistributed profits of the Company's PRC subsidiaries is disclosed in Note 9(b) to the financial statements.

Critical accounting estimates and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation of property, plant and equipment (Note 5)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2019 is RMB 1,443.2 million (2018 - RMB 1,353.4 million). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the Group's property, plant and equipment differ by 10% from the management's estimates, the carrying amount of the Group's property, plant and equipment will be approximately RMB 16.2 million (2018 - RMB 15.5 million) lower and RMB 13.2 million (2018 - RMB 12.7 million) higher.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 5 to the financial statements.

Useful lives of factory and warehouse premises and plant and machinery (Note 5)

Factory and warehouse premises and plant and machinery are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these assets to be 10 to 40 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of factory and warehouse premises and plant and machinery differ by 10% from the management's estimates, the carrying amount of the Group's factory and warehouse premises and plant and machinery will be approximately RMB 15.8 million (2018 - RMB 15.5 million) lower and RMB 12.9 million (2018 - RMB 12.7 million) higher.

The carrying amount of the Group's factory and warehouse premises and plant and machinery at the end of the reporting period is disclosed in Note 5 to the financial statements.

Leases - incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

2(b) Basis of preparation (Cont'd)

Critical accounting estimates and key sources of estimation uncertainty (Cont'd)

Leases - incremental borrowing rate (cont'd)

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

When measuring lease liabilities, the Group discounted lease payments using the applicable IBR at 8.44% per annum. A change of 1% in the estimated IBR is not expected to have a significant change on the right-of-use assets and lease liabilities.

Allowance for inventory obsolescence (Note 11)

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.

If the net realisable value of the inventories decrease by 10% from management's estimates, the Group's results may decrease by RMB 1.0 million (2018 - RMB 2.4 million).

Provision for expected credit losses of trade receivables (Note 12)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates over the last three financial years. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. Notwithstanding the above, the Group evaluates the ECL on customers in financial difficulties, if any, separately.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Note 12 to the financial statements.

In the financial year ended 31 December 2019, the management did not perform an assessment of the possible impairment of trade receivables as at the reporting date.

Impairment of other financial assets and financial guarantee [Notes 8, 13, 14 and 31(iii)]

The impairment provisions for other financial assets including, intercompany balances, other receivables, cash and cash equivalents and financial guarantee are based on assumptions about risk of default and expected loss rates. The Group uses judgement 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 8, 13 and 14 to the financial statements.

2(b) Basis of preparation (Cont'd)

Critical accounting estimates and key sources of estimation uncertainty (Cont'd)

Fair value measurements and valuation processes

To the extent of fair value measurements of the exchangeable bonds for financial reporting purposes and for certain assets and liabilities of the Group, the Board of Directors of the Group uses their judgement in adopting appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

In relation to the valuation of the exchangeable bonds which were restructured on 28 June 2018, management had classified and measured the exchangeable bonds as a hybrid financial liability instrument with embedded derivative at fair value through profit or loss and accounted for the straight bonds at amortised cost.

In estimating fair value of an asset or a liability, the Group uses market-observable data to the extent it is available and engages third party qualified valuers to perform the valuation. The Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Chief Financial Officer reports the valuation findings to the Board of Directors of the Group at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets and/or liabilities.

- Exchangeable bonds

The fair value of the exchangeable bonds was determined using the Discounted Cash Flow method, which was subject to the limitations of the said method that incorporated certain unobservable market data. It also involved uncertainties in estimates and assumptions used by the directors of the Company. As the Discounted Cash Flow method required input of highly subjective assumptions in deriving inputs such as liquidity and specific premiums, changes in subjective input assumptions could materially affect the fair value estimates.

Details of the assumptions used are disclosed in Note 33.6 to the financial statements.

In the financial year ended 31 December 2019, there is no valuer appointed to determine the fair value of the exchangeable bonds as at the reporting date. The exchangeable bonds was based on the fair value determined in FY2018. The carrying amount of the exchangeable bonds is RMB 484.8 million (2018 - RMB 484.8 million) as at 31 December 2019.

- Derivative on convertible loan

In relation to the convertible loan, the lender, Soleado Holdings Pte. Ltd. was only entitled to exercise the right to convert the loan into new shares of the Company during a stipulated timeframe up till 16 May 2018.

The fair value of derivative on convertible loan was measured for the period up till 16 May 2018 using the Discounted Cash Flow method that incorporated certain unobservable market data, uncertainties in estimates and assumptions used by the directors of the Company. The said method required input of highly subjective assumptions in deriving inputs such as volatility rate and liquidity premium. Changes in subjective input assumptions could materially affect the fair value estimates.

Details of the assumptions used are disclosed in Note 33.6 to the financial statements.

Since 17 May 2018, the convertible loan became a plain vanilla debt being loan from Soleado Holding Pte. Ltd., a shareholder of the Company.

2(c) Interpretations and amendments to publish standards effective in 2019

On 1 January 2019, the Company and the Group have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("**SFRS(I) INT**") and amendments to SFRS(I), where applicable, that are mandatory for application for the financial year. Changes to the Company's and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I). This includes the following:

Reference	**Description**	**Effective date (Annual periods beginning on or after)**
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I)		
SFRS(I) 9	Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 1-12	Income Tax Consequences of Payments on Financial Instruments Classified as Equity	1 January 2019
SFRS(I) 1-28	Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 1-19	Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 1-23	Borrowing Costs Eligible for Capitalisation	1 January 2019
SFRS(I) 3, SFRS(I) 11	Previously held Interests in a Joint Operation	1 January 2019

The adoption of these new or amended SFRS(I) and SFRS(I) INT, where applicable, did not result in substantial changes to the Company's and the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

Adoption of SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

(a) *When the Group is the lessee*

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the statements of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 3 "**Leases**" to the financial statements.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

2(c) Interpretations and amendments to published standards effective in 2019 (Cont'd)

Adoption of SFRS(I) 16 *Leases* (Cont'd)

(a) *When the Group is the lessee* (Cont'd)

(ii) On a lease-by-lease basis, the Group has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

d) applied lease of low-value assets recognition exemption for certain leases; and

e) excluded initial direct costs in the measurement of the right-of-use ("**ROU**") asset at the date of initial application.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of transition. Comparative information is not restated.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liabilities as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) *When the Group is the lessor*

There are no material changes to accounting by the Group as a lessor.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Note	Increase/ (decrease) RMB'000
ROU assets	5	121,575
Property, plant and equipment		(14,361)
Other receivables		(226)
Land use rights	4	(106,988)
Lease liabilities	19(b)	5,726
Obligations under finance leases	19(a)	(5,726)

2(c) Interpretations and amendments to published standards effective in 2019 (Cont'd)

Adoption of SFRS(I) 16 *Leases* (Cont'd)

(b) *When the Group is the lessor (Cont'd)*

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the statements of financial position as at 1 January 2019 is as follows:

	Note	Increase/ (decrease) RMB'000
Operating lease commitment disclosed as at 31 December 2018	31(i)(A)	2,194
Less: Short-term leases and low-value assets exempted from recognition		(2,194)
Add: Obligations under finance leases recognised as at 31 December 2018 reclassified to lease liabilities		5,726
Lease liabilities recognised as at 1 January 2019		5,726

2(d) SFRS(I) not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and where relevant, which the Group has not early adopted:

Reference	**Description**	**Effective date (Annual periods beginning on or after)**
Various	Amendments to References to the Conceptual Framework in SFRS(I)	1 January 2020
Amendments to SFRS(I)		
SFRS(I) 3	Definition of a Business	1 January 2020
	Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-1, SFRS(I) 1-8	Definition of Material	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7	Interest Rate Benchmark Reform	1 January 2020
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
SFRS(I) 1-16	Proceeds before Intended Use	1 January 2022
SFRS(I) 1-37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
SFRS(I) 1-17	Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 10, SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors do not anticipate that the adoption of the above SFRS(I)s (if relevant) in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

3 Significant accounting policies

The accounting policies used by the Company and by the Group have been applied consistently to all periods presented in these financial statements.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, incomes and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive losses are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee, if and only if, the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3 Significant accounting policies (Cont'd)

Consolidation (Cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

<u>Acquisitions</u>

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business combination comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

<u>A change in the ownership interest</u>

A change in the Group's ownership interests in subsidiaries that does not result in the Group losing control over the subsidiaries is accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

<u>Disposals</u>

When a change in the Group's ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

3 Significant accounting policies (Cont'd)

Consolidation (Cont'd)

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

Land use rights have been reclassified to right-of-use assets presented within "Property, plant and equipment" in the consolidated balance sheets. See accounting policy "**Leases**".

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method to allocate the depreciable amount of the assets over the estimated useful lives 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
Land use rights	50 years

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

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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, and adjusted as appropriate at each reporting date as a change in estimates to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial period the asset is derecognised.

3 Significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

Right-of-use of assets under leasing arrangements 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 5(e) to the financial statements. See also accounting policy "**Leases**".

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 the consolidated income statement 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 consolidated statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have 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.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group reassesses whether the type of joint arrangement in which it is involved has changed when facts and circumstances change. The Group does not have any joint arrangement classified as joint operation.

Investments in joint ventures at company level are stated at cost. The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method.

Under the equity method, the investment in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The profit or loss reflects the share of results of operations of the joint venture. Distributions received from the joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transaction between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

When the Group's share of losses in the joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss, on the Group's investment in joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

3 Significant accounting policies (Cont'd)

Financial assets

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

Classification

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. Other than debt instruments at amortised cost, the Group has not designated any financial assets at fair value through profit or loss and fair value through other comprehensive income.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, bank deposits pledged and trade and other receivables.

The Group's business model for these financial assets is by collecting the contractual cash flow where those cash flows represent solely payments of principal and interest, measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33.3 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables and cash and bank deposits, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

3 Significant accounting policies (Cont'd)

Financial assets (Cont'd)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The Company and the Group do not designate the derivative financial instrument as a hedging instrument. Consequently, the fair value changes on derivatives, if any, that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss when the changes arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Provision is made for obsolete, slow-moving and defective inventories, if any, in arriving at the net realisable value.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits net of pledged deposits and restricted bank balances. For bank balances subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

Financial liabilities

The Company's and the Group's financial liabilities include straight bonds, borrowings, lease liabilities/obligations under financial leases, trade payables, other payables and related party balances.

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

3 Significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statements of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are considered as current.

Borrowing costs

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.

Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting year end date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as Discounted Cash Flow method and Binomial Option Pricing Model are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

3 Significant accounting policies (Cont'd)

Convertible loan

The liability component was recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It was subsequently carried at amortised cost using the effective interest method until the liability was extinguished on conversion or redemption of the loan.

Conversion option

If the conversion option in a convertible loan was settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the issuer's own equity instruments, the conversion option was a derivative liability. The derivative was required to be carried at fair value with changes in fair value recognised in profit or loss.

On issuance of such convertible loan, the proceeds were allocated between the embedded equity conversion option and the liability component. The embedded option was recognised at its fair value. The liability component was recognised as the difference between total proceeds and the fair value of the equity conversion option.

The equity conversion option was subsequently carried at its fair value with fair value changes recognised in profit or loss. The liability component was carried at amortised cost until the liability was extinguished on conversion or redemption.

When an equity conversion option was exercised, the carrying amounts of the liability component and the equity conversion option were derecognised with a corresponding recognition of share capital.

Bonds

Exchangeable bonds

Financial liabilities classified as "fair value through profit or loss" have been designated as such by management upon initial recognition, on an instrument-by-instrument basis. Management may designate a financial instrument as at fair value through profit or loss upon initial recognition when one of the following conditions is met:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency.
- The liabilities are part of a group of financial liabilities or financial assets and liabilities that are managed and whose performance is evaluated on a fair value basis.
- The liabilities are hybrid financial instruments containing at least one embedded derivative, SFRS(I) 9 permits the entire contract to be designated as at fair value through profit or loss.

The Group has classified and measured the exchangeable bonds as a hybrid instrument with an embedded derivative at fair value through profit or loss upon its inception on 28 June 2018 following the restructuring of the exchangeable bonds and straight bonds. Changes in the fair value of the exchangeable bonds are recognised in profit or loss in the year when changes arises.

There is no financial liability as at fair value through profit or loss on the exchangeable bonds for which the effect of the changes in the liability's credit risk is required to be recognised in other comprehensive income.

Derivative financial instruments - Put and call options

Put and call options are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately. Put and call options are derecognised when the option holder exercised the option or when the option is expired.

Straight bonds

See accounting policy "**Financial liabilities**".

3 Significant accounting policies (Cont'd)

Financial guarantees

The Company has issued corporate guarantees to banks for bank facilities of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their facilities. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

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.

Leases

The accounting policy for leases **before 1 January 2019** are as follows:

Where the Group is the lessee,

Finance leases

When assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "**Property, plant and equipment and depreciation**".

Operating leases

Rentals on operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

3 Significant accounting policies (Cont'd)

Leases (Cont'd)

The accounting policy for leases **before 1 January 2019** are as follows (Cont'd):

Where the Group is the lessor,

Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

The accounting policy for leases **from 1 January 2019** are as follows:

Where the Group is the lessee,

At the inception of the contract, the Group assesses if the contract contains a lease. A contract 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. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets are measured at cost which comprise the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

This right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For all contracts that contain both lease and non-lease components, if any, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

3 Significant accounting policies (Cont'd)

Leases (Cont'd)

The accounting policy for leases **from 1 January 2019** are as follows (Cont'd):

Where the Group is the lessee (Cont'd),

Lease liabilities (Cont'd)

Lease liability is subsequently measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to 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.

Lease liability is presented as a separate line item in the statements of financial position.

Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments, if any, that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments. The Group has no variable lease payments.

Where the Group is the lessor,

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liability has been recognised in respect of certain of the temporary differences associated with undistributed earnings of certain subsidiaries of the Group. The Group has determined that not all the undistributed earnings of the subsidiaries will be distributed in the foreseeable future. Withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China.

3 Significant accounting policies (Cont'd)

Income taxes (Cont'd)

When the Group pays dividends to its shareholders, the Group may be required to pay a portion of the dividends to tax authorities on behalf of shareholders. In many jurisdictions, this amount is referred to as a withholding tax. Such an amount paid or payable to tax authorities is charged to equity as a part of the dividends. Under the laws of the PRC, where the operating subsidiaries of the Company was located, a 5% withholding tax was required to be imposed on dividends declared to overseas holding companies.

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

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(b) based on the tax consequence that will follow from the manner in which the Company and the Group expect, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a transaction which is recognised either in other comprehensive income or directly in equity.

Value-added tax

The Group's sales of goods in the PRC are subjected to Value-added tax ("**VAT**") at the applicable tax rate of 17%/16% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT subject to agreement by the tax authority. The Group's export sales are not subject to VAT.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the consolidated statement of financial position.

Employee benefits

<u>Defined contribution schemes</u>

The Company and the Group participate 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. The contributions to national pension schemes are charged to profit or loss in the period as incurred to which the contributions relate.

<u>Employee leave entitlements</u>

No provision has been made for employee leave entitlements as any unconsumed annual leave will be forfeited.

3 Significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Employee share option scheme ("**ESOS Scheme**")

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. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant.

Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Company revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued.

In the Company's separate financial statements, the fair value of options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified. If the original terms of the award are met, an additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Directors are considered key management personnel.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company and the Group if that person:

 (i) has control or joint control over the Company;

 (ii) has significant influence over the Company; or

 (iii) is a member of the key management personnel of the Company or the Group or of a parent of the Company.

(b) An entity is related to the Company and the Group if any of the following conditions applies:

 (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

 (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

 (iii) both entities are joint ventures of the same third party;

 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

3 Significant accounting policies (Cont'd)

Related parties (Cont'd)

(b) An entity is related to the Company and the Group if any of the following conditions applies (Cont'd):

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill, if any, is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

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 if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

3 Significant accounting policies (Cont'd)

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

(a) Sale of goods

The Group contracts with customers for sales of food and beverage products. Revenue is recognised at the point in time when the control of the asset is transferred to the customer, generally when risk and reward of the goods is transferred, i.e. when goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and promotional incentives. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

(b) Rendering of services

The Group provides delivery services. These services are bundled together with the sale of goods to a customer. The sale of goods and the rendering of services are treated as separate deliverables of bundled sales. The consideration received or receivables are allocated between these deliverables based on relative stand-alone selling prices of each deliverable.

The delivery services will be recognised over time and its stage of completion is measured using the actual time incurred to date compared to the estimated time needed to complete the delivery services. Costs relating to the fulfilment of the delivery services are classified as costs of goods sold under SFRS(I) 15.

The Group assesses each contract and determines two distinct performance obligations which are satisfied at different timings. This is applicable to the Group's overseas trading businesses where shipping services are provided mainly under Cost and Freight ("**CFR**") international commercial term ("**incoterm**"), which is considered as a distinct service and, therefore, a separate performance obligation to which a proportion of the transaction price should be allocated and recognised over time as the shipping services are provided.

The extent of the shipping costs under CFR incoterm for the financial years ended 31 December 2018 and 2019 are regarded trivial.

(c) Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

(d) 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)**

Functional currency

Functional and presentation currency

Items included in the consolidated financial statements of the Company and of the Group are measured using the currency of the primary economic environment in which the Company and the Group operate in ("**the functional currency**"). The consolidated financial statements of the Group are presented in RMB, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualified as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss within "Finance costs". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Operating segments

For management purposes, operating segments are organised based on their products which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the Chief Executive Officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

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 financial 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.

4 Land use rights

The Group	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Cost			
Balance at beginning of year		**119,977**	119,977
Reclassification on adoption of SFRS(I) 16	5	**(119,977)**	–
Balance at end of year		**–**	119,977
Accumulated amortisation			
Balance at beginning of year		**12,989**	11,180
Reclassification on adoption of SFRS(I) 16	5	**(12,989)**	–
Amortisation for the year	24(c) & 24(g)	**–**	1,809
Balance at end of year		**–**	12,989
Net book value		**–**	106,988

The reclassification to right-of-use assets within property, plant and equipment as at 1 January 2019 on adoption of SFRS(I) 16 is as disclosed in Note 2(c) and Note 5(e) to the financial statements.

