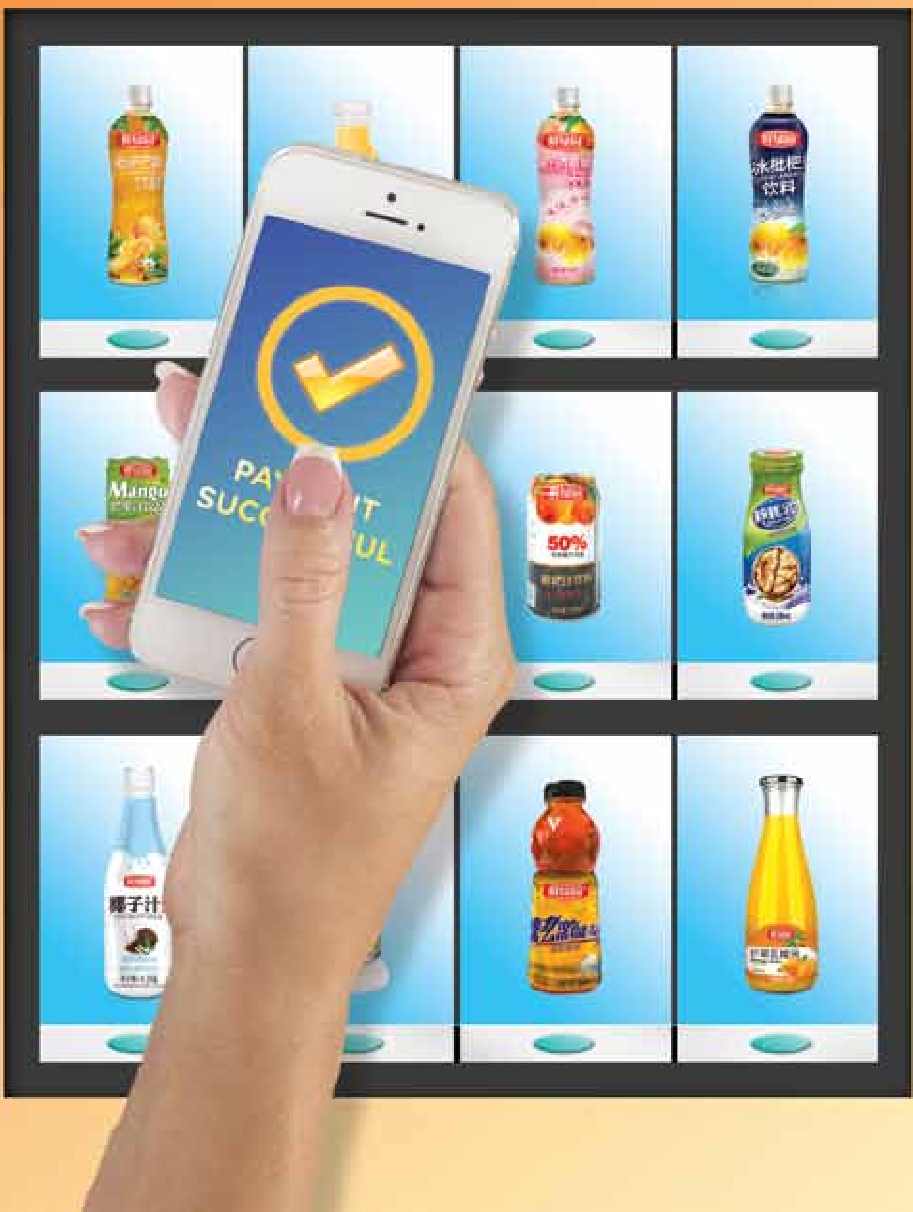
MORE LINES SYNERGIES



ANNUAL
REPORT
2017

GRANDNESS

Contents

Corporate Profile

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

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

Sino Grandness' production plants in PRC are strategically located in four provinces, namely Shandong, Shanxi, 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 will be commenced mass production of juices and canned products in 2018.

In 2010, the Group successfully launched its own-branded bottled juices Garden Fresh, 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 2017, the Group's wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Ltd. ("Garden Fresh Shenzhen") has been accorded the prestigious "Asia Brands Top 500" award (亚洲品牌500强) during the 12th Asia Brand Ceremony held in Hong Kong with a brand appraisal value of RMB12.83 billion. This is the third time Garden Fresh Shenzhen has been accorded the prestigious title of Asia Brands Top 500, to be among other leading brands in Asia.