5 Property, plant and equipment

The Company	**Office equipment RMB'000**
Cost	
At 1 January 2018	61
Additions	12
At 31 December 2018 and **at 31 December 2019**	73
Accumulated depreciation	
At 1 January 2018	47
Depreciation for the year	5
At 31 December 2018	**52**
Depreciation for the year	**4**
At 31 December 2019	**56**
Net book value	
At 31 December 2019	**17**
At 31 December 2018	21

5 Property, plant and equipment (Cont'd)

The Group	Office premises RMB'000	Factory and warehouse premises RMB'000	Renovation 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	Total RMB'000
Cost									
At 1 January 2018	–	757,515	3,521	857,193	3,584	2,670	66,341	–	1,690,824
Additions	–	104,798	–	200,112	12	113	16,442	–	321,477
Reclassifications	–	49,090	–	31,986	–	–	(81,076)	–	–
Disposals	–	–	–	(672)	(19)	(31)	–	–	(722)
Written off	–	(44,559)	(1,381)	(95,182)	(238)	(610)	(1,229)	–	(143,199)
At 31 December 2018	–	866,844	2,140	993,437	3,339	2,142	478	–	1,868,380
Adoption of SFRS(I) 16	–	331	–	–	–	–	–	119,977	120,308
Additions	2,851	28,677	2,642	87,041	–	10	–	–	121,221
Disposals	–	(35)	–	(21,420)	(118)	(266)	(249)	–	(22,088)
Other adjustments	–	–	–	248	141	293	249	–	931
At 31 December 2019	2,851	895,817	4,782	1,059,306	3,362	2,179	478	119,977	2,088,752
Accumulated depreciation									
At 1 January 2018	–	113,761	3,521	218,568	2,253	1,964	–	–	340,067
Depreciation for the year	–	42,657	–	96,555	326	206	–	–	139,744
Disposals	–	–	–	(473)	(5)	(28)	–	–	(506)
Written off	–	(18,455)	(1,381)	(50,933)	(196)	(520)	–	–	(71,485)
At 31 December 2018	–	137,963	2,140	263,717	2,378	1,622	–	–	407,820
Adoption of SFRS(I) 16	–	105	–	–	–	–	–	12,989	13,094
Depreciation for the year	534	43,830	660	98,270	291	195	–	1,809	145,589
Disposals	–	(14)	–	(11,285)	(99)	(211)	–	–	(11,609)
Other adjustments	–	–	–	214	120	180	–	–	514
At 31 December 2019	**534**	**181,884**	**2,800**	**350,916**	**2,690**	**1,786**	**–**	**14,798**	**555,408**
Accumulated impairment loss									
At 1 January 2018	–	–	–	–	–	–	–	–	–
Impairment loss for the year	–	36,788	–	70,412	–	–	–	–	107,200
At 31 December 2018	–	36,788	–	70,412	–	–	–	–	107,200
Reversal of impairment loss	–	–	–	(17,076)	–	–	–	–	(17,076)
At 31 December 2019	**–**	**36,788**	**–**	**53,336**	**–**	**–**	**–**	**–**	**90,124**
Net book value									
At 31 December 2019	**2,317**	**[1]677,145**	**1,982**	**[2]655,054**	**672**	**393**	**478**	**[3]105,179**	**1,443,220**
At 31 December 2018	–	692,093	–	659,308	961	520	478	–	1,353,360

[1] includes factory and warehouse premises of Grandness Shanxian of RMB 130.6 million (2018 - RMB 141.2 million)
[2] includes plant and machinery of Grandness Shanxian of RMB 3.3 million (2018 - RMB 3.3 million) and others of RMB 1.8 million (2018 - Nil)
[3] includes land use rights of Grandness Shanxian of RMB 6.5 million (2018 - RMB 6.7 million)

5 Property, plant and equipment (Cont'd)

(a) Depreciation is charged to:

The Group	Note	2019 RMB'000	2018 RMB'000
Cost of sales		**73,365**	62,957
Distribution costs	24(b)	**1,264**	1,240
Administration expenses	24(c)	**51,637**	40,711
		126,266	104,908
Cessation of internal production		**19,323**	34,836
		145,589	139,744

(b) Factory and warehouse premises are located at:

The Group	31 December 2019 RMB'000	31 December 2018 RMB'000
At cost		
Factory and warehouse premises		
- #1 [see Note 5(f)]	**104,087**	104,087
- #2 [see Note 5(f)]	**212,461**	212,496
- #3 [see Note 5(f)]	**307,199**	278,522
- #4 [see Note 5(f)]	**271,739**	271,739
- #5 *	**331**	–
	895,817	866,844

* Relates to the following land under lease:

Location	Land area (sq m)	Ownership	Effective date	Expiry date
山西省永济市蒲州老城内部	44,200.22	永济市蒲州镇镇西文学村村民委员会	20 November 2015	19 November 2025

(c) As at the end of the reporting period, the carrying amount of property, plant and equipment of the Group which have been pledged to financial institutions to secure bank facilities amounting to RMB 482.2 million (2018 - RMB 460.5 million) was as follows:

The Group	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
At net book value,			
- Factory and warehouse premises	20(e) & 20(h)	**264,517**	214,893
- Plant and machinery	20(d) & 20(h)	**176,200**	206,053
- Land use rights	20(a) & 20(c) & 20(e) & 20(h)	**41,513**	39,604
		482,230	460,550

(d) As at 31 December 2018, the net book value of plant and machinery under finance leases of the Group amounted to RMB 14.4 million.

5 Property, plant and equipment (Cont'd)

(e) Right-of-use of assets under leasing arrangements are presented together with property, plant and equipment with a carrying amount of RMB 120.5 million as at 31 December 2019 (1 January 2019 - RMB 121.6 million).

Right-of-use of assets classification within property, plant and equipment

The Group	Note	Office premises RMB'000	Factory and warehouse premises RMB'000	Plant and machinery RMB'000	Land use rights RMB'000	Total RMB'000
Cost						
Balance as at 1 January 2019		–	–	–	–	–
Reclassification on adoption of SFRS(I)16		–	331	15,957	119,977	136,265
Balance as at 1 January 2019, restated		–	331	15,957	119,977	136,265
Additions		2,851	–	–	–	2,851
At 31 December 2019		2,851	331	15,957	119,977	139,116
Accumulated depreciation						
Balance as at 1 January 2019		–	–	–	–	–
Reclassification on adoption of SFRS(I)16		–	105	1,596	12,989	14,690
Balance as at 1 January 2019, restated		–	105	1,596	12,989	14,690
Depreciation for the year	30(b)	534	34	1,596	1,809	3,973
At 31 December 2019		534	139	3,192	14,798	18,663
Net book value						
At 31 December 2019		2,317	192	12,765	105,179	120,453

5 Property, plant and equipment (Cont'd)

(f) Right-of-use assets consist of prepaid land use rights held by the Group. Land use rights relate to the following parcel of lands:

Location	Acquired from	Period	Land area (square metres) ["sq m"]	Net book value 31 December 2019	2018
Grandness (Sichuan) Foods Co., Ltd.					
#1 Land at Qiongxin Road side, Linqiong Town, Qionglai City The People's Republic of China (邛崃市临邛镇邛新路侧)	邛崃市人民政府	50 years (expiring on 2 March 2055)	80,834.47	***2,833**	2,914
Grandness (Shanxian) Food Co., Ltd.					
#2 West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County The People's Republic of China (单县开发区园艺路南段路西)	单县人民政府	50 years (expiring on 29 December 2058)	70,895.00	**6,501**	6,669
Garden Fresh (Hubei) Food & Beverage Co., Limited					
#3 Land at Jing Xiu Jiang Nan East Side, Guang Dong Road, Dang Yang City The People's Republic of China (当阳市广州路(锦绣江南东侧))	当阳市人民政府	50 years (expiring on 30 September 2061)	101,720.20	***38,680**	*39,604
Grandness (Anhui) Foods Co., Ltd.					
#4 Land at East Side, Jing Yi Road Jing Ji Kai Fa District, Gu Zhen Town, Beng Bu City An Hui Province The People's Republic of China (安徽省蚌埠市固镇县经济开发区经一路东侧)	固镇县人民政府	50 years (expiring on 20 April 2064)	133,333.33	**57,165**	57,801
				105,179	106,988

* pledged to financial institutions

5 Property, plant and equipment (Cont'd)

Impairment loss of property, plant and equipment

In the financial year ended 31 December 2018, the impairment loss of:

- RMB 105.1 million had been provided on factory and warehouse premise and plant and machinery belonging to Grandness (Shanxian) Food Co., Ltd. ("**Grandness Shanxian**") as the production had ceased due to the lack of material supply. The said amount was as disclosed under "**Cessation of internal production**" in the consolidated statement of profit or loss for the financial year ended 31 December 2018; and

- RMB 2.1 million had been provided on factory and warehouse premise belonging to Grandness (Sichuan) Foods Co., Ltd. ("**Grandness Sichuan**") in the consolidated statement of profit or loss for the financial year ended 31 December 2018.

Factory and warehouse premise

Towards the end of the financial year ended 31 December 2018, the assets belonging to the Grandness Shanxian had been affected by the urbanisation programme in 园艺街道办 district where existing industrial area is to be converted into residential district. In FY2018, the management had assessed the extent of the relocation compensation which can be either in kind (in exchange of partial of land in other district) or in cash. The consideration could also be both in kind and in cash pending on the negotiation. Based on the available information then, the management had estimated an impairment loss which is an approximation to the type of the building structure using a market reference indicator. The extent of compensation varied from each plot of industrial land.

The book value of factory and warehouse premise after impairment loss was RMB 130.6 million (2018 - RMB 141.2 million) as at 31 December 2019. The recoverable amount was based on fair value hierarchy level 3.

Plant and machinery

Management had assessed the grade and weight of production machinery belonging to the Grandness Shanxian and estimated the scrap value based on market reference price at scrap in FY2018.

The book value of plant and machinery after impairment loss was RMB 3.3 million as at 31 December 2018. The recoverable amount was based on fair value hierarchy level 3.

During the financial year ended 31 December 2019, an amount of RMB 17.1 million was reversed upon disposals and realisation of certain plant and equipment. The management indicated that an expected price in the region of RMB 40 million for the assets belonging to Grandness Shanxian has been informally agreed. However, there is no formal letter provided from the local authorities to this effect.

5 Property, plant and equipment (Cont'd)

Significant unobservable inputs used in FY2018

Type	Valuation technique / Basis	Significant unobservable inputs	Inter-relationship between key unobservable inputs
Factory and warehouse premise			
- Grandness Shanxian	Relocation compensation price list	● RMB2,800/square meter for brick-concrete structure houses ● Discount factor of 25%	The recoverable amount would increase/(decrease) if the relocation compensation price and the discount factor is higher/(lower).
- Grandness Sichuan	Cost technique: The cost approach considers the costs of constructing comparable buildings of similar structure type and function of use, taking into account the costs of infrastructure, building and installation costs and applied a coefficient adjustment to replacement cost derived.	● Coefficient adjustment between 53% and 84% with reference to age of buildings ● Weightages applied to residual ratio of 0.4 by theory which is determined on actual conditions and the maintenance involved and 0.6 by survey which is derived using service life method ● Rates and factors taken into consideration for the costs of constructing comparable buildings of similar structure type and function of use	The fair value would increase/(decrease) if liquidity coefficient adjustment is higher/(lower).
Plant and machinery	Scrap value by reference to quoted price of metal	● Tonnage of metal ● Metal grade	The scrap value would increase/(decrease) if tonnage increase/(decrease).

In the financial year ended 31 December 2019, the management did not perform an assessment of the possible impairment of property, plant and equipment (including land use rights and right-of-use assets) as at the reporting date.

Property, plant and equipment written-off

During the financial year ended 31 December 2018, included in property, plant and equipment written off of RMB 71.7 million was an amount totalling RMB 70.7 million made on the property, plant and equipment belonging to Shanxi Yongji on the basis that the production had ceased due to lack of material supply.

6 Joint venture

The Group	31 December 2019 RMB'000	31 December 2018 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 RMB 50.0 million, that is held through a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited ("**Garden Fresh Shenzhen**").

The said joint venture was incorporated on 20 April 2018 in People's Republic of China. 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 Garden Fresh Shenzhen [Note 31(iv)]. As a result, the Group did not recognise its share of losses of RMB 3,000 (2018 - RMB 19,000) in the joint venture for the financial year ended 31 December 2019.

Aggregate information of joint venture that is not individually material

The Group	2019 RMB'000	2018 RMB'000
Revenue	578	–
Loss for the financial year/period, representing total comprehensive loss for the financial year/period	(6)	(38)
Share of loss after taxation and total comprehensive loss for the year/period	(3)	(19)
Unrecognised share of loss of joint venture	(3)	(19)

7 Subsidiaries

The Company	31 December 2019 RMB'000	31 December 2018 RMB'000
Unquoted equity investments, at cost	42,021	42,021
Fair value of share options granted	67,466	68,810
	109,487	110,831
Amount owing by a subsidiary (non-trade)	218,773	218,773
	328,260	329,604

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

The non-trade amount owing by a subsidiary, Grandness (HK) Industry Co., Limited of RMB 218.8 million (2018 - RMB 218.8 million) is regarded as an extension of the Company's net investment in the said subsidiary as the amount owing is neither planned nor likely to be settled in the foreseeable future. The amount owing represents a net investment with indeterminable repayments. The non-trade amount owing is unsecured and interest-free.

7 Subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investments 31 December 2019 RMB'000	2018 RMB'000	Proportion of interests and voting rights held by the Group 31 December 2019 %	2018 %	Principal activities
Held by the Company						
Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)[8]	Hong Kong	**1,848**	1,848	**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**")	**40,173**	40,173	**100**	100	Inactive
Held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)						
Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司)[1]	PRC	**45,907**	46,853	**58.3^**	58.3	Sale of canned vegetables and canned fruits
Grandness Group Co., Limited (振鹏达集团股份有限公司)[8]	Hong Kong	**–**	–	**100**	100	Investment holding
Grandness (Anhui) Foods Co., Ltd (振鹏达(安徽)食品有限公司)[7]	PRC	**–**	–	**16.67[10]**	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)[9]	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., Limited (鲜绿园饮料集团有限公司)[9]	British Virgin Islands	**–**	–	**100**	100	Investment holding
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., Limited (鲜绿园(香港)果蔬饮料有限公司)[8]	Hong Kong	**–**	–	**100**	100	Investment holding
Held by Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司)						
Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司)[1]	PRC	**–**	–	**41.7^**	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)[4]	PRC	**–**	–	**20.77#**	20.77#	Inactive
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)[4]	PRC	**–**	–	**51#**	51#	Inactive
Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司)[8]	PRC	**–**	–	**100**	100	Inactive
Grandness (Shanxian) Food Co., Ltd. (山东单县振鹏达食品有限公司)[5]	PRC	**–**	–	**100**	100	Inactive (Ceased production of canned vegetables and canned fruits since April 2018)
Balance carried forward		**87,928**	88,874			

7 Subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments 31 December 2019 RMB'000	2018 RMB'000	Proportion of interests and voting rights held by the Group 31 December 2019 %	2018 %	Principal activities
Balance brought forward		**87,928**	88,874			
Held by Shenzhen Grandness Industry Groups Co., Ltd. (Cont'd) (深圳振鹏达实业集团有限公司)						
Grandness (Hubei) Foods Co., Ltd (湖北振鹏达食品有限公司)[6]	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)[3]	PRC	**–**	–	**100**	100	Sale and distribution of food and related products
Grandness (Anhui) Foods Co., Ltd (振鹏达(安徽)食品有限公司)[7]	PRC	**–**	–	**83.33**[10]	–	Production and sale of canned vegetables and canned fruits
Held by Hao Tian Yuan Industry (Shenzhen) Co. Ltd. (好田园实业(深圳)有限公司)						
Anhui Hao Tian Yuan Foods Co., Ltd. (安徽好田园食品有限公司)	PRC	**–**	–	**–**	100	Processing, distribution and sale of snacks (Yet to commence operations and struck off on 25 June 2019)
Grandness (Shenzhen) Foods Co., Ltd. (深圳市振鹏达食品有限公司)	PRC	**–**	–	**–**	100	Wholesale of pre-packaged food (Yet to commence operations and struckoff on 23 July 2019)
Held by Grandness (Hubei) Foods Co., Ltd (湖北振鹏达食品有限公司)						
Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司)[4]	PRC	**–**	–	**4.78#**	4.78#	Inactive
Held by Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司)						
Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司)[4]	PRC	**–**	–	**4.78#**	4.78#	Inactive
Held by Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (鲜绿园(香港)果蔬饮料有限公司)						
Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited (鲜绿园(深圳)果蔬饮料有限公司)[1]	PRC	**21,559**	21,957	**100**	100	Sale of fruits and vegetable juices
Garden Fresh (Hubei) Food & Beverage Co., Limited (鲜绿园(湖北)食品饮料有限公司)[6]	PRC	**–**	–	**100**	100	Production and sale of fruits and vegetable juices
Balance carried forward		**109,487**	110,831			

7 Subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments 31 December 2019 RMB'000	2018 RMB'000	Proportion of interests and voting rights held by the Group 31 December 2019 %	2018 %	Principal activities
Balance brought forward		**109,487**	110,831			
Held by Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited (鲜绿园(深圳)果蔬饮料有限公司)						
Anhui Garden Fresh Fruit & Vegetable Beverage Co., Limited (安徽鲜绿园果蔬饮料有限公司)[7]	PRC	**–**	–	**100**	100	Production and sale of fruits and vegetable juices
Garden Fresh (Shenzhen) Technology Co., Limited (深圳市鲜绿园智能科技有限责任公司)	PRC	**–**	–	**–**	51	E-commerce (Yet to commence operations and struck off on 27 August 2019)
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited (四川鲜绿园果蔬饮料有限公司)[4]	PRC	**–**	–	**99.52**[&]	99.52	Production and sale of fruits and vegetable juices
Held by Garden Fresh (Hubei) Food & Beverage Co., Limited (鲜绿园(湖北)食品饮料有限公司)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited (四川鲜绿园果蔬饮料有限公司)[4]	PRC	**–**	–	**0.48**[&]	0.48	Production and sale of fruits and vegetable juices
		109,487	110,831			

All entities were audited by Foo Kon Tan LLP for consolidation purposes.

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

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

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

1 The local auditor is Shenzhen Tianying Certified Public Accountants (Partnership) [深圳天英会计师事务所(普通合伙)].

2 The local auditor is Yun Cheng Huang He Certified Public Accountants Co., Ltd (运城黄河会计师事务所有限公司).

3 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).

4 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).

5 The local auditor is Shan Dong He Hua United Public Accountants (山东荷华联合会计师事务所).

6 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).

7 The local auditor is Anhui Zhan Wang Certified Public Accountant Co., Ltd (安徽展望会计师事务).

8 Exempted from local statutory audit.

9 Audit is not required by law in the country of incorporation.

10 Changes due to there was a capital injection in Grandness Anhui of RMB 44.0 million (equivalent to HK$ 50.0 million) by Shenzhen Grandness representing shareholding interest of 83.3% and thereby reducing the holding of Grandness (Hong Kong) industry Co., Limited from 100% to 16.67%.

There is no material non-controlling interests to be disclosed.

8 Amount owing by/(to) subsidiaries

The Company	31 December 2019 RMB'000	31 December 2018 RMB'000
Amount owing by subsidiaries		
Non-current and non-trade		
Grandness (HK) Industry Co., Limited	**561,205**	542,592
Garden Fresh (Hubei) Food & Beverage Co, Limited	**6,976**	–
	568,181	542,592
Amount owing to subsidiaries		
Non-current and non-trade		
Garden Fresh (HK) Fruit & Vegetable Beverage Co, Limited	**(1,015)**	–
Shenzhen Grandness Industry Groups Co., Ltd.	**(63,866)**	(70,538)
	(64,881)	(70,538)

During the financial year ended 31 December 2018, the entire amount due from Shanxi Yongji Huaxin Food Co., Ltd. of RMB 31.0 million was written off as the management is of the view that there is no reasonable expectation of recovery as the said subsidiary had ceased operations.

Included in the amount owing to a subsidiary of RMB 63.9 million (2018 - RMB 70.5 million) is an amount of RMB 12.2 million received from a subsidiary, Shenzhen Grandness Industry Groups Co., Ltd. arising from the dividend declared by the said subsidiary during the financial year ended 31 December 2015.

The non-trade amounts owing by/(to) subsidiaries are unsecured and interest-free. There are no fixed terms of repayment and accordingly, it is not practicable to determine the fair value of these amounts owing.

9 Deferred taxation

9(a) Deferred tax assets

The Group	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Balance at beginning of year		**5,832**	–
Movement during the year			
- current year	25	**367**	1,624
- (over) / underprovision in respect of prior year	25	**(2,385)**	4,208
		(2,018)	5,832
Balance at end of year		**3,814**	5,832

9 Deferred taxation (Cont'd)

The balance comprises tax on tax written down value of property, plant and equipment over net book value.

9(b) Deferred tax liabilities

		The Company		The Group	
		31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year		**1,000**	1,000	**27,741**	20,241
Movement during the year					
- current year	25	**–**	–	**–**	7,500
- overprovision in respect of prior year	25	**(1,000)**	–	**(1,000)**	–
Balance at end of year		**–**	1,000	**26,741**	27,741
The balance comprises tax on					
- undistributed earnings of subsidiaries		**–**	–	**26,741**	26,741
- unremitted income		**–**	1,000	**–**	1,000
To be settled after one year		**–**	1,000	**26,741**	27,741

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 to be derived from the Group's subsidiaries in the PRC which is expected to be distributed out as dividends to its shareholders.

Pending the application to SAFE administration for the repatriation on dividend subsequent to the reporting date, a sum of RMB 7.5 million has been provided on the retained earnings of up to RMB 150.0 million of the subsidiary for which the dividend is expected to be declared.

Deferred tax liabilities of RMB 176.9 million (2018 - RMB 169.9 million) have not been recognised for withholding and other taxes that will be payable on the undistributed profits in accordance with the Group's accounting policies on income and deferred taxes of overseas subsidiaries.

10 Deposits paid for non-current assets

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 recorded as property, plant and equipment under non-current assets.

	31 December 2019	31 December 2018
The Group	**RMB'000**	RMB'000
Advances to a contractor for construction of workshop		
Balance at beginning and at end of year	**97,694**	97,694
Advances to suppliers for purchases of plant and machinery		
Balance at beginning of year	**479,606**	413,241
Additions	**55,991**	215,293
Transfer to property, plant and equipment on completion	**–**	(148,928)
Balance at end of year	**535,597**	479,606
Grand total	**633,291**	577,300

10 Deposits paid for non-current assets (Cont'd)

As at 31 December 2019, the advances of RMB 97.7 million (2018 - RMB 97.7 million) paid to a contractor, 江西雄基钢构建材有限公司, for construction of workshop is related to the construction of factory and warehouse on the existing land at Jing Yi Road East Side and Chen Zhuang Road North Side, Guzhen County, Bengbu City, Anhui Province, The People's Republic of China (安徽省蚌埠市固镇县经济开发区经一路东侧, 陈庄路北侧).

The deposit paid since FY2016 is for the proposed construction of factory and warehouse facilities where the construction and build-up (using prefabrication) has been on hold as the grounding has not been completed up to the date of this financial statements. The project was expected to be completed in financial year 2019. There is a breach of contract though not mentioned in the contract.

Included in advances to suppliers for the construction of plant and machinery of RMB 535.6 million (2018 - RMB 479.6 million) as at 31 December 2019 is a sum of RMB 38.4 million (2018 - RMB 38.9 million) [Note 20(h)] pledged for DEG loan granted to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited.

The advances of RMB 535.6 million (2018 - RMB 479.6 million) made to suppliers for purchases of plant and machinery are related to the planned acquisition of new production lines for both the canned vegetables and canned fruits and fruit beverage segments for use by the following subsidiaries:

The Group	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Grandness (Anhui) Foods Co., Ltd.			
- 临沂泉通机械设备有限公司	(a)	**81,390**	81,390
- 象山双鱼轻工机械有限公司	(a)	**89,600**	89,600
		170,990	170,990
Grandness (Hubei) Foods Co., Ltd.			
- 象山双鱼轻工机械有限公司	(a)	**89,000**	89,000
Garden Fresh (Hubei) Food & Beverage Co., Limited			
- 江苏星A包装机械集团有限公司	(b)	**38,401**	38,396
- 北京君悦诚品科贸有限公司	(c)	**25,280**	25,280
- 当阳市清泉环保工程设备厂	(d)	**1,140**	1,140
		64,821	64,816
Anhui Garden Fresh Fruit & Vegetable Beverage Co., Limited			
- 江苏星A包装机械集团有限公司	(b)	**154,800**	154,800
- 济南汇浩环保科技有限公司	(d)	**25,746**	–
		180,546	154,800
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co, Limited			
- 上海本优机械有限公司	(d)	**30,240**	–
		535,597	479,606

(a) As at 31 December 2019, there were deposits of:

- RMB 81.4 million placed with 临沂泉通机械设备有限公司 for two canned fruits production lines (水果罐头生产线) located in Anhui; and
- RMB 178.6 million placed with 象山双鱼轻工机械有限公司 for another two canned fruits production lines (水果罐头生产线) located in Anhui.

Based on the unaudited management accounts subsequent to year ended 31 December 2019, the assets for these deposits paid were delivered. There are some disputes as to the contract between 象山双鱼轻工机械有限公司 and the management.

10 Deposits paid for non-current assets (Cont'd)

(b) Because of the Covid-19 pandemic, the subsidiaries agreed with the supplier, 江苏星A包装机械集团有限公司 for the manufacture of two beverage production lines (无菌冷罐装饮料罐生产线, 利乐包装功能性饮料灌装生产线) in Anhui and one beverage production line (易拉罐饮料灌装生产线) in Hubei, to refund the deposit money subsequent to year ended 31 December 2019 as the supplier defaulted their contractual obligation to deliver the plants on the agreed time schedule.

The said non-current deposits to be refunded stood at RMB 193.2 million as at 31 December 2019. As at the date of this financial statements, the negotiation is still on going as to the proposed schedule of repayment.

(c) The deposit of RMB 25.3 million had been fully refunded from 北京君悦诚品科贸有限公司 subsequent to the reporting date.

(d) Based on the unaudited management accounts subsequent to year ended 31 December 2019, the assets were delivered.

11 Inventories

The Group	**31 December 2019 RMB'000**	31 December 2018 RMB'000
At cost,		
Finished goods	**2,870**	16,289
Packaging materials	**2,545**	4,192
Raw materials	**4,329**	3,842
	9,744	24,323
Included in cost of sales are inventories charged of:	**1,834,074**	2,190,653

During the financial year ended 31 December 2019, obsolete inventories of RMB 2,362,000 (2018 - RMB 1,983,000) were written off.

12 Trade receivables

The Group	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Trade receivables			
- external parties		**1,331,895**	1,601,255
Less: Expected credit loss on trade receivables			
Balance at beginning of year		**(16,571)**	–
Allowance during the year	24(f)	**–**	(16,571)
Balance at end of year		**(16,571)**	(16,571)
Net trade receivables		**1,315,324**	1,584,684

Trade receivables are due within 120 days (2018 - 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

12 Trade receivables (Cont'd)

Credit risks exposure

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 90 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 180 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss. During the financial year ended 31 December 2019, trade receivables written off amounted to RMB 9.8 million (2018 - RMB 13.0 million) [Note 24(f)].

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 are set out in the provision matrix as follows:

			Past due				
	Current	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	**31 December 2019**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Trade receivables	927,420	387,904	–	–	–	16,571	**1,331,895**
Loss allowance	–	–	–	–	–	(16,571)	**(16,571)**
	927,420	387,904	–	–	–	–	**1,315,324**

			Past due				
	Current	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	1,230,505	370,750	–	–	–	–	1,601,255
Loss allowance	(12,018)	(4,553)	–	–	–	–	(16,571)
	1,218,487	366,197	–	–	–	–	1,584,684

No adjustment has been made to the allowance for trade receivables on initial adoption of SFRS(I) 9 as the amount to be adjusted is insignificant.

Based on historical default rates, the directors of the Company are 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 the directors of the Group are of the opinion that debts are not recoverable.

Subsequent receipts from the Group's trade receivables was RMB 415.1 million up to 30 June 2020 and there were deductions amounting to RMB 102.6 million for promotional expenses against the trade receivables as a settlement of debts.

The management did not perform an assessment of expected credit loss allowance for trade receivables as at 31 December 2019.

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

13 Other receivables

		The Company		The Group	
		31 December	31 December	**31 December**	31 December
		2019	2018	**2019**	2018
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Advances to					
- contractor		**–**	–	**1,217**	–
- employees		**166**	112	**722**	773
- third parties		**–**	–	**819**	2,355
- trade suppliers	(a)	**–**	–	**638,625**	76,981
- acquire new patents	(b)	**–**	–	**16,200**	33,000
Prepayments					
- prepaid operating expenses	(c)	**–**	–	**998**	7,288
Amount owing by related parties	(d)	**–**	–	**2,326**	1,289
VAT receivable	(e)	**–**	–	**90,948**	135,331
Export tax refunds	(f)	**–**	–	**68,605**	82,545
Tax recoverable		**–**	–	**78**	77
Deposits	(g)	**5**	13	**4,260**	775
Others		**34**	33	**243**	236
		205	158	**825,041**	340,650

(a) Advances to trade suppliers placed to secure the delivery of raw materials, packaging materials and finished goods are unsecured and interest-free.

	31 December	31 December
	2019	2018
The Group	**RMB'000**	RMB'000
Advances to outsourcing manufacturers		
- canned fruits and vegetable goods	**193,406**	20,110
- fruits and vegetable beverage goods	***279,794**	56,033
	473,200	76,143
Advances to trade suppliers		
- raw materials, packaging materials and others	**165,425**	838
	638,625	76,981

* The advances of RMB 279.8 million for the fruits and vegetable beverage goods made was stipulated in the terms of the contract where a down-payment of 30% is required.

As at the date of this financial statements, there was a refund of RMB 35.0 million from an outsourcing manufacturer to Shenzhen Grandness Industry Groups Co., Ltd. ("**Shenzhen Grandness**") and RMB 26.1 million were paid by Shenzhen Grandness to outsourcing manufacturers for the canned fruits and vegetable goods.

Based on the goods received notes, the goods received as of 30 June 2020 totalled RMB 449.3 million.

(b) These advances relate to money placed for the acquisition of three patents since 2016. An amount of RMB 16.8 million (2018 - RMB 16.2 million) [Note 24(f)] in relation to one (2018 - one) patent has been written off during the financial year ended 31 December 2019 as the said patent was no longer valid as at the reporting date. As at the balance sheet date, the amount of RMB 16.2 million represents advance placed for the acquisition of one remaining patent.

13 Other receivables (Cont'd)

(c) Included in prepaid operating expenses of RMB 7.3 million were prepaid advertisement expenses amounting to RMB 1.4 million and prepaid Initial Public Offering ("**IPO**") expenses amounting to RMB 3.1 million that relate solely to the equity offering as at 31 December 2018.

During the financial year ended 31 December 2019, prepaid IPO expenses of RMB 3.1 million have been written off to the profit and loss account.

(d) The non-trade amount due from related parties represent advances which are unsecured, non-interest bearing and repayable on demand.

(e) VAT receivable relates to the percentage of qualifying purchases at the time the vendor invoices are processed. Included in VAT receivable of RMB 90.9 million (2018 - RMB 135.3 million) are amounts of RMB 18.9 million and RMB 10.2 million recorded in the books of Grandness Anhui and Grandness Shanxian respectively as at 31 December 2019. There were no production activities and no employees in Grandness Anhui in the financial year ended 31 December 2019 and Grandness Shanxian had ceased production activities since 2018.

(f) Export tax refunds relate to tax refunds which is calculated at 15% (2018 - 15%) on overseas sales.

(g) Included in deposits of RMB 4,260,000 (2018 - RMB 775,000) are security deposits totalling RMB 3,722,000 (2018 - Nil) [Notes 20(d) and 20(e)] for bank borrowings obtained during the financial year ended 31 December 2019.

The management did not perform an assessment of expected credit loss allowance for other receivables as at 31 December 2019.

14 Bank balances, deposits and cash

	The Company		**The Group**	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Bank balances	**1,528**	1,176	**600,114**	607,350
Fixed deposits (with maturity of less than three months)	**–**	7,023	**–**	7,022
Fixed deposits (pledged for bank borrowings)	**–**	–	**–**	7,332
Cash on hand	**–**	–	**75**	89
	1,528	8,199	**600,189**	621,793

The fixed deposits earned an effective interest rate of 1.69% to 2.30% (2018 - 1.69% to 2.30%) per annum and matured on varying dates between the earliest date, 29 March 2019 (2018 - 1 January 2019) and the latest date, 7 May 2019 (2018 - 14 April 2019).

14 Bank balances, deposits and cash (Cont'd)

For the purposes of the consolidated statement of cash flows, the year-end cash and cash equivalents comprise the following:

The Group	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Bank balances, deposits and cash (per above)		**600,189**	621,793
Less:			
Restricted bank balances		**–**	(197)
Deposits placed in banks for bank borrowings	20(g)	**–**	(7,332)
Cash and cash equivalents		**600,189**	614,264

Fixed deposits that matured less than three months were classified as part of cash and cash equivalents. Restricted bank balances represented bank accounts being frozen which arose from legal suits. These amounts were excluded from cash and cash equivalents.

15 Share capital

	Number of shares		**Amount**	
The Company and the Group	**31 December 2019 '000**	31 December 2018 '000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Issued and fully paid ordinary shares with no par value:				
Balance at beginning of year	**979,410**	979,410	**755,344**	755,344
Share issue:				
- tranche 1 on 13 June 2019	**85,000**	–	**16,955**	–
- tranche 2 on 27 August 2019	**85,000**	–	**18,564**	–
	170,000	–	**35,519**	–
Balance at end of year	**1,149,410**	979,410	**790,863**	755,344

The Company had completed the allotment and issuance of 170,000,000 new ordinary shares of the Company at an issue price of S$0.04 per share in tranche 1 and S$0.043 per share in tranche 2 to JW Capital Group Limited on 13 June 2019 and 27 August 2019 respectively. Total consideration received amounted to S$7.1 million (RMB 35.5 million) and an insignificant share issue expenses of RMB 174,000 was incurred.

A sum of S$2.0 million (US$ 1.5 million; RMB 10.8 million) has been used to pay the loan in part to Soleado on 29 August 2019 [Note 21(b)] and another sum of US$ 0.5 million has been used to pay the loan interest to DEG on 28 June 2019 [Note 20(h)].

The newly issued shares rank pari passu in all respects with the previously issued shares.

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.

16 Other reserves

	The Company		The Group	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Statutory common reserve				
Balance at beginning of year	**–**	–	**233,025**	219,177
Movement during the year	**–**	–	**11,537**	13,848
Balance at end of year	**–**	–	**244,562**	233,025
ESOS Scheme reserve				
Balance at beginning of year	**78,496**	66,087	**78,496**	66,087
Movement during the year	**(2,018)**	12,409	**(2,018)**	12,409
Balance at end of year	**76,478**	78,496	**76,478**	78,496
Merger reserve				
Balance at beginning and end of year	**–**	–	**(31,413)**	(31,413)
Grand total	**76,478**	78,496	**289,627**	280,108

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.

ESOS Scheme reserve

ESOS Scheme reserve represents the equity-settled share options granted to employees (Refer to 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.

17 Trade payables

	The Company		The Group	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Trade payables	**2,266**	2,733	**5,978**	66,173
Accruals				
- promotional expense	**–**	–	**6,791**	8,972
- operating expenses	**26,056**	18,382	**32,608**	27,584
	28,322	21,115	**45,377**	102,729

The carrying amount of trade payables, due to their short duration, approximates their fair values. Accrued operating expenses relate to liabilities for employee benefit costs and professional fees.

18 Other payables

	The Company		The Group	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Amount owing to				
- contractors	**–**	–	**4,466**	19,717
- suppliers of property, plant and equipment	**–**	–	**674**	644
- suppliers	**–**	–	**58**	266
- employees	**–**	–	**796**	606
- third parties	**559**	559	**931**	2,167
- a related party	**–**	–	**10,267**	10,267
Accrual of directors' fees	**902**	672	**1,057**	672
VAT and government tax payable	**–**	–	**10,451**	24,627
Withholding tax payable	**199**	199	**199**	199
Advances from customers	**–**	–	**20**	292
Deposits	**–**	–	**73**	107
Director of the Company	**41,351**	34,382	**61,906**	53,268
Others	**30**	30	**1,025**	1,480
	43,041	35,842	**91,923**	114,312

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 owing to contractors relates to the road construction works and construction of existing factory; and

- the amount owing to employees relates to emoluments owed to former employees which have since been forfeited upon the employees' resignation.

The amount owing to a related party relates to money received from a registered shareholder of a wholly-owned subsidiary, Hao Tian Yuan Industry (Shenzhen) Co. Ltd. during the financial year ended 31 December 2018 for partial subscription in the said entity for which there is uncalled capital contribution as at the reporting date [Note 31(iv)].

The advances from customers were made in relation to security deposits placed by new distributors, which are refundable on demand.

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

19 Obligations under finance leases / Lease liabilities

(a) Obligations under finance leases

As at 31 December 2018, a wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited, leases plant and machinery from a non-related party under finance leases where the leased plant and machinery is for use by Anhui Garden Fresh Fruit & Vegetable Beverage Co., Limited.

Obligations under finance leases were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16 i.e. the Group is not required to make any adjustments at the date of initial application of SFRS(I) 16, other than changing the captions for the balances. Accordingly, instead of "Obligations under finance leases", these amounts are included within "Lease liabilities" [Note 19(b)], and the depreciated carrying amount of the corresponding leased assets are identified as ROU assets (Note 5). Lease liabilities have been recognised for the remaining lease payments.

19 Obligations under finance leases / Lease liabilities (Cont'd)

(a) Obligations under finance leases (Cont'd)

The impact of adoption is also as disclosed in Note 2(c) and Note 5 to the financial statements.

The Group	31 December 2018 RMB'000
Minimum lease payment payable:	
Due not later than one year	3,885
Due later than one year and not later than five years	2,496
	6,381
Less: finance charges allocated to future periods	(655)
Present value of minimum lease payments	5,726
Present value of minimum lease payments:	
Due not later than one year	3,405
Due later than one year and not later than five years	2,321
	5,726

The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

The obligations under finance leases are secured by the underlying assets [Note 5(d)]. The carrying amount of the finance leases approximate their fair values. The weighted average interest rate of finance lease liabilities is 9.42% per annum.

Further details to the Group's financial risk management of interest rate risk and liquidity risk exposures are set out in Note 33.2 and Note 33.4 to the financial statements.

(b) Lease liabilities

The Group leases land use rights, factory and warehouse premises, office premises and plant and machinery. The movements of the lease liabilities are as follows:

The Group	**31 December 2019 RMB'000**
Minimum lease payments payable:	
Due not later than one year	**2,799**
Due later than one year and not later than five years	**2,136**
	4,935
Less: Interest expenses allocated to future periods	**(606)**
Present value of minimum lease payments	**4,329**
Present value of minimum lease payments:	
Due not later than one year	**2,458**
Due later than one year and not later than five years	**1,871**
	4,329

The effective interest rate of the lease liabilities ranges from 3.99% to 9.42% per annum.

Lease liabilities of RMB 1.8 million are secured by the underlying assets with a carrying amount of RMB 12.8 million as at 31 December 2019.