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

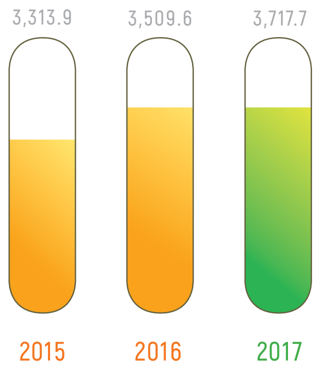
CANNED VEGETABLES

Achieving Delivering MORE

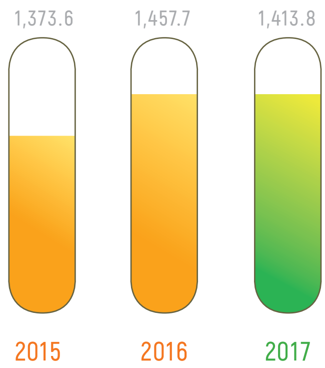
Our continued efforts in key business strategies and advertising and promotional activities have enabled us to further increase the brand visibility and accessibility of our products. On the back of a wider product range and an expanded distribution network across the PRC, we are set to capitalise on the opportunities from the increasing demand for convenient healthy lifestyle products and the rising e-commerce industry in China to generate greater brand value and obtain higher returns.

Financial Highlights

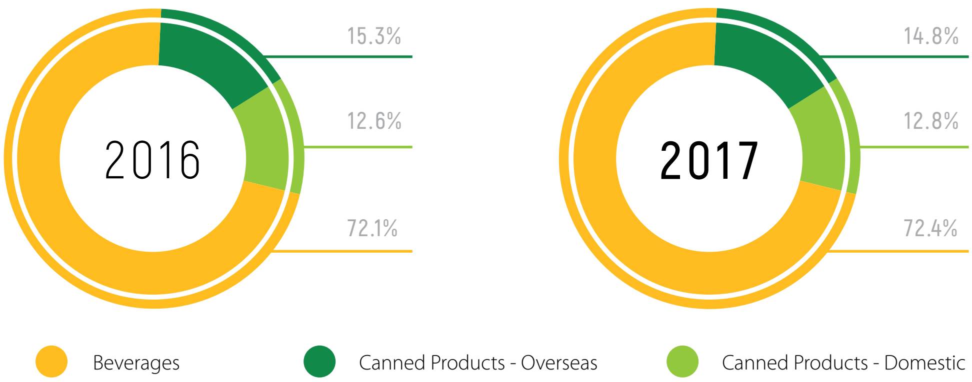
REVENUE
(RMB Million)



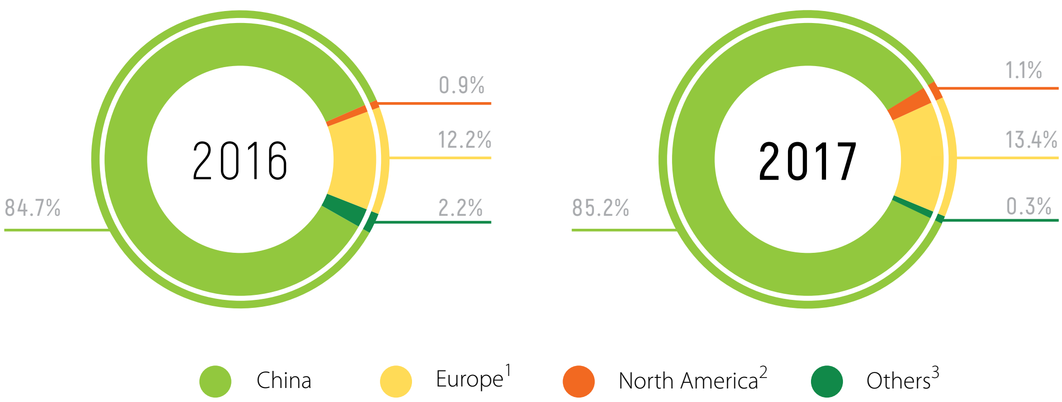
GROSS PROFIT
(RMB Million)



REVENUE BREAKDOWN BY SEGMENTS



REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATIONS



1. Include sales to countries such as Germany, France, Spain, the Netherland, the Czech Republic and Russia
2. Relates mainly to sales to Mexico
3. Relates to sales to countries such as Australia and Turkey

Honorary Chairman

"As a result of rising health awareness, higher disposable incomes, ageing population and lifestyle changes, consumers in the PRC market have shown increasing demand for convenient products and functional health foods through online and offline spending which means our bigger opportunity for success."

PRAYUDH Mahagitsiri

Honorary Chairman

Chairman's Statement

"In FY2017, we remained on track in our pursuit of building our brand presence and saw steady growth in all our business segments. The Group secured new avenues to market its products while maintaining existing ties."

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 2017 ("FY2017").

In FY2017, we remained on track in our pursuit of building our brand presence and saw steady growth in all our business segments. The Group secured new avenues to market its products while maintaining existing ties.

THE YEAR IN NUMBERS

For the year under review, we recorded our highest revenue to date at RMB3.72 billion, which was approximately 5.9% or RMB208.1 million higher than the RMB3.51 billion recorded in FY2016. However, our gross profit fell by 3.0% or approximately RMB43.9 million to RMB1.41 billion in FY2017. The Group's gross profit margin ("GPM") likewise declined and was 3.5 percentage points lower at 38.0% for the year under review. The Group remained profitable and posted a net profit attributable to shareholders of RMB356.0 million which was 38.4% lower than the RMB577.6 million in FY2016. The decrease was mainly due to the aforementioned lower GPM and changes in fair value of the option derivatives in relation to convertible bonds ("CB") and absence of gain on restructuring of CB in FY2017 when compared to FY2016.

The growth in revenue was primarily driven by higher sales across all our product segments. Sales of our beverage segment increased by RMB161.25 million to RMB2.69 billion. Meanwhile, our canned products segment saw growth in domestic and overseas markets, rising 7.4% and 2.6% respectively. This translated to sales of RMB476.0 million for domestic canned products and RMB549.5 million for overseas canned products. The increase in sales of the beverage segment and canned products in the domestic market was mainly attributable to the Group's ongoing efforts to expand its distribution network in the People's Republic of China ("PRC"). As for our overall GPM for FY2017, the decrease was due to the decrease in GPM of canned products in overseas market and beverage segment. The former struggled with higher costs of raw materials while the latter reported a change in product mix with higher sales growth from lower GPM products in FY2017 as compared to FY2016. In contrast, the decline in the Group's GPM was partially offset by a marginal increase in GPM of canned products in the domestic market segment due to lower raw material costs.

GROWING OUR BRAND PRESENCE

The Group continued its efforts on developing effective business strategies and marketing programmes to strengthen its brand value across key markets. Throughout FY2017, we carried out various advertising and promotional activities that enabled us to expand our online and offline distribution network, as well as increase our visibility to a broader customer base in the PRC market. In July 2017, the Group's beverage brand Garden Fresh was one of the sponsors of Champion Kungfu (我就是拳王), a Chinese martial arts event held in Shijiazhuang, Hebei Province with more than 200 participants. With the Chinese government's advocating a national fitness concept and the general public's increasing health awareness, the event was a viable opportunity for us to promote the Garden Fresh brand and effectively position our products as health promoting beverages.

We also sought to broaden our reach amongst Chinese airlines. Our Garden Fresh brand of loquat juices were procured by China Southern Airlines Company Limited ("CSA") who began in September 2017, to serve our beverage products in its premium lounge for business and first class passengers in Shenzhen Airport. As we added this feather to our cap, we built upon our success with three other major airlines, namely Air China Limited, China Southwest Airlines and Sichuan Airlines Co., Ltd., whom also procured Grandness brand of canned fruits to be served in their respective lounges and during flights for the third year running.

The growing number of airlines procuring our products is expected to further boost the brand visibility and awareness of Garden Fresh and Grandness, as hundreds and thousands of air travellers from across the region are served with our products. The positive reception of our products by various leading airlines in China also affirms the stringent quality control standards that we have established, allowing us to meet the national standards for food safety as well as aviation food hygiene standards.

OPTIMISING OUR ONLINE CHANNELS TO AUGMENT GROWTH

The introduction of new technologies and innovations in recent years has supported the rapid growth of e-commerce, which in turn has caused disruption to traditional business models. Against the ever-changing retail landscape and evolving consumer preferences, one must be able to adapt to new business trends to stay competitive within the industry.

As part of our continuous efforts to seize opportunities arising from China's burgeoning e-commerce industry, the Group entered into separate agreements with 北京京东世纪信息技术有限公司 ("Jingdong") for the distribution of the Group's canned products and beverage products on Jingdong's distribution network across China. We have also commenced the online sale of our products on www.JD.com, which is Jingdong's e-commerce platform.

In September 2017, the Group entered into an agreement with 深圳市微信食品股份有限公司 ("Wechat Food") to distribute the Group's own-branded Garden Fresh beverage products on a new distribution network called "物联网–云平台" ("cloud platform for online products"). The new distribution network will comprise of automatic vending machines rolled out across China using Wechat Food's cloud platform. The Group previously signed an agreement with Wechat Food in January 2017 to distribute the Group's full range of own-branded products, including beverage products, canned food and snack food through a mobile Internet platform developed by Wechat Food.