20 Bank borrowings

The Group	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Notes payable (secured)			
- 上海浦东发展银行股份有限公司深圳华侨城支行	(a)	**–**	30,000
- 融兴村镇银行	(b)	**20,000**	–
Other institutions (secured)			
- 仲利国际租赁有限公司	(d)	**5,600**	–
- 平安国际融资租赁（天津）有限公司	(e)	**9,564**	–
Bank loans (secured)			
- 中信银行股份有限公司深圳分行	(c)	**23,000**	–
- 中国建设银行股份有限公司蚌埠市分行	(f)	**5,000**	–
- 中国信托商业银行股份有限公司广州分行	(g)	**–**	5,600
- 中国信托商业银行股份有限公司广州分行	(g)	**–**	2,470
- 中国信托商业银行股份有限公司广州分行	(g)	**–**	5,600
- Deutsche Investitions - und Entwicklungsgesellschaft mbH ("**DEG**")	(h)	**169,830**	157,227
		232,994	200,897
Amount repayable:			
Not later than one year		**229,919**	200,897
Later than one year and not later than five years		**3,075**	–
		232,994	200,897

(a) The notes payable of RMB 30.0 million granted to a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited, was repaid on 4 March 2019. The notes payable were secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng; and
- the land use right belonging to a subsidiary, GF (Hubei) with a carrying amount of RMB 39.6 million [Note 5(c)].

Interest was charged at 5.00% per annum.

(b) The notes payable of RMB 20.0 million are granted to a subsidiary, Shenzhen Grandness Industry Groups Co., Ltd, in two tranches of RMB 10.0 million each and are repayable on 19 June 2020 and 23 June 2020. The notes payable are secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng; and
- a corporate guarantee provided by a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited.

As at the date of this financial statements, these notes payable were fully repaid on the said due date.

20 Bank borrowings (Cont'd)

(c) The term loan of RMB 23.0 million granted to a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited, is repayable on 13 March 2020. The loan is secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited; and
- land use rights belonging to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited with the carrying amounts of RMB 38.7 million (2018 - RMB 39.6 million) [Note 5(c)]. This land use rights has already been on first charge [see Note 20(h)].

Interest is charged at 5.09% per annum.

As at the date of this financial statements, the term loan of RMB 23.0 million has been fully repaid on the said due date.

(d) The term loan granted to a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited, is repayable over 36 instalments annually commencing from 7 August 2019. The loan is secured by, inter-alia:

- a pledge of plant and machinery with a carrying amount of RMB 39.1 million [Note 5(c)] belonging to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited. This pledge of plant and machinery has already been on first charge [see Note 20(h)]; and
- a security deposit of RMB 1.5 million (2018 - Nil) [Note 13(g)] provided by Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited.

Interest is charged at 11.62% per annum.

(e) The term loan granted to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited, is repayable over 17 instalments annually commencing from May 2019. The loan is secured by, inter-alia:

- a pledge of land use rights, factory and warehouse premises belonging to Grandness (Sichuan) with the carrying amount of RMB 2.8 million and RMB 36.3 million [Note 5(c)] respectively;
- a security deposit of RMB 2.2 million (2018 - Nil) [Note 13(g)] provided by Garden Fresh (Hubei) Food & Beverage Co., Limited;
- a personal guarantee by a director of the Company, Huang Yupeng; and
- corporate guarantees provided by subsidiaries, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited and Shenzhen Grandness Industry Groups Co., Ltd.

Interest is charged at 3.69% per annum.

(f) The term loan of RMB 5.0 million granted to a subsidiary, Anhui Garden Fresh Fruit & Vegetable Beverage Co., Limited, is repayable on 25 August 2020. The loan is secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng; and
- a corporate guarantee provided by a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited.

Interest is charged at 4.35% per annum.

The said subsidiary had breached a financial covenant in respect to this loan as at the reporting date.

As at the date of this financial statements, the term loan of RMB 5.0 million was fully repaid on the said due date.

20 Bank borrowings (Cont'd)

(g) The term loans of RMB 5.6 million, RMB 2.47 million and RMB 5.6 million, granted to a subsidiary, Shenzhen Grandness Industry Groups Co., Ltd, were repaid on 28 March 2019, 29 March 2019 and 22 April 2019 respectively. These loans were secured by, inter-alia:

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

- a corporate guarantee provided by a wholly-owned subsidiary, Sino Grandness Food Industry Group Limited; and

- a pledge of bank balances of RMB 7.3 million (Note 14) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest was charged at 5.00% per annum and 6.00% per annum.

(h) On 8 January 2016, the term loan of US$ 25.0 million (RMB 171.6 million) was granted to a wholly-owned subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited ["**GF (Hubei)**"] by DEG and the loan was disbursed on 21 July 2016. The term loan is repayable over 10 instalments semi-annually commencing from 15 April 2018 with a fixed principal payment of US$ 2.5 million plus any applicable interest.

The loan (including interest) of RMB 169.8 million (US$ 24.3 million) [2018 - RMB 157.2 million (US$ 22.9 million)] is secured by, inter-alia:

- first ranking mortgage in the amount of US$ 25.0 million (RMB 169.8 million) (2018 - RMB 157.2 million) on the land use rights, factory and warehouse premises belonging to GF (Hubei) with the carrying amount of RMB 38.7 million (2018 - RMB 39.6 million) [Note 5(c)] and RMB 228.2 million (2018 - RMB 214.9 million) [Note 5(c)] respectively;

- a pledge of deposit of non-current asset with a carrying amount of RMB 38.4 million (2018 - RMB 38.9 million) (Note 10) belonging to GF (Hubei);

- a pledge of plant and machinery with a carrying amount of RMB 176.2 million (31 December 2018 - RMB 206.1 million) [Note 5(c)] belonging to GF (Hubei);

- corporate guarantees provided by wholly-owned subsidiaries, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited and Garden Fresh Group Holding Co., Ltd; and

- a corporate guarantee provided by the Company.

Interest is charged at 6-month London Inter-Bank Offer Rate ("**LIBOR**") plus 3.80% per annum. As at the end of the reporting period, the applicable floating interest rate stood at 3.80% (2018 - 3.80%) per annum over the applicable 6-month LIBOR.

The effective interest rate of the term loan ranges from 5.33% to 7.78% (2018 - 5.00% to 6.00%) per annum.

Default of loan repayment

In the financial year ended 31 December 2018, GF (Hubei) had defaulted on the repayment of the principal sum for the second instalment of US$ 2.5 million (RMB 17.2 million) owing to DEG which was due on 15 October 2018 and not repaid.

The interest on the DEG loan up till October 2018 was repaid by GF (Hubei) in October 2018. Arising from the default of loan repayment, DEG had effected the acceleration of loan repayment of US$ 22.9 million (RMB 157.2 million) and default interest of 2% per annum is chargeable in accordance to the terms of the loan agreement.

DEG has issued letters of payment guarantees to the Company on 22 January 2019, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited on 21 January 2019 and Garden Fresh Group Holding Co., Ltd on 21 January 2019 for the immediate repayment of the sum of US$ 22.9 million (equivalent to RMB 157.2 million).

20 Bank borrowings (Cont'd)

Default of loan repayment (Cont'd)

On 28 June 2019, the Company has repaid loan interest of US$ 0.5 million. On 12 July 2019, DEG has agreed to a standstill where it is mutually and in good faith that DEG shall forebear from exercising the rights and remedies under the loan agreement entered on 8 January 2016 (and as amended on 11 March 2016 and 23 June 2016) to repay the amounts due and payable to DEG, including all accrued and unpaid interests, for a period up to and including 31 December 2019.

The said loan has been registered with the SAFE.

Arising from the default of the loan repayment, the entire said loan is classified as current liabilities as at 31 December 2018 and 31 December 2019.

Subsequent to financial year ended 31 December 2019

On 28 August 2020, DEG has confirmed that they reserve the right to demand immediate repayment for the bank loan from GF (Hubei) as well as the guarantors which are Garden Fresh Group Limited, Garden Fresh (Shenzhen) and the Company itself.

DEG and GF (Hubei) entered into an agreement ("**Settlement Agreement**") dated 1 October 2020 where a director of the Company, Mr. Huang Yu Peng acknowledged on 12 October 2020 to the effect that the bank shall not claim any remaining outstanding amount if GF (Hubei) shall pay to the bank an amount of US$ 2.6 million until 10 November 2020.

DEG is aware of the significant haircut embodied in the Settlement Agreement. This executory document only becomes effective upon full payment of US$ 2.6 million as mentioned above.

As of the date of this financial statements, there is no repayment made of the defaulted loan with accrued interest thereon.

21 Loan from a related party

(a) Convertible loan

On 13 April 2016, the Company entered into a US$ 20 million convertible loan agreement with a related party, Soleado Holdings Pte. Ltd. ("**Soleado**"). The full amount of US$ 20 million had been disbursed to the Company on 17 May 2016 (closing date). The rate of interest on the loan is 12% per annum. The loan is to be repaid in full 24 months from the closing date which falls on 16 May 2018 (maturity date).

Per the convertible loan agreement, Soleado Holdings Pte. Ltd. shall be entitled (but not obliged) to convert the loan or the outstanding balance thereof, into shares of the Company ("**New Shares**") up to the maturity date (16 May 2018). The New Shares shall be priced at S$0.55 per New Share or at 20% discount to the volume weighted average price per share traded on the SGX-ST during the last 60 market days immediately preceding the date of conversion of the loan for New Shares, whichever is the lower, limited to the maximum number of 50,000,000 shares.

On 15 May 2017, the Company had received in-principle approval of SGX for the proposed allotment and issue up to 72,727,272 new ordinary shares in the capital of the Company at an adjusted maximum conversion price of S$0.444 each new ordinary share (pursuant to rights issue as mentioned in Note 15). Shareholders' approval was obtained in the extraordinary general meeting held on 8 June 2017. The convertible loan was not converted on or prior to the maturity date, 16 May 2018.

21 Loan from a related party (Cont'd)

(a) Convertible loan (Cont'd)

As the Company has not made payment of the principal loan amount of US$ 20 million on the maturity date, the Company has been in negotiations with Soleado for extension of time for repayment of the loan. As announced by the Company on 20 July 2018, the Company has, on that day, entered into a Repayment Framework Agreement with Soleado 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 Yu Peng in favour of Soleado.

During the financial year ended 31 December 2018, Soleado was no longer entitled to exercise the option of conversion since the maturity date, 16 May 2018 had passed. Arising from the extension of time for repayment of the loan and the Applicable Interest Rate being applied, the management revisited the renegotiated terms and had assessed that the terms had been substantially modified under the prescriptive 10% quantitative test in accordance to SFRS(I) 9 requirements. The Company had accounted for the extinguishment of the convertible loan on maturity date and recognised the loan from Soleado at fair value.

The movement and reconciliation of the convertible loan and loan from a related party, Soleado is as follows:

The Company and The Group	Note	**Convertible loan RMB'000**	**Derivative on convertible loan RMB'000**	**Total RMB'000**
At 1 January 2018		130,772	11,095	141,867
Adjusted for:				
Amortised interest cost	24(d)	7,524	–	7,524
Interest repayment during the year		(7,687)	–	(7,687)
Exchange differences		(2,321)	–	(2,321)
		128,288	11,095	139,383
Fair value loss on derivative on convertible loan	24(g)	–	44,105	44,105
At 16 May 2018		128,288	55,200	183,488
Gain on extinguishment of debt				(55,017)
				128,471
Amount extinguished to loan from a related party				(128,471)
Convertible loan, at 16 May 2018				–

As at 16 May 2018, the fair value of the convertible loan (excluding option derivative), determined by an independent valuer, Jones Lang Laselle Corporate and Appraisal Advisory Limited, was calculated using cash flows discounted at an effective interest rate of 16.54% per annum. The derivative on convertible loan was derived using Binomial Option Pricing Model. The significant input into the model is the exercise price of $0.16. The fair value is within Level 3 of the fair value hierarchy [Note 33.6(a)].

21 Loan from a related party (Cont'd)

(b) Loan from a related party

The Company and The Group	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
At beginning of year		**144,819**	–
Fair value of loan at inception, at 17 May 2018		**–**	128,471
Amortised interest cost	24(d)	**20,948**	12,583
Interest repayment during the year		**(20,903)**	(5,232)
Exchange differences		**2,360**	8,997
At end of year		**147,224**	144,819

In the financial year 2018, the fair value of the loan at inception was determined by an independent valuer, Jones Lang Laselle Corporate and Appraisal Advisory Limited, discounted using an effective interest rate of 15.34%. The fair value is within Level 3 of the fair values hierarchy [Note 33.6(a)].

Default of loan repayment

The Company has been served with a letter of demand dated 8 January 2019 by Soleado for the principal sum of US$ 20 million (equivalent to RMB 139.5 million) and interest 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 RMB 8.2 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.

On 19 June 2019, the Company paid a sum of S$2.0 million (US$ 1.5 million; and in RMB is RMB 10.1 million) as part payment 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 (RMB 10.8 million) to Soleado by 31 August 2019. The money was repaid and disbursed from the share placement of S$ 3.4 million (RMB 17.3 million) on 10 July 2019 (Note 15).

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 the company 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 Mr Huang Yu Peng 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.

22 Bonds

The Group	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Straight bonds	**257,437**	234,245
Exchangeable bonds	**484,792**	484,792
	742,229	719,037

22 Bonds (Cont'd)

2016 Restructuring

As stated in the 2015 annual report of the Company, the convertible bonds had been restructured on 1 March 2016.

Please refer to pages 87 to 101 in Note 21 of the 2015 annual report ("**FY2015**") of the Company for full details of the nature and original and revised terms and conditions of the 2011 convertible bonds ("**2011 Convertible Bonds**"), the 2012 convertible bonds ("**2012 Convertible Bonds**"), collectively ("**Convertible Bonds**") and 2016 restructured bonds ("**2016 Exchangeable Bonds**").

Please refer to pages 90 to 93 in Note 20 of the 2016 annual report ("**FY2016**") of the Company for full details to the 2016 Restructuring.

A tabulation of the restructuring of principal amounts of Convertible Bonds on 1 March 2016 is as follows:

	2011 Convertible Bond RMB'000	2012 Convertible Bond RMB'000	Total RMB'000
60% exchangeable bonds restructured in 2016	48,300	162,000	210,300
40% Straight bonds:			
SB1 Bonds due and repaid on 31 May 2016	12,075	40,500	52,575
SB2 Bonds	20,125	67,500	87,625
	80,500	270,000	350,500

2017 Restructuring

As stated in the 2017 annual report ("**FY2017**"), the Company has entered into a Restructuring Agreement on 28 June 2017 ("**2017 Restructuring Agreement**") with the bondholders for a further restructuring in light of these bonds having matured on 28 February 2017 (the "**2017 Restructuring**").

Salient terms of the 2017 Restructuring are as announced by the Company on 28 June 2017 and are as follows:

(a) full redemption of the 2011 SB2 bonds and 2012 SB2 bonds;

(b) substitution of the 2011 bonds to 2011 preference shares and the 2012 bonds to 2012 preference shares; and

(c) the Company and each of the 2011 SB2 and the 2012 SB2 bondholders have agreed to enter into a put and call option deed.

Under the 2017 Restructuring Agreement, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited ("**Garden Fresh (HK)**") is to fully redeem the 2011 SB2 bond and 2012 SB2 bonds at a redemption price equal to 100% of the aggregate principal amount, together with any interest accrued up to the due date, 28 September 2017 and is payable in United States Dollar ("**US$**") at the prevailing US$-RMB exchange rate.

No repayment has been made on the said due date.

Please refer to pages 104 to 112 in Note 21 - Section A to C of the FY2017 annual report of the Company for full details to the salient terms of the 2017 Restructuring mentioned above.

As stated in FY2017 annual report of the Company, the management of the Company was in negotiation with the bondholders on its settlement of the straight bonds to be made on or before 31 March 2018 where the grant of the extension of the repayment date was contingent to a lump sum partial repayment of approximately 10% of the 2011 SB2 bonds and 2012 SB2 bonds.

22 Bonds (Cont'd)

2017 Restructuring (Cont'd)

There was no redemption of the 2011 SB2 bonds and 2012 SB2 bonds during the financial year ended 31 December 2018.

The Group	Maturity date	Interest rate (per annum)	Principal amount	Redemption price	Carrying amount 31 December 2019	Carrying amount 31 December 2018
			RMB'000	RMB'000	RMB'000	RMB'000
SB2 Bonds						
2011 SB2 Bonds	28 September 2017	10%	50,312	72,802	**72,537**	66,002
2012 SB2 Bonds	28 September 2017	10%	128,250	185,577	**184,900**	168,243
Total			^178,562	258,379	**257,437**	234,245

Name of bondholders	Principal Amount RMB'000
2011 SB2 bondholders	
CDIB Capital Investment I Limited ("**CDIB Capital**")	41,875
CDIB & Partners Investment Holding (Cayman) Ltd	8,437
	50,312
2012 SB2 bondholders	
Goldman Sachs Investments Holdings (Asia) Limited ("**GS**")	109,725
CDIB & Partners Investment Holding (Cayman) Ltd	7,125
Hon Chuan Holding Limited	3,800
Mr. Yang Hua-Yi	3,800
Mr. Wu Cheng-Hsueh	3,800
	128,250
	^178,562

The management has considered the facts that the conversion of preference shares had legally expired and the payment of cash was considered breached. In considering the financial impact on the modification of the Exchangeable Bonds, the management had made the presumption that the terms and conditions of the Exchangeable Bonds continued as of 28 June 2017 as the Company was in the process of negotiating the restructuring of the Exchangeable Bonds with the bondholders then.

The movement of the Exchangeable Bonds for the financial year ended 31 December 2018 is as follows:

	Note	Valuation on 31 December 2018	Valuation on 1 January 2018	Changes in fair value/Gain on valuation
		RMB'000	RMB'000	RMB'000
Exchangeable bonds	24(g)	484,792	521,449	36,657

As disclosed in 2018 annual report, neither the Company nor any of its subsidiaries within the Group has received any notice, whether in writing or otherwise, from any of the bondholders as regard to the triggering of cross-default which refer to non-payment of any financial indebtedness being claimed and payable.

On 17 January 2019, the Company announced that it has entered into an Amended and Restated 2018 Restructuring Agreement ("**2018 RRA**") on 14 January 2019 with the bondholders in relation to the extension of bond repayment dates.

22 Bonds (Cont'd)

Amended terms under 2018 RRA

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

(a) within 10 business days after the date of the 2018 RRA, Garden Fresh Cayman agrees to issue and allot to GS a first 2012 Preference Share which shall form a single series with the other 2012 Preference Shares to be issued on the New Completion Date (as defined below);

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

(i) the new 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;

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

(d) the expanded definition of Qualified Listing Application ("**QLA**") in the case of an IPO of the ordinary shares of Garden Fresh Cayman, has been expanded from a listing on the Main Board of the Hong Kong Stock Exchange ("**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 2011 SB2 Bonds and 2012 SB2 Bonds shall be repaid and fully redeemed on the Completion Date (which is 13 January 2020) (see **Section A**);

(b) the substitution of the 2011 bonds to 2011 preference shares and the 2012 bonds to 2012 preference shares on the Completion Date (see **Section B**); and

(c) the 2011 preference shares and 2012 preference shares are convertible under certain agreed conditions into ordinary shares of Garden Fresh Cayman. The 2012 preference shares, of which the majority is held by GS is convertible into 13.000% in the shares in Garden Fresh Cayman and 2011 preference shares, of which the majority is held by CDIB Capital, is convertible into 3.876% in the shares in Garden Fresh Cayman (see **Section B**).

As in the 2017 Restructuring Agreement and the 2018 RRA, the Company and each of the 2011 SB2 and 2012 SB2 bondholders have agreed to enter into a put and call option deed (see **Section C**).