Using new technology, the automatic vending machines are able to support cashless transactions, which will make it more convenient for consumers to easily purchase products through their mobile phones. Strategically placed across multiple cities, inside buildings, hotels and offices, the vending machines will provide higher visibility and accessibility of our products to consumers. This strategic initiative with Wechat Food puts in place a comprehensive distribution network that will further elevate the brand value of our food and beverage products.

These initiatives to leverage on online platforms are part of the Group's strategy to expand its online distribution network. This is in line with the Chinese government's initiatives to promote the new economy whereby online and offline business models work together to achieve synergies in cost savings and to generate greater turnover. E-commerce is a vital part of the government's efforts to promote a consumer driven economy and Sino Grandness is constantly positioning itself to capitalise on the opportunities.

SUSTAINING OUR DIRECTION FORWARD

As a testament of our established product quality and strong market performance, the Group was bestowed the prestigious "Asia Brands Top 500" award for the third time at an improved ranking of 478 from 494 previously. We are grateful to receive the award which we consider a reflection of our commitment to consistently deliver quality products of the highest standards and our position as one of the leading enterprises within the food and beverage industry. The award also valued our Garden Fresh brand at RMB12.83 billion which is significantly higher than Sino Grandness' market capitalisation.

The Group has also completed a Rights Issue in the earlier part of FY2017 and generated net cash of RMB634.2 million from its operating activities. This augments us with the means to better capitalise on opportunities and surmount challenges that may arise in the coming financial year.

Moving forward, we will continue to focus on generating value by executing strategic initiatives that will drive growth. This includes sustaining our investments in advertising and promotional activities to enhance our brand visibility, brand recognition and brand value. We will also bolster our research and development efforts in order to appeal to a broader group of consumers. We also recognise the importance of strengthening our online presence in today's dynamic business environment, as we forge productive collaborations with our digital platform partners.

Health and wellness awareness continues to rise along with higher disposable incomes. In tandem with an ageing population and lifestyle changes, we continue to see growing demand among Chinese consumers for convenient healthy lifestyle products. We will continue to tap on this positive trend and meet the increasing demand for such products by expanding our food and beverage product range and distribution channels in order to capture a broader customer base.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my gratitude to our fellow directors, management team and staff for their valued commitment and contribution during the last year. I would also like to express my appreciation to our shareholders and customers for their unwavering trust and support that are an integral part of our success. We look forward to another year of possibilities and fulfilling our vision of achieving greater mutual growth.

HUANG YUPENG
Chairman and CEO

主席献词

在2017财年，我们仍按照计划持续品牌地位的建设，并乐见所有业务板块均有稳定增长。本集团在保持现有增长的同时，也开辟了营销产品的新途径。

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2017年12月31日止财政年度（"2017财年"）的年报。

在2017财年，我们仍按照计划持续品牌地位的建设，并乐见所有业务板块均有稳定增长。本集团在保持现有增长的同时，也开辟了营销产品的新途径。

收入及盈利

回顾2017财年，我们取得迄今最高收入额人民币37.2亿元，相比2016财年所取得人民币35.1亿元较高约5.9%或人民币2.08亿元。然而，2017财年毛利下跌3.0%或约人民币439万元至14.1亿元。本集团的毛利率同样有所下降，回顾2017财年减少3.5百分点至38.0%。本集团仍然维持盈利能力，并公布可支配股东净利润为人民币3.56亿元，较2016财年的人民币5.78亿元低38.4%。可支配股东净利润下滑乃主要因以上所述较低毛利率及可转债公允价值调整所致。

收入增长主要由我们所有的产品业务板块销售上升所推动。饮料业务板块销售上升人民币1.61亿元至人民币26.9亿元。同时，罐头产品业务板块于国内及国外市场均录得增长，分别上升7.4%及2.6%，即国内销售额为人民币4.76亿元、国外销售额为人民币5.49亿元。饮料业务板块及罐头产品业务板块销售额上升主要因本集团持续努力拓展其于中国的销售网络所致。就2017财年的整体毛利率而言，整体下降乃由于罐头产品于国外市场与饮料业务板块的毛利率均下降。前者受原材料成本增加影响，而后者的大部分销售较2016财年更多来自毛利率较低的产品。相对而言，国内市场业务板块的罐头产品毛利率因原材料成本较低而轻微上升，以致本集团毛利率下降获部分抵销。

拓展品牌地位

本集团持续致力发展有效的业务方针及营销计划，以提升于关键市场中的品牌价值。2017财年的全年里，我们进行了各项宣传和推广活动，积极拓展传统和网络的分销渠道，亦就我们在中国市场向更广大的客户群提升认识度。于2017年7月，本集团的鲜绿园®饮料品牌成为于河北石家庄、中国武术活

动“我就是拳王”的赞助商，此活动共吸引逾200名参赛者。随着中国政府推广国民健康概念的努力、广大群众的健康意识与日俱增，该活动是我们推广鲜绿园®品牌、有效的产品定位为促进健康饮料的大好良机。

我们亦积极拓展国内所覆盖的航空公司渠道。本集团鲜绿园®品牌的枇杷汁获中国南方航空股份有限公司（“南方航空”）的认可，于九月份开始在其于深圳机场的头等及商务旅客贵宾室提供我们的产品。同时，我们的努力亦使我们与另外三大国内航空公司（即中国国际航空股份有限公司、中国西南航空公司及四川航空股份公司）的业务关系蒸蒸日上，他们已连续第三年采购中华食品的罐头水果供各自的贵宾室及航班乘客。

采购本集团产品的航空公司数目日益俱增。随着区域内数以千计的航空旅客获提供我们的产品，预期将进一步增强鲜绿园®及中华食品的品牌可见度及知名度。我们所设的严格品质控制标准使我们能够符合国家食物安全标准以及航空食物卫生标准，而国内多个龙头航空公司对我们产品的正面评价亦是对此给与肯定。

优化网络渠道加大增长

本集团为争取中国蓬勃发展的电子商业涌现的机遇努力不懈，并与北京京东世纪信息技术有限公司（“京东”）分别签订于京东在中国的分销网络分销本集团的罐头产品及饮料产品的协议。我们也在京东的电子商业平台www.JD.com上开展我们产品的网上销售。

于2017年9月，本集团与微信食品签订合约，在一个名为“物联网 - 云平台”的全新分销网络上分销本集团自有品牌鲜绿园®饮料产品。新分销网络将由于全中国推出使用微信食品云平台的自动贩卖机组成。本集团先前于2017年1月与微信食品签订协议，通过微信食品所开发的流动网络平台分销本集团自有品牌的全线产品，包括饮料产品、罐头食品及休闲食品。

相关自动贩卖机能凭籍新科技支援无现金交易，使消费者能更便捷地透过他们的手机轻易地购买我们的产品。贩卖机设置在多个城市、大厦、酒店及办公楼的战略位置，并将使增加消费者更可见、更容易获取我们的产品。这项与微信食品的战略性举措添设了一个全面分销网络，其将进一步提升我们食品及饮料产品的品牌价值。

网络平台的方向乃本集团拓展其电子商务分销网络的部分策略，并与中国政府推广电子商务业务模式并举、实现节省成本协同及产生更大营业额的新经济为一致。电子商业乃政府致力推广由消费者带动的经济的重要部分，中华食品也不断地为把握商机而布局。

维持未来方向

作为本集团牢固的产品品质及强劲市场表现的证明，本集团第三次荣获“亚洲品牌500强”殊荣，排名由以前的第494位提升至第478位。我们感激能获颁该奖项，并认为获奖反映出我们对于稳定提供最高水准的优良产品所作承诺，以及我们在餐饮业的龙头企业地位。该奖项亦估计我们的鲜绿园®品牌价值为人民币128.3亿元，此乃高于中华食品的市值。

本集团亦在2017财年较早时完成一项供股项目，并从经营活动产生现金净额人民币6.34亿元，为我们增强能力更好地在未来一个财年里把握及应对可能涌现的机遇及挑战。

未来，我们将继续专注于透过能推动增长的战略性举措产生价值，包括维持我们为提升品牌可见度、品牌知名度及品牌价值所作出的宣传与推广活动的投资。我们也将为吸引更广大的消费群而加重科研力度。我们亦知悉在现今瞬息万变的商业环境中增强网络销售份额的重要性，并为此与我们的数码平台合作伙伴缔造有效益的合作项目。