SECTION A - FULL REDEMPTION OF 2011 SB2 BONDS AND 2012 SB2 BONDS

Under the 2018 RRA, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited ("**Garden Fresh (HK)**") is to fully redeem the 2011 SB2 bond and 2012 SB2 bonds at a redemption price equal to 100% of the aggregate principal amount, together with any interest accrued up to the due date, 13 January 2019 and is payable in United States Dollar ("**US$**") at the prevailing US$-RMB exchange rate.

No repayment has been made on the said due date.

22 Bonds (Cont'd)

SECTION B - SUBSTITUTION OF THE 2011 CONVERTIBLE BONDS TO 2011 PREFERENCE SHARES AND 2012 CONVERTIBLE BONDS TO 2012 PREFERENCE SHARES

Under the 2018 RRA, it was agreed that each of the 2011 Convertible Bondholders and the 2012 Convertible Bondholders agrees with Garden Fresh (HK) and Garden Fresh Group Holding Co., Ltd ("**Garden Fresh Cayman**") to:

- the substitution of 100% of the 2011 Convertible Bonds and the 2012 Convertible Bonds outstanding (including all principal, premium and interest accrued thereon up to the Completion Date) for the issuance of certain 2011 Preference Shares and certain 2012 Preference Shares by Garden Fresh Cayman, fully paid, on the Completion Date; and

- such substitution to occur by way of set-off of the amounts owed to the 2011 Convertible Bondholders and the 2012 Convertible Bondholders under the 2011 Convertible Bonds and 2012 Convertible Bonds by Garden Fresh HK against the nominal value of the 2011 Preference Shares and the 2012 Preference Shares issued by Garden Fresh Cayman to each of the 2011 Convertible Bondholders and the 2012 Convertible Bondholders on the Completion Date.

A tabulation of the conversion of the 2011 Convertible Bonds into 2011 Preference Shares and the 2012 Convertible Bonds into 2012 Preference Shares can be seen as follows:

Name of bondholder	Principal amount of bonds held	Nominal amount of preference shares in substitution for the bonds held	Number of preference shares in substitution for the bonds held	Shareholding in Garden Fresh Cayman*
	RMB	RMB		%
2011 bondholder				
CDIB Capital Investment I Limited	44,200,000	44,200,000	442	3.547%
CDIB & Partners Investment Holding (Cayman) Ltd	4,100,000	4,100,000	41	0.329%
	48,300,000	48,300,000	483	3.876%
2012 bondholder				
Goldman Sachs Investments Holdings (Asia) Limited	138,600,000	138,600,000	**1,386	11.123%
CDIB & Partners Investment Holding (Cayman) Ltd	9,000,000	9,000,000	90	0.722%
Hon Chuan Holding Limited	4,800,000	4,800,000	48	0.385%
Mr. Yang Hua-Yi	4,800,000	4,800,000	48	0.385%
Mr. Wu Cheng-Hsueh	4,800,000	4,800,000	48	0.385%
	162,000,000	162,000,000	1,620	13.000%
Total	*210,300,000	210,300,000	2,103	16.876%

* Shareholding in Garden Fresh Cayman is determined on an as converted and fully diluted basis but (a) disregarding the issuance of any New Investor Qualifying Shares and (b) prior to the issuance of any new Garden Fresh Cayman Shares upon or following the listing of Garden Fresh Cayman Shares on the Main Board of the HKSE or on the A share market of the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

** Includes the First 2012 Preference Share issued to GS on 22 January 2019 pursuant to the 2018 RRA.

22 Bonds (Cont'd)

SECTION B - SUBSTITUTION OF THE 2011 CONVERTIBLE BONDS TO 2011 PREFERENCE SHARES AND 2012 CONVERTIBLE BONDS TO 2012 PREFERENCE SHARES (CONT'D)

Completion Date and Long Stop Date - Pursuant to the 2018 RRA, completion of the original 2017 Restructuring Agreement ("**Completion**") shall take place on the earlier of:

(i) the Long Stop Date (or, if such date is not a business day, the next business day following such date); and

(ii) ten business days after the date on which the relevant company parties obtain the necessary People's Republic of China ("**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 Section A above, or such other date or time as the parties may agree in writing (the "**Completion Date**").

Pursuant to the 2018 RRA, the long stop date shall be 12 months from the date of the 2018 RRA ("**Long Stop Date**").

New Investor Qualifying Shares - The Company and each of the 2012 bondholders and 2011 bondholders further agree that new investors may subscribe or purchase Garden Fresh 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 RMB 210,300,000 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 Garden Fresh Cayman, then

(i) Garden Fresh Cayman may issue the New Investor Qualifying Shares in the form of Garden Fresh Cayman Shares and the New Investor Qualifying Conditions shall apply *mutatis mutandis* to such subscription of the Garden Fresh 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 Garden Fresh Cayman, unless otherwise agreed by parties.

Terms and conditions of 2011 Preference Shares and 2012 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$-RMB exchange rate and the 2011 Preference Shares shall be denominated in RMB and all payments shall be settled in RMB or, if agreed between Garden Fresh Cayman and the relevant 2011 Preference Shareholder, in US$ at the prevailing US$-RMB exchange rate.

(iii) The 2012 Preference Shares and the 2011 Preference Shares will initially carry a cumulative fixed rate dividend of zero % 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.

22 Bonds (Cont'd)

SECTION B - SUBSTITUTION OF THE 2011 CONVERTIBLE BONDS TO 2011 PREFERENCE SHARES AND 2012 CONVERTIBLE BONDS TO 2012 PREFERENCE SHARES (CONT'D)

Terms and conditions of 2011 Preference Shares and 2012 Preference Shares (Cont'd)

Form and transfer (Cont'd)

(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) Garden Fresh (HK) 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 Garden Fresh Cayman, the claims of the 2011 Preference Shareholders and 2012 Preference Shareholders shall:

- be subordinated to the present and future claims of all general creditors of Garden Fresh 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 Garden Fresh 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 Garden Fresh Cayman's ordinary shares.

Conversion

(vii) 2011 Preference Shareholders and 2012 Preference Shareholders have the right to convert their Preference Shares (without further payment) into ordinary shares at any time such Preference Shares remain outstanding.

22 Bonds (Cont'd)

SECTION B - SUBSTITUTION OF THE 2011 CONVERTIBLE BONDS TO 2011 PREFERENCE SHARES AND 2012 CONVERTIBLE BONDS TO 2012 PREFERENCE SHARES (CONT'D)

Terms and conditions of 2011 Preference Shares and 2012 Preference Shares (Cont'd)

Conversion (Cont'd)

(viii) Subject to condition (x) mentioned below, the number of ordinary shares a Preference Shareholder 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:

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

(ix) The initial Conversion Ratio for the 2011 Preference Shares and 2012 Preference Shares into ordinary shares of Garden Fresh Cayman ("**Garden Fresh Cayman Shares**") as set out above is calculated on the basis of a post-money valuation of RMB 1.2 billion of Garden Fresh 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 Garden Fresh Cayman Shares shall be maintained at such percentages as set out above notwithstanding any future issuances of Garden Fresh Cayman Shares, but it will be subject to dilution with any issuance of Garden Fresh Cayman Shares upon (or following) the listing of Garden Fresh Cayman Shares on the HKSE or on the A-shares stock on the Shanghai Stock Exchange or Shenzhen Stock Exchange.

22 Bonds (Cont'd)

SECTION B - SUBSTITUTION OF THE 2011 CONVERTIBLE BONDS TO 2011 PREFERENCE SHARES AND 2012 CONVERTIBLE BONDS TO 2012 PREFERENCE SHARES (CONT'D)

Terms and conditions of 2011 Preference Shares and 2012 Preference Shares (Cont'd)

Conversion (Cont'd)

(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 2011 Preference Shareholder and 2012 Preference Shareholder in Garden Fresh 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 Garden Fresh 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 Garden Fresh Cayman on an as converted and fully diluted basis after the issuance of New Investor Qualifying Shares, expressed as a percentage.

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 Preference Shareholder 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).

Undertakings - Financial covenants

(xii) So long as any 2011 Preference Share and 2012 Preference Share remains outstanding, the Company 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.

22 Bonds (Cont'd)

SECTION B - SUBSTITUTION OF THE 2011 CONVERTIBLE BONDS TO 2011 PREFERENCE SHARES AND 2012 CONVERTIBLE BONDS TO 2012 PREFERENCE SHARES (CONT'D)

Terms and conditions of 2011 Preference Shares and 2012 Preference Shares (Cont'd)

Redemption and purchase

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

Optional Redemption of the 2012 Preference Shares: Subject to the Statute and the Articles, the 2012 Preference Shares may be redeemed at the option of Garden Fresh 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) Garden Fresh 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$-RMB exchange rate) which, after taking into account any dividends paid, represents an Internal Rate of Return of 7% per annum from 25 July 2012, being the date on which GS made its initial investment in the Group in 2012 to the relevant redemption date. The redemption price shall be paid in US$ at the prevailing US$-RMB exchange rate.

Optional Redemption of the 2011 Preference Shares: Subject to the Statute and the Articles, the 2011 Preference Shares may be redeemed at the option of Garden Fresh 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) Garden Fresh Cayman has not made a QLA prior to Initial Redemption Date; or

- on a day falling 30 days or more 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 (paid in RMB or, if agreed between Garden Fresh Cayman and the relevant 2011 Preference Shareholder, in US$ at the prevailing US$-RMB exchange rate) which, after taking into account any dividends paid, represents an Internal Rate of Return of 7% per annum from 19 October 2011, being the date on which CDIB Capital Investment I Limited made its initial investment in the Group in 2011 to the relevant Redemption Date. The redemption price shall be paid in RMB or, if agreed between Garden Fresh (HK) and the relevant 2011 Preference Shareholder, in US$ at the prevailing US$-RMB exchange rate.

Variation of rights

The 2011 Preference Shareholders and 2012 Preference Shareholders shall not be entitled to attend or vote at any general meetings of the shareholders of Garden Fresh Cayman.

22 Bonds (Cont'd)

SECTION C - PUT AND CALL OPTION DEED

Put option

The Company hereby irrevocably grants:

(i) to each 2011 Preference Shareholder the option to require the Company to purchase, or procure the purchase of, all (but not part) of the 2011 Preference Shares owned by that 2011 Preference Shareholder (the "**2011 Preference Shares Put Option**");

(ii) to each 2012 Preference Shareholder the option to require the Company to purchase, or procure the purchase of, all (but not part) of the 2012 Preference Shares owned by that 2012 Preference Shareholder (the "**2012 Preference Shares Put Option**").

Preference Shares Put Exercise Price - The consideration payable on each exercise of the 2011 Preference Shares Put Option shall be a cash amount in RMB or, if agreed between the Company and the relevant 2011 Preference Shareholder, in US$ at the prevailing US$-RMB exchange rate, per relevant 2011 Preference Share (the "**2011 Preference Shares Put Exercise Price**") which, after taking into account any dividends paid pursuant to the terms and conditions of the 2011 Preference Shares, represents an Internal Rate of Return of 9.00 per cent. per annum (with respect to the occurrence of an Ongoing Put Option Trigger Event) or an Internal Rate of Return of 7.00 per cent. per annum (with respect to the occurrence of a Subsequent Put Option Trigger Event) in each case from the initial issue date of the 2011 Bonds (being 19 October 2011) to the date of payment of the 2011 Preference Shares Put Exercise Price.

2012 Preference Shares Put Exercise Price - The consideration payable on each exercise of the 2012 Preference Shares Put Option shall be a cash amount in US$ at the prevailing US$-RMB exchange rate per relevant 2012 Preference Share (the "**2012 Preference Shares Put Exercise Price**") which, after taking into account any dividends paid pursuant to the terms and conditions of the 2012 Preference Shares, represents an Internal Rate of Return of 9.00 per cent. per annum (with respect to the occurrence of an Ongoing Put Option Trigger Event) or an Internal Rate of Return of 7.00 per cent. per annum (with respect to the occurrence of a Subsequent Put Option Trigger Event) in each case from the initial issue date of the 2012 Bonds (being 25 July 2012) to the date of payment of the 2012 Preference Shares Put Exercise Price.

Call option

Each Preference Shareholder hereby irrevocably grants to the Company:

(i) the option to require the 2011 Preference Shareholders to sell all (but not part) of the 2011 Preference Shares owned by that 2011 Preference Shareholder to the Company or any one of its subsidiaries (the "**2011 Preference Shares Call Option**");

(ii) the option to require the 2012 Preference Shareholders to sell all (but not part) of the 2012 Preference Shares owned by that 2012 Preference Shareholder to the Company or any one of its subsidiaries (the "**2012 Preference Shares Call Option**").

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

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

22 Bonds (Cont'd)

SECTION C - PUT AND CALL OPTION DEED (CONT'D)

Call option (Cont'd)

As at 31 December 2018, the 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 became more certain. As of those dates, the options were not considered to take effect yet as no preference shares in Garden Fresh Cayman (proposed listco) have been issued.

SFRS(I) 9 paragraph 2.1 provides for exceptions where it is out of scope of SFRS(I) 9. In accordance with SFRS(I) 9 paragraph B3.1.2(c), a forward contract is recognised as an asset or a liability on the commitment date, rather than on the date on which settlement takes place. When an entity becomes a party to a forward contract, the fair values of the right and obligation are often equal, so that the net fair value of the forward is zero.

The put and call option deed has a zero fair value at inception (ie, 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, ie, the preference shares instrument.

The First 2012 Preference Share and the put and call option

Pursuant to the 2018 RRA, Garden Fresh Cayman has, on 22 January 2019, issued and allotted to GS a First 2012 Preference Share which forms a single series with the other 2012 Preference Shares to be issued on the Completion Date as defined above.

The First 2012 Preference Share has not been recorded and recognised in the books as at 31 December 2019. In the financial year ended 31 December 2019, there is no valuer appointed to determine the fair value for the preference share and the put and call option at the inception date and at the reporting date.

The Group	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Exchangeable Bonds, at fair value	**484,792**	484,792

The conversion option of the Exchangeable Bonds allowed conversion not into the shares of the issuer Garden Fresh (HK) but its parent company, Garden Fresh Cayman. The embedded derivative, therefore, is not equity in nature for the issuer, Garden Fresh (HK) for the following reasons:

(a) not convertible into shares of the issuer, Garden Fresh (HK);

(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**" (i.e. 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.

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

22 Bonds (Cont'd)

SECTION C - PUT AND CALL OPTION DEED (CONT'D)

The First 2012 Preference Share and the put and call option (Cont'd)

In the financial year 2019, there is no valuer appointed to determine the fair value for the Exchangeable Bonds as at the reporting date. The carrying amount of the Exchangeable Bonds is based on the fair value determined as at 31 December 2018.

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 33.6(a) to the financial statements.

23 Revenue

The Group	**2019 RMB'000**	2018 RMB'000
Sale of		
- canned asparagus	**210,936**	280,190
- canned long beans	**5,406**	85,861
- canned mushrooms	**116,448**	131,797
- canned fruits	**295,067**	457,097
- snacks	**4,183**	21,908
	632,040	976,853
Less: promotional incentives for canned products	**(23,398)**	(37,095)
	608,642	939,758
Sale of beverages	**2,640,953**	2,802,957
Less:		
- volume rebates for beverages	**(17,011)**	(19,047)
- early settlement discount	**(87,369)**	–
- promotional and sales incentives for beverages	**(210,736)**	(192,555)
	2,325,837	2,591,355
	2,934,479	3,531,113

23 Revenue (Cont'd)

Disaggregation of revenue from contracts with customers:

The Group derives revenue from the transfer of goods and services over time and 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	Over time RMB'000	Total RMB'000
2019			
- The People's Republic of China	**2,601,516**	**–**	**2,601,516**
- Europe	**296,199**	**–**	**296,199**
- North America	**5,438**	**–**	**5,438**
- South America	**8,939**	**–**	**8,939**
- Others	**22,387**	**–**	**22,387**
	2,934,479	**–**	**2,934,479**
2018			
- The People's Republic of China	3,033,686	–	3,033,686
- Europe	449,000	–	449,000
- North America	27,022	–	27,022
- South America	6,897	–	6,897
- Others	14,508	–	14,508
	3,531,113	–	3,531,113

There is no unsatisfied performance obligation as at 31 December 2019 and 31 December 2018.

24(a) Other operating income

The Group	Note	**2019 RMB'000**	2018 RMB'000
Sales of scrap		**–**	206
Sales of raw materials and packaging materials		**14,716**	19,332
Cost of raw materials and packaging materials		**(10,756)**	(7,909)
		3,960	11,629
Government subsidy		**298**	8
Interest income - banks		**1,093**	2,412
Exchange gain	24(g)	**15,331**	19,544
Rental income		**1,558**	1,918
Miscellaneous income		**369**	2,653
		22,609	38,164

24(b) Distribution costs

The Group	Note	**2019 RMB'000**	2018 RMB'000
Depreciation of property, plant and equipment	5(a)	**1,264**	1,240
Employee benefit costs	24(e)	**7,240**	10,021
Freight charges		**193,050**	197,950
Entertainment		**40**	216
Travelling		**314**	967
Advertising expenses	24(g)	**219,949**	259,617
Promotional salary expenses	24(g)	**17,766**	19,660
Rental expenses	24(g) & 30(b)	**92**	385
Others		**415**	614
		440,130	490,670

24(c) Administrative expenses

The Group	Note	**2019 RMB'000**	2018 RMB'000
Depreciation of property, plant and equipment	5(a)	**51,637**	40,711
Amortisation of land use rights	4 & 24(g)	**–**	1,809
Audit fees paid/payable to:			
- auditors of the Company	24(g)	**1,550**	1,450
- other auditors	24(g)	**135**	260
Other audit or review fees:			
- auditors of the Company	24(g)	**1,031**	1,360
- other auditors	24(g)	**–**	118
Bank charges		**580**	1,966
Directors' fees	24(g)	**535**	727
Employee benefit costs		**14,522**	20,768
Share-based payment expense under ESOS Scheme	24(e) & 24(g)	**(2,018)**	12,409
	24(e)	**12,504**	33,177
Entertainment		**410**	669
Exchange loss	24(g)	**15,969**	23,051
Loss on disposal of property, plant and equipment	24(g)	**1,514**	–
Government tax expenses		**4,108**	3,469
IPO expenses	24(g)	**3,133**	6,428
Professional and legal fees		**13,421**	18,723
Rental expenses	24(g) & 30(b)	**784**	2,770
Repair and maintenance		**39**	216
Travelling expenses		**1,415**	1,257
Utilities		**350**	1,202
Others		**5,613**	7,600
		114,728	146,963

24(d) Finance costs

The Group	Note	2019 RMB'000	2018 RMB'000
Interest expenses:			
Bank borrowings		**20,243**	14,978
Lease liabilities	30(b)	**483**	597
Straight bonds	22	**23,192**	21,487
Convertible loan - amortised cost	21(a)	**–**	7,524
Loan from a related party	21(b)	**20,948**	12,583
Others		**–**	68
		64,866	57,237
The effective interest rate per annum:			
- bank borrowings		**5.33% - 7.78%**	4.35% - 6.00%
- straight bonds		**12.99%**	12.03%
- convertible loan		**–**	16.28%
- loan from a related party		**15.20%**	15.56%
- obligations under finance leases	19(a)	**–**	9.42%
- lease liabilities	19(b)	**3.99% - 9.42%**	–