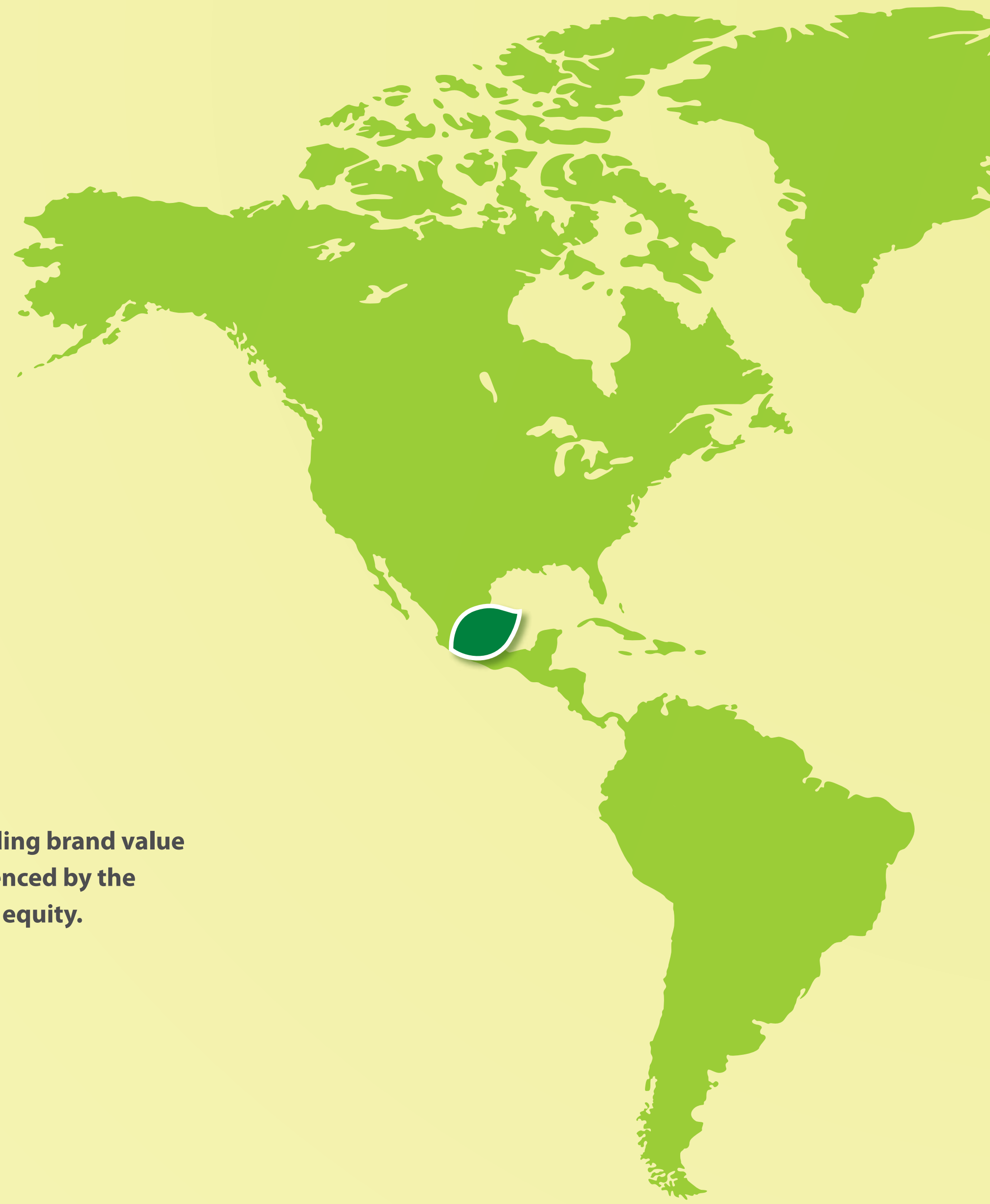
健康与保养意识继续随着可支配收入上升而增强。伴随人口老化及生活方式变化，我们意识到中国消费者对便利健康生活时尚产品的需求持续增长。我们将继续开发这项积极趋势，透过扩展我们的食品和饮料产品阵容及分销渠道，迎合该种产品与日俱增的需求，以迎合更广大的客户群。

感谢

我在此代表董事会向各位董事、管理团队及员工为他们于2017年作出宝贵的努力及贡献致谢，同时也感谢我们的股东及客户的一贯信任和支持，对本集团的成就而言是不可或缺的部分。我们期待来年迎来更多机遇，实现我们取得更高共同发展的愿景。

黄育鹏
主席兼首席执行官

Our Footprints



鲜绿园®

GRANDNESS

振鹏达

The Group's sustained efforts in building brand value have yielded positive results as evidenced by the growing brand awareness and brand equity.

GRANDNESS

- Australia
- China
- France
- Germany
- Turkey
- The Czech Republic
- Mexico
- Russia
- Spain
- Netherlands

Operations and Financial Review

GROUP FINANCIAL HIGHLIGHTS FOR FY2017

Financial Highlights

RMB (million)	FY2017	FY2016	Change %
Revenue	3,717.7	3,509.6	5.9
Gross profit	1,413.8	1,457.7	(3.0)
Gross profit margin	38.0%	41.5%	-3.5ppt
Distribution & selling expenses	(712.1)	(760.7)	(6.4)
Administrative expenses	(132.6)	(167.4)	(20.8)
Finance costs	(56.5)	(43.9)	28.7
Changes in fair value of the option derivatives in relation to convertible bonds	6.2	133.3	(95.3)
Net profit attributable to shareholders	356.0	577.6	(38.4)

For the year under review, the Group's revenue increased by 5.9% to RMB3.72 billion from RMB3.51 billion in FY2016. Our segments which comprise of the domestic beverage, domestic canned products and overseas canned products recorded steady gains in sales that drove revenue growth. The increase in sales for our beverages and canned products in the domestic market in particular was attributed to the strategic expansion of our distribution network in the PRC over the year.

On a year-on-year basis, the Group's gross profit declined by 3.0% or RMB43.9 million, a reduction from the RMB1.46 billion in FY2016 to RMB1.41 billion in FY2017. Our overall gross profit margin ("GPM") also fell, dropping 3.5 percentage points from the 41.5% in FY2016 to 38.0%. The decline was primarily due to the lower GPM of canned products in overseas market and our beverage segment, which was in turn partially offset by a marginal increase in GPM of canned products in the domestic market segment.

Correspondingly, the Group's net profit attributable to shareholders decreased by 38.4% to RMB356.0 million in FY2017 from RMB577.6 million in the same period last year, due mainly to lower GPM and changes in fair value of the option derivatives in relation to convertible bonds.

The Group's financial position remained strong, with cash and cash equivalents standing at RMB693.6 million as at 31 December 2017, compared to RMB297.7 million previously. The 133.0% increase was mainly attributable to bank loans obtained, issuance of shares and net cash generated from operations partially offset by acquisition of property, plant and equipment and bank loan repayment during the year under review.

Earnings per share ("EPS") for FY2017 decreased by 50.8% to RMB38.0 cents per share from RMB77.3 cents per share in FY2016, while net asset value ("NAV") per ordinary share decreased to RMB315.3 cents as at 31 December 2017 from RMB356.7 cents as at 31 December 2016. The decrease in both EPS and NAV is mainly attributable to enlarged share capital as a result of issuing new shares in FY2017.

SEGMENTAL REVIEW

Financial Highlights

Product Segment		12 Months (FY)		Change %
		Jan – Dec 2017 RMB Million	Jan – Dec 2016 RMB Million	
Canned Products	Overseas	549.5	535.4	2.6
	Domestic	476.0	443.2	7.4
Beverage		2,692.2	2,531.0	6.4
Total		**3,717.7**	**3,509.6**	**5.9**

The Group registered moderate growth in sales over FY2017, as efforts to expand our distribution network in the PRC and grow brand value continued. In FY2017, revenue from the beverage segment grew by 6.4% year-on-year, reaching RMB2.69 billion as compared to RMB2.53 billion in FY2016. Revenue for the domestic canned products segment rose 7.4% to RMB476.0 million in FY2017 from RMB443.2 million in FY2016. The overseas canned products segment also achieved a 2.6% increase in sales to RMB549.5 million in FY2017, up from RMB535.4 million in FY2016.

GROSS PROFIT

Product Segment		12 Months (FY)		Change %
		Jan – Dec 2017 RMB Million	Jan – Dec 2016 RMB Million	
Canned Products	Overseas	122.7	161.4	(24.0)
	Domestic	213.6	176.4	21.1
Beverage		1,077.5	1,120.0	(3.8)
Total		**1,413.8**	**1,457.8**	**(3.0)**

Gross profit for domestic canned products rose 21.1% to RMB213.6 million in FY2017 from RMB176.4 million in FY2016. However, gross profit for overseas canned products dipped by 24.0% to RMB122.7 million in FY2017 from RMB161.4 million. While gross profit for the beverage segment dropped slightly, declining 3.8% from the RMB1.12 billion reported in FY2016 to RMB1.08 billion in FY2017.

NURTURING FUTURE OPPORTUNITIES

In the coming financial year, the Group will continue to focus on putting into action growth strategies that will further enhance its core business segments. Leveraging on significant trends within the industry such as the growing demand for healthier food and beverage options, the Group will also continue expanding its distribution network and product portfolio to reach a larger customer base and cater to growing demand. We look forward to continue building our brand and reach, further strengthening our position as a leading provider of healthy beverage and canned foods. We are optimistic of our prospects and look forward to building long-term and sustainable value for all our stakeholders.