24(e) Employee benefit costs

The Group	Note	2019 RMB'000	2018 RMB'000
Directors' remuneration:			
- salaries and related costs		**7,680**	10,418
- defined contributions		**62**	86
Key management personnel (other than directors):			
- salaries and related costs		**1,467**	792
- defined contributions		**71**	33
Other than directors and key management personnel:			
- salaries and related costs		**23,095**	26,830
- defined contributions		**(261)**	1,920
Share-based payment expense under ESOS Scheme			
- Directors		**(953)**	4,993
- Key management personnel (other than directors)		**(2,196)**	1,884
- Other than directors and key management personnel		**1,131**	5,532
	24(c) & 24(g)	**(2,018)**	12,409
		30,096	52,488

24(e) Employee benefit costs (Cont'd)

Employee benefit costs are charged to:

The Group	Note	2019 RMB'000	2018 RMB'000
Cost of sales		**10,352**	9,290
Distribution costs	24(b)	**7,240**	10,021
Administrative expenses	24(c)	**12,504**	33,177
		30,096	52,488

24(f) Other operating expenses

The Group	Note	2019 RMB'000	2018 RMB'000
Advances to acquire patents written off	13(b)	**16,800**	16,200
Trade debts written off	12	**9,816**	12,981
Provision for expected credit loss on trade receivables	12	**–**	16,571
Impairment loss on property, plant and equipment		**–**	2,068
Others		**1,161**	851
		27,777	48,671

24(g) Profit before taxation

The Group	Note	2019 RMB'000	2018 RMB'000
Profit before taxation has been arrived at after charging/ (crediting):			
Advertising expenses	24(b)	**219,949**	259,617
Amortisation of land use rights	4 & 24(c)	**–**	1,809
Audit fees paid/payable to:			
- auditors of the Company	24(c)	**1,550**	1,450
- other auditors	24(c)	**135**	260
Other audit or review fees:			
- auditors of the Company	24(c)	**1,031**	1,360
- other auditors	24(c)	**–**	118
Depreciation of property, plant and equipment	5(a)	**145,589**	139,744
Changes in fair value of exchangeable bonds	22	**–**	(36,657)
Fair value loss on derivative on convertible loan	21(a)	**–**	44,105
Directors' fees	24(c)	**535**	727
Exchange loss (net)	24(a) & 24(c)	**638**	3,507
Loss on disposal of property, plant and equipment			
- administrative expenses	24(c)	**1,514**	–
- cessation of internal production		**7,605**	9
		9,119	9
IPO expenses	24(c)	**3,133**	6,428
Promotional salary expenses	24(b)	**17,766**	19,660
Rental expenses:			
- factory and warehouse	24(c)	**784**	2,770
- others	24(b)	**92**	385
		876	3,155
Share-based payment expense under ESOS Scheme	24(c) & 24(e)	**(2,018)**	12,409
Utilities		**18,855**	16,236

25 Taxation

The Group	Note	2019 RMB'000	2018 RMB'000
Current taxation		**119,982**	166,785
Deferred taxation			
- current year	9(a) & 9(b)	**(367)**	5,876
- in respect of prior year	9(a) & 9(b)	**1,385**	(4,208)
		1,018	1,668
		121,000	168,453

The tax expense 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	31 December 2019 RMB'000	31 December 2018 RMB'000
Profit before taxation	**329,525**	322,215
Tax at statutory rate of 25%	**97,991**	89,578
Tax at statutory rate of 17%	**(4,597)**	(15,069)
Tax at statutory rate of 16.5%	**(5,371)**	(290)
Tax effect on non-taxable income	**(1,411)**	(17,514)
Tax effect on non-deductible expenses	**31,474**	94,857
Over / (Under) provision of deferred taxation in respect of prior years	**1,385**	(4,208)
Deferred tax assets not recognised	**6,078**	17,838
Deferred tax assets recognised on unabsorbed capital allowance	**(367)**	(1,624)
Deferred tax liabilities recognised on undistributed earnings of subsidiaries	**–**	7,500
Utilisation of deferred tax assets previously not recognised	**(1,958)**	–
Others	**(2,224)**	(2,615)
	121,000	168,453

Non-deductible expenses included in the tax reconciliation of the Group relate mainly to impairment loss on property, plant and equipment and trade receivables, write-off of trade debts, VAT receivable, advances to acquire patents, the amortised interest expenses and changes in fair values of option derivatives in relation to the convertible bonds and convertible loan which are not tax deductible.

Non-taxable income relates mainly to gain on extinguishment of debt and certain types of income exempted from tax.

The Group has unabsorbed tax losses of certain subsidiaries amounting to approximately RMB 349.4 million (2018 - RMB 310.8 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 unabsorbed 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.

25 Taxation (Cont'd)

The unrecognised tax losses will expire as follows:

The Group	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Year 2019	**–**	4,364
Year 2020	**3,751**	3,751
Year 2021	**10,272**	10,272
Year 2022	**27,564**	27,564
Year 2023	**256,985**	264,861
Year 2024	**50,834**	–
Total	**349,406**	310,812

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB 87.4 million (2018 - RMB 77.7 million) arising from these unabsorbed tax losses from certain subsidiaries because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

26 Earnings per share

(a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (for the purpose of basic earnings per share) by the weighted average number of ordinary shares outstanding during the financial year.

The weighted average number of ordinary shares outstanding for basic earnings per share during the financial period is the number of ordinary shares outstanding at the beginning of the period adjusted by the number of new ordinary shares issued during the period (Note 15) multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

The Group	**31 December 2019**	31 December 2018
Net profit attributable to equity holders of the Company (RMB'000)	**209,108**	154,195
Weighted average number of ordinary shares outstanding for the purpose of basic earnings per share ('000)	**1,056,027**	979,411
Basic earnings per share (cents)	**19.80**	15.74

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Company (for the purpose of diluted earnings per share) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

26 Earnings per share (Cont'd)

(b) Diluted earnings per share (Cont'd)

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit or loss.

For the financial year ended 31 December 2019, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding share options as it had an anti-dilutive effect on the earnings per share calculation.

The exchangeable bonds of a subsidiary, Garden Fresh (HK), are assumed to be converted into the shares of Garden Fresh Cayman, regardless of the probability of conversion, up to 16.876% shareholding in Garden Fresh Cayman for the financial years ended 31 December 2019 and 2018. The net profit is adjusted to eliminate the changes in fair value, interest expense and gain/loss on extinguishment (if any) of the bonds.

The Group	31 December 2019 RMB'000	31 December 2018 RMB'000
Net profit attributable to equity holders of the Company	**209,108**	154,195
Add/(Less) back:		
Changes in fair value of exchangeable bonds and option derivatives in relation to convertible bonds (Note 22)	**–**	(36,657)
Interest costs - bonds (Note 24(d))	**23,192**	21,487
Subsidiaries' earnings attributable to bondholders	**(42,800)**	(47,171)
	(19,608)	(62,341)
	189,500	91,854

	31 December 2019	31 December 2018
	No. of shares '000	
Weighted average number of ordinary shares outstanding for the purpose of basic earnings per share	**1,056,027**	979,411
Adjustment for the effect:		
- share options	**–**	786
Weighted average number of ordinary shares outstanding for the purpose of diluted earnings per share	**1,056,027**	980,197
Diluted earnings per share (cents)	**17.94**	9.37

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

	Weighted average exercise options 2019 '000	**Options price 2019 SGD**	Weighted average exercise options 2018 '000	Options price 2018 SGD
Outstanding at beginning of year	**55,305**	**0.29**	43,304	0.32
Granted	**–**	**–**	13,300	0.22
Forfeited	**(3,528)**	**0.16**	(4,407)	0.39
Adjustments*	**–**	**–**	3,108	0.35
Outstanding at end of year	**51,777**	**0.30**	55,305	0.29
Exercisable at year end	**10,000**	**0.18**	12,543	0.45

* On 25 October 2018, the Company made an SGX announcement relating to adjustments made to the exercise prices and number of outstanding share options which were granted in 2015 and 2016 ("**Adjustments**"). The Adjustments made to the outstanding share options have been made in accordance to Rule 10 of the ESOS Scheme. There is no adjustment made to the accounting for equity-settled share-based payments after vesting date as the incremental fair value is Nil.

There are no share options granted in the financial year ended 31 December 2019.

Fair value of share options granted in 2018

The fair value of share options as at the date of grant, is estimated by an external valuer using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The inputs to the option pricing model used for the financial year ended 31 December 2018 are shown below:

	2018
Weighted average share price	SGD 0.35
Weighted average exercise price	SGD 0.32
Expected volatility	53.48%
Expected option life	6.5 years - 8.0 years
Risk-free rate	2.20%
Expected dividend yield	0%
Fair value at measurement date	SGD 0.243 (RMB 1.109)

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Other than stated, no other features of the option grant were incorporated into the measurement of fair value.

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 Company	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Interest charged by a related party		
- convertible loan	**–**	5,749
- loan	**20,949**	13,059
Advisory fee payable/paid to a related party	**7,674**	7,549

The related party refers to the PM Group of companies under which the non-executive director, Chalermchai Mahagitsiri serves as a common director (resigned on 31 January 2019). As a shareholder of PM Group, which holds shares in the Company, Chalermchai Mahagitsiri meets the definition of a related party under SFRS(I) 1-24 Related Party Disclosures despite being a common director.

29 Dividends

There is no dividend declared for the current financial year and the immediate preceding financial year.

30 Leases

Nature of the Group's leasing activities - Where the Group is a lessee,

Office premises

The Group leases office premises for operation purposes. The Group makes monthly payments for the office space. The leases for office premises have lease terms of 2 or 5 years which will expire on 30 April 2021, at earliest and 29 February 2024. There is no externally imposed covenant on these lease arrangements.

Factory and warehouse premises

The Group leases factory and warehouse premises for operation purposes. The Group has made full payment to the right-of-use of the factory and warehouse premises [Note 5(b)]. The leases for factory and warehouse premises have a lease term of 10 years which will expire on 19 November 2025. There is no externally imposed covenant on these lease arrangements.

Plant and machinery

The Group has lease contracts for various items of plant and machinery and related tools used in its operations. Leases of plant and machinery generally have lease terms of 3 years. There is no externally imposed covenant on these lease arrangements.

Leasehold land

The Group leases parcels of leasehold land [Note 5(f)] where the subsidiaries' buildings and operations are located at in China. The Group has made full payment to the right-of-use of the leasehold land [Note 5(f)] . Leases of land have lease term of 50 years which will expire on 2 March 2055, at earliest and 20 April 2064, at latest date. There is no externally imposed covenant on these lease arrangements.

30 Leases (Cont'd)

Nature of the Group's leasing activities - Where the Group is a lessee (Cont'd),

Staff accommodation

The Group leases residential units in China for staff accommodation. These leases generally have lease terms of 12 months or less. As the lessees and lessors each have the right to terminate the lease with mutual consent on termination notice with no more than an insignificant penalty and cost from exercise of termination option, the management has assessed and is of the view that these perpetual lease contracts qualify as short-term leases.

(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 2019 are disclosed in Note 5 and Note 19(b) to the financial statements respectively.

(b) Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss:

	Note	**2019 RMB'000**
Leases under SFRS(I) 16		
Depreciation of right-of-use assets, included in:		
- cost of sales		**1,596**
- distribution costs		**117**
- administrative expenses		**2,058**
- cessation of internal production		**202**
	5(e)	**3,973**
Interest expense on lease liabilities, included in finance costs	24(d)	**483**
Expenses in relation to short-term leases, included in:		
- distribution costs	24(b)	**92**
- administrative expenses	24(c)	**784**
		876

	Note	2018 RMB'000
Leases under SFRS(I) 1-17		
Lease expenses, included in:		
- distribution costs	24(b)	385
- administrative expenses	24(c)	2,770
- finance costs	24(d)	597
		3,752

(c) Total cash outflows

The Group had total cash outflows for all leases of RMB 5.6 million (2018 - RMB 3.8 million) in the financial year ended 31 December 2019.

30 Leases (Cont'd)

Nature of the Group's leasing activities - Where the Group is a lessor,

The Group has leased out their owned factory and warehouse premises to third parties for monthly lease payments. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income is disclosed in Note 24(a) to the financial statements.

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed as follows:

The Group	**31 December 2019 RMB'000**	1 January 2019 RMB'000
Less than one year	–	50
One to two years	–	42
Two to three years	–	–
Three to four years	–	–
Total undiscounted lease payment	–	92

The lease was terminated during the financial year ended 31 December 2019.

31 Commitments

(i) Operating lease commitment (non-cancellable)

(A) Where Group is the lessee

At the end of the reporting period, the Group was committed to making the following lease rental payment under non-cancellable operating leases for factory, warehouse and office premises:

The Group	31 December 2018 RMB'000
Not later than one year	838
Later than one year and not later than five years	991
Later than five years	365
	2,194

31 Commitments (Cont'd)

(i) Operating lease commitment (non-cancellable) (Cont'd)

(A) Where Group is the lessee (Cont'd)

The current rents payable on the leases on the Group's factory, warehouse and office premises per annum are as follows:

Location	Land area (sq m)/Unit	Effective date	Expiry date	Rental per annum (RMB'000)
Factory and warehouse premises				
山西省永济市南郊粮库内	1,909.41	1 January 2008	31 December 2026	168
山西省永济市蒲州老城内部	44,200.22	20 November 2015	19 November 2025	30
Office premises				
深圳福田区滨河路与彩田路交汇处联合广场A栋塔楼	A5601, A5603, and A5607 - 09	1 May 2017	30 April 2019	1,586
深圳市鼎丰大夏	#1512	1 May 2017	30 April 2019	412

As disclosed in Note 2(c) to the financial statements, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheets as at 1 January 2019, except for short-term leases and low-value asset.

(B) Where Group is the lessor

At the end of reporting period, the Group had the following rental income under non-cancellable lease for factory and warehouse premises with a term of more than one year:

The Group	31 December 2018 RMB'000
Not later than one year	50
Later than one year and not later than five years	42
Later than five years	–
	92

The current rent receivable on the lease on the Group's factory and warehouse premises per annum were as follows:

Location	Land area (sq m)/Unit	Effective date	Expiry date	Rental per annum (RMB'000)
Factory and warehouse premises				
山西省永济市南郊粮库后门	12,800.00	1 November 2012	31 October 2020	50

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is as disclosed in Note 30 to the financial statements.

31 Commitments (Cont'd)

(ii) Capital commitments

The Group's capital commitments contracted but not provided for in the consolidated financial statements are as follows:

The Group	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Expenditure contracted for the construction of:		
- production plant [a]	**3,982**	10,982
- factory plant	**19,589**	19,695
- equipment	**93,836**	74,345
Expenditure contracted for the acquisition of patents	**3,300**	6,800
	120,707	111,822

(a) In financial year 2013, the Group entered into a Cooperation Agreement with Guzhen (固镇) Municipal Government of Anhui Province, PRC whereby the Group principally agreed to invest RMB 600.0 million to construct a production plant to produce canned products and beverages. The aggregate cost incurred as at 31 December 2019 was RMB 569.27 million (2018 - RMB 569.27 million).

(iii) Corporate guarantees

The Company has provided corporate guarantees to certain banks for credit facilities totalling RMB 169.8 million (2018 - RMB 257.2 million) granted to a wholly-owned subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited (2018 - two subsidiaries which are Garden Fresh (Hubei) Food & Beverage Co., Limited and Shenzhen Grandness Industry Groups Co., Ltd) for which the Company is exposed to liabilities which is capped at RMB 169.8 million (2018 - RMB 170.9 million). As at the reporting date, the bank credit facilities utilised stood at RMB 169.8 million (2018 - RMB 170.9 million) [Note 20(h)].

(iv) Other commitment

Uncalled capital contribution

The Group	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Subsidiary			
Hao Tian Yuan Industry (Shenzhen) Co., Ltd.	18	**50,000**	50,000
Anhui Hao Tian Yuan Foods Co., Ltd.		*	10,000
Joint venture			
Pinle Shenzhen Industrial Company Limited	6	**25,500**	25,500
Garden Fresh (Shenzhen) Technology Co., Limited		*	25,500
Grandness (Shenzhen) Foods Co., Ltd.		*	50,000
		75,500	161,000

* Entities were struck off during the financial year ended 31 December 2019.

32 Statement of operations by segments

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

(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.

Insofar as to the analysis of major customers, the Group does not have a single customer whose revenue reports 10% of the Group's total revenue. No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group's income taxes are managed on a group basis and are not allocated to operating segments.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties, if any.

All non-current assets are located in the People's Republic of China.

(a) Business segments

	Canned vegetable and fruits		Fruit beverages		Total	
	2019	2018	**2019**	2018	**2019**	2018
The Group	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
REVENUE						
Total sales*	**608,642**	939,758	**2,325,837**	2,591,355	**2,934,479**	3,531,113
RESULTS						
Segment result	**(38,253)**	(134,098)	**432,644**	465,981	**394,391**	331,883
Finance costs	**(21,211)**	(22,752)	**(43,655)**	(34,485)	**(64,866)**	(57,237)
Gain on extinguishment of debt	**–**	55,017	**–**	–	**–**	55,017
Fair value loss on derivative on convertible loan	**–**	(44,105)	**–**	–	**–**	(44,105)
Changes in fair value of exchangeable bonds	**–**	–	**–**	36,657	**–**	36,657
Profit before taxation	**(59,464)**	(145,938)	**388,989**	468,153	**329,525**	322,215
Taxation	**(5,238)**	(42,158)	**(115,762)**	(126,295)	**(121,000)**	(168,453)
Non-controlling interests	**583**	433	**–**	–	**583**	433
Net profit	**(64,119)**	(187,663)	**273,227**	341,858	**209,108**	154,195

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

32 Statement of operations by segments (Cont'd)

(a) Business segments (Cont'd)

The Group	Canned vegetable and fruits 31 December 2019 RMB'000	Canned vegetable and fruits 31 December 2018 RMB'000	Fruit beverages 31 December 2019 RMB'000	Fruit beverages 31 December 2018 RMB'000	Total 31 December 2019 RMB'000	Total 31 December 2018 RMB'000
OTHER INFORMATION						
Segment assets (excluding taxation)	**1,645,350**	1,604,116	**3,021,828**	2,787,029	**4,667,178**	4,391,145
Segment liabilities (excluding taxation)	**285,843**	286,632	**967,583**	976,062	**1,253,426**	1,262,694
Capital expenditure - Property, plant and equipment	**35,391**	44,347	**85,830**	277,130	**121,221**	321,477
Amortisation of land use rights	**–**	884	**–**	925	**–**	1,809
Depreciation of property, plant and equipment	**35,375**	31,800	**90,891**	73,108	**126,266**	104,908
Impairment loss on property, plant and equipment	**–**	2,068	**–**	–	**–**	2,068
Cessation of internal production:						
Property, plant and equipment written off	**–**	71,714	**–**	–	**–**	71,714
Loss on disposal of property, plant and equipment	**7,605**	9	**–**	–	**7,605**	9
(Reversal of impairment loss)/Impairment loss on property, plant and equipment	**(17,076)**	105,132	**–**	–	**(17,076)**	105,132
Depreciation of property, plant and equipment	**19,323**	34,836	**–**	–	**19,323**	34,836
VAT receivables written off	**–**	13,676	**–**	–	**–**	13,676
Inventories written off	**2,362**	1,983	**–**	–	**2,362**	1,983
	12,214	227,350	**–**	–	***12,214**	**227,350
Advances to acquire patents written off	**–**	–	**16,800**	16,200	**16,800**	16,200
Trade debts written off	**1,707**	–	**8,109**	12,981	**9,816**	12,981
Provision for expected credit loss on trade receivables	**–**	–	**–**	16,571	**–**	16,571
Deposits paid for non-current assets	**357,684**	357,684	**275,607**	219,616	**633,291**	577,300

* in respect to Grandness Shanxian and Shanxi Yongji
** in respect to Grandness Shanxian, Shanxi Yongji and Grandness Sichuan

32 Statement of operations by segments (Cont'd)

(b) Geographical segments

The following table shows the distribution of the Group's sales based on geographical location of customers:

The Group	**2019 RMB'000**	2018 RMB'000
Revenue		
- The People's Republic of China	**2,601,516**	3,033,686
- Europe	**296,199**	449,000
- North America	**5,438**	27,022
- South America	**8,939**	6,897
- Others	**22,387**	14,508
	2,934,479	3,531,113

There is no individual foreign country in Europe which is considered significant to be disclosed.

No geographical information is provided as the non-current assets employed by the Group are located in the PRC.

(c) Reconciliation of segments' total assets and total liabilities

The Group	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	**4,667,178**	4,391,145
Deferred tax asset	**3,814**	5,832
VAT receivable	**90,948**	135,331
Export tax refunds	**68,605**	82,545
Tax recoverable	**78**	77
	4,830,623	4,614,930

The Group	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	**1,253,426**	1,262,694
Deferred tax liabilities	**26,741**	27,741
VAT and government tax payable	**10,451**	24,627
Withholding tax payable	**199**	199
Current tax payable	**43,244**	45,133
	1,334,061	1,360,394

33 Financial risk management objectives and policies

The Group does not have written risk management policies and guidelines. The Board of Directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2019 and 31 December 2018, the Group's financial instruments mainly consisted of cash and bank balances, financial assets and financial liabilities.

33.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group operates and sells its products in several countries other than PRC and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to Singapore Dollar ("SGD") and United States 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.

The Company's currency exposures based on the information provided to key management is as follows:

The Company	Note	Singapore Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
31 December 2019						
Amount owing by subsidiaries	8	**360,857**	**207,324**	**–**	**–**	**568,181**
Other receivables	13	**181**	**–**	**24**	**–**	**205**
Bank balances, deposits and cash	14	**1,474**	**50**	**–**	**4**	**1,528**
		362,512	**207,374**	**24**	**4**	**569,914**
Trade payables	17	**2,266**	**26,056**	**–**	**–**	**28,322**
Other payables	18	**5,924**	**–**	**37,117**	**–**	**43,041**
Amount owing to subsidiaries	8	**–**	**47,475**	**17,400**	**6**	**64,881**
Loan from a related party	21	**–**	**147,224**	**–**	**–**	**147,224**
		8,190	**220,755**	**54,517**	**6**	**283,468**
Net exposure		**354,322**	**(13,381)**	**(54,493)**	**(2)**	**286,446**
31 December 2018						
Amount owing by subsidiaries	8	349,015	193,577	–	–	542,592
Other receivables	13	–	–	17	141	158
Bank balances, deposits and cash	14	928	7,271	–	–	8,199
		349,943	200,848	17	141	550,949
Trade payables	17	2,733	18,382	–	–	21,115
Other payables	18	3,083	–	32,759	–	35,842
Amount owing to subsidiaries	8	–	53,169	17,369	–	70,538
Loan from a related party	21	–	144,819	–	–	144,819
		5,816	216,370	50,128	–	272,314
Net exposure		344,127	(15,522)	(50,111)	141	278,635

33 Financial risk management objectives and policies (Cont'd)

33.1 Foreign currency risk (Cont'd)

The Group's currency exposures based on the information provided to key management is as follows (Cont'd):

The Group	Note	Singapore Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
31 December 2019						
Trade receivables	12	**–**	**72,855**	**1,242,469**	**–**	**1,315,324**
Other receivables	13	**181**	**–**	**824,852**	**8**	**825,041**
Bank balances, deposits and cash	14	**1,536**	**503**	**597,561**	**589**	**600,189**
		1,717	**73,358**	**2,664,882**	**597**	**2,740,554**
Trade payables	17	**2,266**	**26,056**	**17,055**	**–**	**45,377**
Other payables	18	**6,078**	**69**	**85,776**	**–**	**91,923**
Lease liabilities	19(b)	**–**	**–**	**4,329**	**–**	**4,329**
Bank borrowings	20	**–**	**169,830**	**63,164**	**–**	**232,994**
Loan from a related party	21	**–**	**147,224**	**–**	**–**	**147,224**
		8,344	**343,179**	**170,324**	**–**	**521,847**
Net exposure		**(6,627)**	**(269,821)**	**2,494,558**	**597**	**2,218,707**
31 December 2018						
Trade receivables	12	–	81,886	1,502,798	–	1,584,684
Other receivables	13	–	3,133	337,374	143	340,650
Bank balances, deposits and cash	14	980	7,805	612,048	960	621,793
		980	92,824	2,452,220	1,103	2,547,127
Trade payables	17	2,733	18,382	81,614	–	102,729
Other payables	18	3,082	–	111,230	–	114,312
Obligations under lease liabilities	19(a)	–	–	5,726	–	5,726
Bank borrowings	20	–	157,227	43,670	–	200,897
Loan from a related party	21	–	144,819	–	–	144,819
		5,815	320,428	242,240	–	568,483
Net exposure		(4,835)	(227,604)	2,209,980	1,103	1,978,644

33 Financial risk management objectives and policies (Cont'd)

33.1 Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

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 net of tax and equity.

		31 December 2019 RMB'000		31 December 2018 RMB'000	
The Company		**Profit net of tax**	**Equity**	Profit net of tax	Equity
SGD	- strengthened 5%	**14,704**	**14,704**	14,281	14,281
	- weakened 5%	**(14,704)**	**(14,704)**	(14,281)	(14,281)
US$	- strengthened 5%	**(502)**	**(502)**	(582)	(582)
	- weakened 5%	**502**	**502**	582	582
The Group					
SGD	- strengthened 5%	**(275)**	**(275)**	(201)	(201)
	- weakened 5%	**275**	**275**	201	201
US$	- strengthened 5%	**(10,118)**	**(10,118)**	(8,535)	(8,535)
	- weakened 5%	**10,118**	**10,118**	8,535	8,535

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's and the Group's exposure to currency risk.

33.2 Interest rate risk

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

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

33 Financial risk management objectives and policies (Cont'd)

33.2 Interest rate risk (Cont'd)

The table below sets out the carrying amount, by maturity, of the Company's and the Group'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
31 December 2019					
Fixed rate					
Loan from a related party	**147,224**	**–**	**–**	**–**	**147,224**
Floating rate					
Bank balances, deposits and cash	**1,528**	**–**	**–**	**–**	**1,528**
31 December 2018					
Fixed rate					
Loan from a related party	144,819	–	–	–	144,819
Floating rate					
Bank balances, deposits and cash	8,199	–	–	–	8,199

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
31 December 2019					
Fixed rate					
Exchangeable bonds	**484,792**	**–**	**–**	**–**	**484,792**
Straight bonds	**257,437**	**–**	**–**	**–**	**257,437**
Loan from a related party	**147,224**	**–**	**–**	**–**	**147,224**
Lease liabilities	**2,458**	**557**	**563**	**751**	**4,329**
Bank borrowings	**60,089**	**2,105**	**970**	**–**	**63,164**
Floating rate					
Bank borrowings	**169,830**	**–**	**–**	**–**	**169,830**
Bank balances, deposits and cash	**600,189**	**–**	**–**	**–**	**600,189**
31 December 2018					
Fixed rate					
Exchangeable bonds	484,792	–	–	–	484,792
Straight bonds	234,245	–	–	–	234,245
Loan from a related party	144,819	–	–	–	144,819
Finance leases	3,405	2,321	–	–	5,726
Bank borrowings	43,670	–	–	–	43,670
Floating rate					
Bank borrowings	157,227	–	–	–	157,227
Bank balances, deposits and cash	621,793	–	–	–	621,793

33 Financial risk management objectives and policies (Cont'd)

33.2 Interest rate risk (Cont'd)

Interests on financial instruments subject to floating interest rates are contractually repriced at intervals of less than one month. Interests on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Company and the Group that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for interest rate risk

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments (exchangeable bonds and derivative on convertible loan) 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.

	31 December 2019		31 December 2018	
The Company	**RMB'000**		RMB'000	
	Profit net of tax	**Equity**	Profit net of tax	Equity
Interest rate				
- decreased 1%	**(11)**	**(11)**	(61)	(61)
- increased 1%	**11**	**11**	61	61
The Group				
Interest rate				
- decreased 1%	**(3,228)**	**(3,228)**	(3,484)	(3,484)
- increased 1%	**3,228**	**3,228**	3,484	3,484

33.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The five (2018 - five) largest debtors accounted about 5.6% (2018 - 5.6%) of the total receivables at year end. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group'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 instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except as follows:

The Company and The Group	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Intra-group corporate guarantees provided to banks on subsidiaries' credit facilities	31(iii)	**169,830**	257,227

33 Financial risk management objectives and policies (Cont'd)

33.3 Credit risk (Cont'd)

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

Expected credit losses

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the China loan default loss rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The movement for expected credit losses of trade receivables computed based on lifetime ECL under SFRS(I) 9 is as follows:

The Group	Note	Trade receivables RMB'000
Balance at 1 January 2018 under SFRS		1,601,255
Adoption of SFRS(I) 9	12	–
Balance at 1 January 2018 under SFRS(I) 9		1,601,255
Loss allowance recognised in profit or loss during the year	12	(16,571)
Balance at 31 December 2018		1,584,684

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. Bank balances, deposits and cash, and other receivables are subject to immaterial credit loss.

Arising from debtors which have ceased to trade and struck off, trade receivables of RMB 9.8 million (2018 - RMB 13.0 million) were written off to the profit or loss during the financial year ended 31 December 2019.

The Company has non-trade amount owing by subsidiaries which represents advances to subsidiaries (Note 8) to meet their funding requirements. The management carries out impairment assessment on these balances, measured on a 12-month or lifetime expected loss basis.

The management did not perform an assessment of expected credit loss allowance for trade and other receivables and amount owing by subsidiaries as at 31 December 2019.

33 Financial risk management objectives and policies (Cont'd)

33.3 Credit risk (Cont'd)

Financial guarantee contract

At 31 December 2019 and 31 December 2018, the Company has issued a guarantee to DEG bank in respect of the DEG loan granted to GF Hubei [see Note 20(h)]. This guarantee is subject to the impairment assessment under SFRS(I) 9. However, no assessment of impairment has been made by the management of the Company.

Significant concentration of credit risks

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total exposure. The Group determines concentrations of credit risk by monitoring the country and product sector profile of its trade receivables on an ongoing basis.

The credit risk concentration profile of the Group's trade receivables based on information provided to key management at the end of the reporting period is as follows:

The Group	**31 December 2019 RMB'000**	31 December 2018 RMB'000
By geographical areas		
The People's Republic of China	**1,242,469**	1,502,798
Europe	**69,425**	74,833
North America	**2,634**	7,050
Others	**796**	3
	1,315,324	1,584,684

	31 December 2019		31 December 2018	
The Group	**RMB'000**	**% of total**	RMB'000	% of total
By product sectors				
Canned foods	**179,830**	**14%**	250,909	16%
Beverages	**1,135,494**	**86%**	1,333,775	84%
	1,315,324	**100%**	1,584,684	100%

33.4 Liquidity risk

Liquidity or funding risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

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

33 Financial risk management objectives and policies (Cont'd)

33.4 Liquidity risk (Cont'd)

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
As at 31 December 2019			
Trade payables	**28,322**	**–**	**28,322**
Other payables (less VAT, government tax and withholding tax payable)	**42,842**	**–**	**42,842**
Loan from a related party	**158,092**	**–**	**158,092**
Amount owing to subsidiaries	**64,881**	**–**	**64,881**
Financial guarantees	**169,830**	**–**	**169,830**
	463,967	**–**	**463,967**
As at 31 December 2018			
Trade payables	21,115	–	21,115
Other payables (less VAT, government tax and withholding tax payable)	35,643	–	35,643
Loan from a related party	171,593	–	171,593
Amount owing to subsidiaries	70,538	–	70,538
Financial guarantees	170,897	–	170,897
	469,786	–	469,786

The Group	Less than 1 year RMB'000	Between 1 to 5 years RMB'000	Total RMB'000
As at 31 December 2019			
Lease liabilities	**2,799**	**2,136**	**4,935**
Bank borrowings	**244,414**	**3,675**	**248,089**
Trade payables	**45,377**	**–**	**45,377**
Other payables (less VAT, government tax and withholding tax payable)	**81,273**	**–**	**81,273**
Loan from a related party	**158,092**	**–**	**158,092**
Straight bonds	**257,437**	**–**	**257,437**
Exchangeable bonds	**484,792**	**–**	**484,792**
	1,274,184	**5,811**	**1,279,995**
As at 31 December 2018			
Finance leases	3,885	2,496	6,381
Bank borrowings	209,743	–	209,743
Trade payables	102,729	–	102,729
Other payables (less VAT, government tax and withholding tax payable)	89,486	–	89,486
Loan from a related party	171,593	–	171,593
Straight bonds	234,245	–	234,245
Exchangeable bonds	486,524	–	486,524
	1,298,205	2,496	1,300,701

33 Financial risk management objectives and policies (Cont'd)

33.4 Liquidity risk (Cont'd)

The unutilised bank credit facilities of the Group as at 31 December 2019 and 31 May 2020 are as follows:

The Group	**31 May 2020 RMB'000**	31 December 2019 RMB'000
Unutilised bank credit facilities	**26,080**	58,004

33.5 Market price risk

The Group does not hold any quoted or marketable financial instrument, hence it is not exposed to any movement in market prices.

33.6 Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See Note 22 for disclosures of exchangeable bonds that are measured at fair value.

The Group	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
31 December 2019				
Liabilities				
Exchangeable bonds	**–**	**–**	**484,792**	**484,792**
31 December 2018				
Liabilities				
Exchangeable bonds	–	–	484,792	484,792

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

33 Financial risk management objectives and policies (Cont'd)

33.6 Fair value measurements (Cont'd)

Level 3 fair value measurements

(a) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using observable market data (Level 3):

Description	Fair value RMB'000	Valuation techniques	Unobservable inputs	Range
31 December 2019				
Recurring fair value measurement of exchangeable bonds	**484,792**	Cash flow of the exchangeable bonds at its corresponding discount rate	Revised redemption return Discount rate	20% - 25% 9.44%
	484,792			
31 December 2018				
Fair value measurement of loan from a related party at inception	144,819	Cashflow of the loan from a related party at its corresponding discount rate	Discount rate	15.34%
Recurring fair value measurement of exchangeable bonds	484,792	Cash flow of the exchangeable bonds at its corresponding discount rate	Revised redemption return Discount rate	20% - 25% 9.44%
	629,611			

(b) Movements in Level 3 assets and liabilities measured at fair value

Please refer to Notes 21 and 22 for the movement of loan from a related party/convertible loan and exchangeable bonds respectively.

(c) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

33 Financial risk management objectives and policies (Cont'd)

33.6 Fair value measurements (Cont'd)

Level 3 fair value measurements (Cont'd)

(c) Valuation policies and procedures (Cont'd)

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO office documented and reported its analysis and results of the external valuations to the Audit Committee on a quarterly basis. The Audit Committee performed a high-level independent review of the valuation process and results and recommended if any revisions needed to be made before presenting the results to the Board of Directors for approval.

In the financial year 2018, the Group's Chief Financial Officer ("**CFO**"), who was assisted by the financial controllers (collectively referred to as the "**CFO office**") oversaw the Group's financial reporting valuation process and was responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO office reported to the Audit Committee.

In the financial year 2019, there was no valuation carried out for the re-measurement of the exchangeable bonds.

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 2019 and 31 December 2018.

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

34 Capital management (Cont'd)

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, finance leases/lease liabilities, bank borrowings, loan from a related party, amount owing to subsidiaries, and bonds less bank balances, deposits and cash.

		The Company		The Group	
		31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Trade payables	17	**28,322**	21,115	**45,377**	102,729
Other payables	18	**43,041**	35,842	**91,923**	114,312
Finance lease obligations	19(a)	**–**	–	**–**	5,726
Lease liabilities	19(b)	**–**	–	**4,329**	–
Bank borrowings	20	**–**	–	**232,994**	200,897
Loan from a related party	21	**147,224**	144,819	**147,224**	144,819
Amount owing to subsidiaries	8	**64,881**	70,538	**–**	–
Bonds	22	**–**	–	**742,229**	719,037
		283,468	272,314	**1,264,076**	1,287,520
Less: Bank balances, deposits and cash	14	**(1,528)**	(8,199)	**(600,189)**	(621,793)
Net debt		**281,940**	264,115	**663,887**	665,727
Equity attributable to the equity holders of the Company		**614,723**	607,260	**3,495,547**	3,252,938
Capital and net debt		**896,663**	871,375	**4,159,434**	3,918,665
Gearing ratio		**31%**	30%	**16%**	17%

35 Financial instruments

35.1 Fair values

The carrying amount of financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values. The fair value of exchangeable bonds is disclosed in Note 22 to the financial statements.

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	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Financial assets at amortised cost			
Amount owing by subsidiaries	8	**568,181**	542,592
Other receivables			
- Advances to employees	13	**166**	112
- Deposits	13	**5**	13
- Others	13	**34**	33
Bank balances, deposits and cash	14	**1,528**	8,199
		569,914	550,949
Financial liabilities at amortised cost			
Trade payables and accruals	17	**28,322**	21,115
Other payables			
- Amount owing to third parties	18	**559**	559
- Accrual of directors' fees	18	**902**	672
- Director of the Company	18	**41,351**	34,382
- Others	18	**30**	30
Loan from a related party	21	**147,224**	144,819
Amount owing to subsidiaries	8	**64,881**	70,538
		283,269	272,115

35 Financial instruments (Cont'd)

35.2 Accounting classifications of financial assets and financial liabilities (Cont'd)

The Group	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Financial assets at amortised cost			
Trade receivables	12	**1,315,324**	1,584,684
Other receivables			
- Advances to employees	13	**722**	773
- Advances to third parties	13	**819**	2,355
- Amount owing by related parties	13	**2,326**	1,289
- Deposits	13	**4,260**	775
- Others	13	**243**	236
Bank balances, deposits and cash	14	**600,189**	621,793
		1,923,883	2,211,905
Financial liabilities at amortised cost			
Trade payables and accruals	17	**45,377**	102,729
Other payables			
- Amount owing to contractors	18	**4,466**	19,717
- Amount owing to suppliers	18	**58**	266
- Amount owing to employees	18	**796**	606
- Amount owing to third parties	18	**931**	2,167
- Amount owing to a related party	18	**10,267**	10,267
- Accrual of directors' fees	18	**1,057**	672
- Advances from customers	18	**20**	292
- Deposits	18	**73**	107
- Director of the Company	18	**61,906**	53,268
- Others	18	**1,025**	1,480
Finance leases	19(a)	**–**	5,726
Lease liabilities	19(b)	**4,329**	–
Bank borrowings	20	**232,994**	200,897
Loan from a related party	21	**147,224**	144,819
Straight bonds at amortised cost	22	**257,437**	234,245
		767,960	777,258
Financial liabilities at fair value			
Exchangeable bonds at fair value through profit or loss	22	**484,792**	484,792

36 Other matters

The Group

On-going litigation

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 RMB 2.6 million up to 31 July 2020.

As at the date of this financial statements, the ultimate result of two legal proceedings cannot be predicted with certainty. The directors of the Company are of the view that the outcome of any claim which is pending, either individually or on a combined basis, will not have a material effect on the financial position, cash flows and result of operations of the Group.

37 Events after end of reporting period

The outbreak of the Covid-19 and the effect of the pandemic in the PRC has caused a severe stress on the business environment in the PRC and there was a lock-down in early January 2020 and re-open on progressive stages since mid-February 2020 in the various provinces where the Group subsidiaries are located. The Group's key wholly-owned subsidiaries in Hubei resumed operations in phases since 8 June 2020. These subsidiaries in Hubei also provide distribution channels for the delivery of goods for the Group subsidiaries in the PRC. Other heavily invested plants in Anhui resumed operations in May 2020 on gradual basis. The Group also depends on outsourced suppliers to provide goods for delivery for canned vegetable and fruit products where possible.

The financial statements for the current year do not reflect the financial impact for the Covid-19 as the management of the Company and of the Group is unable to quantify the related financial impact to the results for the year ending 31 December 2020.

38 Basis for Revision

<u>Revising and re-filing of financial statements for FY2017 and FY2018</u>

As announced on Singapore Exchange ("**Exchange**") on 16 January 2020, pursuant to the Accounting and Corporate Regulatory Authority ("**ACRA**")'s Financial Reporting Surveillance Programme, ACRA had issued a letter dated 9 January 2020 ("**ACRA's Letter**") under Section 202A of the Companies Act to the Company's in relation to the FY2017 audited financial statements ("**FY2017**"). The ACRA's Letter was issued following queries from the ACRA to the Company on 15 November 2018 and 20 November 2019.

The former board of directors who authorised the FY2018 financial statements comprised the following directors:

Huang Yupeng
Huang Yushan
Zhu Jun
Chalermchai Mahagitsiri (resigned on 31 January 2019)
Soh Beng Keng (resigned on 25 December 2019)
Lai Jingwei (appointed on 2 April 2018)
Zhang Jinze (appointed on 18 May 2018 and retired on 8 August 2019)
Gong Shuli (appointed on 5 July 2019)
Liu Ling (retired on 30 April 2018)
Wong Chee Meng, Lawrence (resigned on 25 February 2019)

38 Basis for Revision (Cont'd)

Revising and re-filing of financial statements for FY2017 and FY2018 (Cont'd)

The ACRA's Letter dated 9 January 2020 indicated that the Company had not complied with:

(1) (a) Paragraph 14 of FRS 7 *Statement of Cash Flows* because the deposits of RMB 35.4 million (2016 - RMB 165.9 million) which were pledged for bank borrowings (as disclosed in Notes 13 and 19 in the FY2017 audited financial statements), were not principal revenue-producing activities of the Group. Cash flows relating to borrowings shall be classified within financing activities in accordance to paragraph 17 of FRS 7.

(b) Paragraph 17 of FRS 7 because the Group had incorrectly classified the "advanced subscription received from a director" (as disclosed in Note 17 in the FY2017 audited financial statements) in the financial year ended 31 December 2016 as cash inflows within operating activities, instead of financing activities. There is no impact to the audited financial statements for the financial year ended 31 December 2018 arising from this revision.

(2) (a) Paragraphs 31 and 41 of FRS 33 *Earnings Per Share* because the Group did not consider the conversion of exchangeable bonds when computing diluted EPS as the conversion of exchangeable bonds could have a dilutive impact on the profits attributable to shareholders, regardless of the probability of conversion.

(b) Paragraph 70(c) of FRS 33 because the Group should have disclosed that the convertible loan from Soleado Holdings Pte. Ltd. (Note 20 in the FY2017 audited financial statements) was anti-dilutive.

(3) Paragraph 38 of FRS 12 *Income Taxes* because as the undistributed earnings of subsidiaries are not consolidated at the Company level, taxable temporary differences would not arise at Company level. The Company could not have recognised deferred tax liabilities on undistributed profits of PRC subsidiaries at the Company level.

(4) Paragraph 17(e) of FRS 24 *Related Party Disclosures* because the Group had not included the related share-based payment expense as part of key management personnel compensation, nor disclosed the expense separately in the FY2017 audited financial statements. There is no impact to the audited financial statements for the financial year ended 31 December 2018 arising from this revision.

The ACRA's Letter stated that ACRA had considered the Company's responses on 12 December 2018, 10 December 2019 and the meeting on 3 January 2020.

As at the date of this Auditor's Report, the board of directors ("**New Board**") comprised the following directors:

Huang Yupeng
Huang Yushan
Zhu Jun
Ling Chung Yee (appointed on 24 December 2019 and resigned on 13 October 2020)
Lai Jingwei (appointed on 2 April 2018)
Gong Shuli (appointed on 5 July 2019)

With effect from 20 April 2018, a new set of the Regulations has been issued to operationalise sections 202A and 202B which took effect on 20 April 2018, to allow:

(i) directors to voluntary revise financial statements that do not comply with the requirements of the Act (including compliance with the Accounting Standards); and

(ii) the Registrar of Companies to apply to court to require a company to revise its financial statements where defects had been detected.

In view of the Regulations, the New Board has voluntarily revised the FY2017 financial statements and the audited financial statements for the financial year ended 31 December 2018 ("**FY2018**") in accordance with section 202A of the Companies Act.

38 Basis for Revision (Cont'd)

Effects of Revision

The effects of the revision on the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the financial year ended 31 December 2018 are summarised below.

There is no effect of revision on the consolidated statement of financial position of the Group as at 31 December 2018, and the consolidated statement of changes in equity of the Group for the financial year ended 31 December 2018.

Revision and comparative figures

The Company

Statement of financial position	31 December 2018		
	As previously stated	Adjustments	Revised
	RMB'000	RMB'000	RMB'000
Accumulated losses	(245,821)	19,241	(226,580)
Deferred tax liabilities	20,241	(19,241)	1,000

The Group

Consolidated statement of profit or loss and other comprehensive income	31 December 2018	
	As previously stated	Revised
	RMB'000	RMB'000
Earnings per share:		
- Diluted	15.73	9.37

See related disclosures arising from the revision in Note 26 to the revised financial statements.

Consolidated statement of cash flows	31 December 2018		
	As previously stated	Reclassification	Revised
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	389,346	(28,112)	361,234
Net cash used in financing activities	(47,940)	28,112	(19,828)

39 Comparative figures

Comparative figures have been reclassified to conform with current year's presentation:

The Group	As per revised financial statements 2018 RMB'000	Reclassification 2018 RMB'000	Revised 2018 RMB'000
Statements of financial position			
Straight bonds	234,245	(234,245)	–
Exchangeable bonds	484,792	(484,792)	–
Bonds	–	719,037	719,037
Consolidated statement of profit or loss and other comprehensive income			
Cost of sales	2,318,762	4,978	2,323,740
Distribution costs	495,648	(4,978)	490,670
Administrative expenses	146,972	(9)	146,963
Cessation of internal production			
- Loss on disposal of property, plant and equipment	–	9	9
Consolidated statement of cash flows			
Cash Flows from Operating Activities			
- Increase in operating receivables	(202,673)	1,289	(201,384)
- Decrease in operating payables	(3,924)	(27,913)	(31,837)
- Net cash generated from operating activities	361,234	(26,625)	334,609
Cash Flows from Investing Activities			
- Amount owing by related parties	–	(1,289)	(1,289)
- Net cash used in investing activities	(385,322)	(1,289)	(386,611)
Cash Flows from Financing Activities			
- Amount owing to a director of the Company	–	17,646	17,646
- Advance partial subscription received from a related party	–	10,267	10,267
- Net cash (used in)/generated from financing activities	(19,828)	27,913	8,085

There is no impact on other notes to the financial statements.

STATISTICS OF SHAREHOLDINGS

As at 28 October 2020

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 BY SIZE OF SHAREHOLDINGS AS AT 28 OCTOBER 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	37	1.56	1,792	0.00
100 – 1,000	61	2.57	31,543	0.00
1,001 – 10,000	441	18.58	2,927,629	0.26
10,001 – 1,000,000	1,742	73.41	229,757,598	19.99
1,000,001 and above	92	3.88	916,692,096	79.75
GRAND TOTAL	**2,373**	**100.00**	**1,149,410,658**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 28 OCTOBER 2020

	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1.	RAFFLES NOMINEES (PTE) LIMITED	155,065,113	13.49
2.	HUANG YUPENG	102,100,000	8.88
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	99,337,224	8.64
4.	SOLEADO HOLDINGS PTE. LTD.	81,450,857	7.09
5.	DBS NOMINEES PTE. LTD.	69,534,603	6.05
6.	SOO WEE KIAT (SU WEIJIE)	38,486,100	3.35
7.	UOB KAY HIAN PTE. LTD.	26,092,389	2.27
8.	OCBC SECURITIES PRIVATE LTD.	23,636,207	2.06
9.	DBSN SERVICES PTE. LTD.	23,100,082	2.01
10.	PHILLIP SECURITIES PTE LTD	18,721,099	1.63
11.	UNITED OVERSEAS BANK NOMINEES PTE. LTD.	17,966,670	1.56
12.	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	15,884,308	1.38
13.	OCBC NOMINEES SINGAPORE PTE. LTD.	14,773,216	1.29
14.	CHEN TIK LUNG @ CHAN TIK LUNG	14,500,000	1.26
15.	ZHU XILIN	8,822,500	0.77
16.	NG KHENG IMM MRS LEE SWEEKHIANG	8,188,000	0.71
17.	HSBC (SINGAPORE) NOMINEES PTE. LTD.	7,722,425	0.67
18.	TAN CHONG MENG	7,165,400	0.62
19.	HUANG SHU HUA	6,976,700	0.61
20.	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,867,948	0.60
	TOTAL	**746,390,841**	**64.94**

STATISTICS OF SHAREHOLDINGS

As at 28 October 2020

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 28 October 2020, approximately 41.51% 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 by way of electronic means on Friday, 4 December 2020 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the revised and re-issued Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017 together with the Auditors' Report thereon.
   [See Explanatory Note (i)] **(Resolution 1)**

2. To receive and adopt the Directors' Statement and the revised and re-issued Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors' Report thereon.
   [See Explanatory Note (i)] **(Resolution 2)**

3. 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 2019 together with the Auditors' Report thereon. **(Resolution 3)**

4. To re-elect the following Directors of the Company retiring pursuant to the Constitution of the Company:

Mr Zhu Jun	(Retiring under Regulation 91)	**(Resolution 4)**
Mr Lai Jingwei	(Retiring under Regulation 91)	**(Resolution 5)**

   [See Explanatory Note (ii)]

5. To approve the payment of Directors' fees of S$95,000 for the financial year ending 31 December 2020 to be paid half-yearly in arrears. (2019: S$160,000) **(Resolution 6)**

6. To re-appoint Foo Kon Tan LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

   (the "***Share Issue Mandate***")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8; and

(c) any subsequent consolidation or subdivision of shares;

adjustment in accordance with (2)(a) and (2)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of this Resolution.

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (iii)] **(Resolution 8)**

9. **Authority to issue shares under the Sino Grandness Employee Share Option Scheme**

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant options ("**Options**") under the Sino Grandness Employee Share Option Scheme (the "**Scheme**") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 9)**

By Order of the Board

Chew Kok Liang/Teo Chia Hui
Company Secretaries
Singapore, 19 November 2020

Explanatory Notes:

(i) Resolutions 1 and 2 proposed in items 1 and 2 above, are to receive and adopt the Directors' Statement and revised and re-issued Audited Financial Statements of the Company for the financial years ended 31 December 2017 and 31 December 2018 respectively. The revision of the financial statements for the financial years ended 31 December 2017 and 31 December 2018 were prompted by The Accounting and Corporate Regulatory Authority's Financial Reporting Surveillance Programme.

(ii) Mr Zhu Jun will, upon re-election as a Director of the Company, remain as the Executive Director of the Company. Please refer to Corporate Governance Report on pages 23 to 25 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

Mr Lai Jingwei will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of Nominating Committee and Member of Audit and Remuneration Committees. Mr Lai Jingwei will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Corporate Governance Report on pages 23 to 25 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(iii) Resolution 8, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(iv) Resolution 9, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. Pursuant to the COVID-19 (Temporary Measures) Act 2020 (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Company has the option to hold a virtual meeting, even where the Company is permitted under safe distancing to hold a physical meeting. Due to current COVID-19 situation and the Company's efforts to minimise physical interactions and COVID-19 transmission risk to a minimum, the Annual General Meeting of the Company will be held by way of electronic means.

2. The Notice of Annual General Meeting and Proxy Form will be sent to members solely by electronic means via publication on SGXNet at the URL https://www.sgx.com/securities/company-announcements. Printed copies of these documents will NOT be despatched to members.

3. Members (including a Relevant Intermediary*) will not be able to attend the Annual General Meeting in person. Members who pre-register may participate at the Annual General Meeting by:-

   (a) observing and/or listening to the proceedings via a "live" webcast via mobile phone, tablet or computer ("Live Webcast");

   (b) submitting questions related to the resolutions to be tabled for approval in advance of the Annual General Meeting via email to sino@grandnessgroups.com.

   For verification purpose, when submitting any questions by post or via email, shareholders must provide the Company with their particulars (comprising full name (for individuals)/company name (for corporate), email address, contact number, NRIC/passport number/company registration number, shareholding type and number of shares held); and/or

   (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the Annual General Meeting.

4. A member of the Company (including a Relevant Intermediary*) entitled to vote at the Annual General Meeting must appoint the Chairman of the Meeting to act as proxy and direct the vote at the Annual General Meeting.

5. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the Annual General Meeting.

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the proxy form is executed 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.

7. The instrument appointing the Chairman of the Meeting as proxy must: (i) if sent personally or by post, be deposited at the office of Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898; or (ii) via email to: sg.is.proxy@sg.tricorglobal.com, by no later than forty-eight (48) hours before the time appointed for holding the Annual General Meeting, and in default the instrument of proxy shall not be treated as valid.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms personally or by post, members are strongly encouraged to submit completed proxy forms electronically via the Sino AGM Website.

8. The Annual Report for FY2019 as well as the Directors' Statement and revised and re-issued Audited Financial Statements of the Company for the financial years ended 31 December 2017 and 31 December 2018 may be accessed on SGXNet at the URL https://www.sgx.com/securities/company-announcements.

*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.

Important notes to members:

A. The key dates which members should take note of are set out in the table below:-

Key dates	Actions
From 19 November 2020, 3.00 p.m.	Members may begin to pre-register at the following URL: https://agm.conveneagm.com/sinograndness2019 (the "Sino AGM Website"), to create an account. Corporate members must also submit the Corporate Representative Certificate to the Company at sg.is.proxy@sg.tricorglobal.com
By 5.00 p.m. on 24 November 2020	Deadline for CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy to approach their respective CPF Agent Banks or SRS Operators to submit their votes.
By 10.00 a.m. on 25 November 2020	Deadlines for members to submit questions related to the resolutions to be tabled for approval in advance. The question will be published via SGXNet after trading hours on 3 December 2020.
By 10.00 a.m. on 2 December 2020	Deadlines for members to: ● pre-register for Live Webcast; ● submit the Corporate Representative Certificate (for Corporate members only); and ● submit proxy forms.

NOTICE OF ANNUAL GENERAL MEETING

Key dates	Actions
By 12 noon on 3 December 2020	Authenticated members will receive an email on their authentication status and will be able to access the Live Webcast using the account created (the "**Confirmation Email**") Members who do not receive the Confirmation Email by 12 noon on 3 December 2020, but have registered by the 2 December 2020 deadline should contact the Company for assistance at sg.is.proxy@sg.tricorglobal.com with (i) the full name of the member; and (ii) his/her/its identification/registration number.
10.00 a.m. on 4 December 2020	To access the Live Webcast of the proceedings of the Annual General Meeting using the account created.

B. Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change its Meeting arrangements at short notice. Members should check the Company's announcements on SGXNet for the latest updates on the status of the Annual General Meeting, if any.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing the Chairman 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) for the purpose of the processing and administration by the Company (or its agents) of the appointment of the Chairman as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing 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), 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) 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.

SINO GRANDNESS
FOOD INDUSTRY GROUP LIMITED
(Company Registration No. 200706801H)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Pursuant to the COVID-19 (Temporary Measures) Act 2020 (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Company has the option to hold a virtual meeting, even where the Company is permitted under safe distancing to hold a physical meeting. Due to current COVID-19 situation and the Company's efforts to minimise physical interactions and COVID-19 transmission risk to a minimum, the Annual General Meeting of the Company will be held by way of electronic means.
2. A member will not be able to attend the Meeting in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the Meeting. A member (whether individual or corporate) who wishes to exercise his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. In appointing the Chairman of the Meeting as proxy, a member must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.
3. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to appoint the Chairman of the Meeting as proxy should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least 7 working days before the Meeting.
4. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, ____________________________ (Name) NRIC/Passport No.*____________________

of ____

being a member/members* of Sino Grandness Food Industry Group Limited (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our* proxy to attend and vote for me/us* on my/our* behalf at the Annual General Meeting (the "**AGM**") of the Company to be held by way of electronic means on Friday, 4 December 2020 at 10.00 a.m. and at any adjournment thereof. I/We* direct the Chairman of the Meeting to vote for or against or abstain the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the Chairman of the Meeting will vote or abstain from voting at his discretion.

(If you wish to exercise all your votes "For", "Against" or to "Abstain" from voting, please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll)

No.	Resolutions relating to:	For	Against	Abstain
1.	Revised and re-issued Audited Financial Statements for the financial year ended 31 December 2017			
2.	Revised and re-issued Audited Financial Statements for the financial year ended 31 December 2018			
3.	Audited Financial Statements for the financial year ended 31 December 2019			
4.	Re-election of Mr Zhu Jun as a Director			
5.	Re-election of Mr Lai Jingwei as a Director			
6.	Approval of Directors' fees amounting to S$95,000 for the financial year ending 31 December 2020 (2019: S$160,000)			
7.	Re-appointment of Foo Kon Tan LLP as Auditors			
8.	Authority to allot and issue new shares			
9.	Authority to issue shares under the Sino Grandness Employee Share Option Scheme			

Dated this ______ day of ________________ 2020

Total number of Shares held

____
Signature of Shareholder(s)
and/or Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

The Proxy Form will be sent to members solely by electronic means via publication on the SGXNet at the URL https://www.sgx.com/securities/company-announcements. Printed copies of the proxy form will NOT be despatched to members.

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), 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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the Meeting as a proxy shall be deemed to relate to all the Shares held by you.

2. A member of the Company (including a Relevant Intermediary*) entitled to vote at the Meeting must appoint the Chairman of the Meeting to act as proxy and direct the vote at the Meeting.

3. The instrument appointing the Chairman of the Meeting as proxy must (i) if sent personally or by post, be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898; or (ii) if submitted electronically via email, be received by Company's Share Registrar, Tricor Barbinder Share Registration Services at sg.is.proxy@sg.tricorgloabal.com, and in either case, not less than 48 hours before the time appointed for the Meeting, and in default the instrument of proxy shall not be treated as valid.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

4. The instrument appointing the Chairman of the Meeting as the proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing the Chairman of the Meeting as proxy is executed 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.

5. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the Meeting.

*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.

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 appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 19 November 2020.

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