Board of Directors

HUANG YUPENG
Chairman and CEO

HUANG YUSHAN
Executive Director

ZHU JUN
Executive Director

SOH BENG KENG
Lead Independent 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 current 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).

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.

Mr Soh Beng Keng 苏明庆 is our Lead Independent Director and was appointed on 11 November 2009. He is also the independent director of several other listed companies currently. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management. In 1996, Mr Soh became the director of finance of Heeton Management Pte Ltd and subsequently upon listing, he became the executive director of Heeton Holdings Limited. In 2005, he joined Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in marine and oil related industries, and served as their financial controller. In 2006, he joined Miclyn Offshore Pte Ltd, a Singapore company involved in the business of owning and chartering of ships, and served as their financial controller. From 2007 to 2009, he was the Chief Financial Officer of China Fashion Holdings Limited, a public listed company in Singapore. Mr Soh is a full member of the Singapore Institute of Directors and a fellow member of the Institute of Singapore Chartered Accountants. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

WONG CHEE MENG, LAWRENCE
Independent Director

LIU LING
Independent Director

LAI JINGWEI
Independent Director

CHALERMCHAI MAHAGITSIRI
Non-Executive Director

Mr Wong Chee Meng, Lawrence 黄志明 is our Independent Director and was appointed to our Board on 24 April 2013. Lawrence Wong is the Managing Director of Equity Law LLC and also heads its Corporate and Securities practice. He is an experienced and established corporate practitioner and was previously a partner of reputable law firms and co-headed the Corporate and Securities Practice of his previous firm.

Lawrence's areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, corporate restructuring, joint ventures, corporate and commercial contracts, regulatory compliance and corporate governance advisory and corporate secretarial work. He has led numerous initial public offerings, reverse take-overs, secondary fund raising and cross-border merger and acquisitions exercises.

Lawrence graduated from the National University of Singapore in 1991 with an honours degree in law on a scholarship from the Public Service Commission of Singapore, and has accumulated an extensive working experience in both the public and the private sectors of the legal profession.

He is an advocate and solicitor in Singapore and a solicitor in Hong Kong SAR. Lawrence currently sits on the board of directors of several public listed companies.

He was recognised as a 'Leading Lawyer' in the 2011, 2013 and 2014 editions of IFLR 1000, recommended in the 2013 and 2014 editions of The Legal 500 Asia Pacific for Corporate and M&A and recognised as the 'Leading Advisor of the Year' by Acquisition International at its 2013 M&A Awards.

Madam Liu Ling 刘凌 is our Independent Director and was appointed on 18 March 2013. Madam Liu is currently the deputy director of food engineering research & development as well as director of hi-tech food engineering of China National Research Institute of Food & Fermentation Industries. Madam Liu is responsible for development of technology and product for numerous national projects. Madam Liu has more than 30 years of experience in the field of food and biological engineering. From 1982 to 2000, Madam Liu was professor in food and biological engineering of Zhengzhou University of Light Industry. In 2000, Madam Liu joined China National Research Institute of Food & Fermentation Industries. Madam Liu obtained her doctoral degrees of Agriculture from University of Tokyo Japan in 1999.

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 intitial public offering. He had led numerous fund raising, international merger and acquisition, initial public offering exercises. Mr Lai graduated from Shenzhen University in 2004 with a MBA degree in international economy law.

Mr. Chalermchai Mahagitsiri is our Non-Executive Director and was appointed on 13 February 2015. He was appointed as director of Thoresen Thai Agencies Public Company Limited in January 2012, where he is currently President and Chief Executive Officer. He currently serves as Chief Executive Officer of PM Group Co., Ltd. which is a holding company of Mr. Prayudh Mahagitsiri family, Chief Executive Officer and Executive Vice Chairman of Mermaid Maritime Plc., and Vice Chairman of Unique Mining Services Plc. He also serves as Director of Quality Coffee Products Co., Ltd. which is partnering with Nestle SA Switzerland to produce Nescafe. He also serves as Vice Chairman of Posco-Thainox Public Co., Ltd. and Thai Film Industries Plc., and Managing Director of Lakewood Country Club Co., Ltd. Mr. Chalermchai Mahagitsiri holds a M.Sc. in Finance from Boston University and a B.Sc. in Finance from Suffolk University, both in USA. Mr. Chalermchai Mahagitsiri completed the Director Accreditation Program (DAP 30/2004) in 2004, the Directors Certification Program (DCP 53/2005) in 2005 by the Thai Institute of Directors Association, and the Capital Market Academy Leadership Program (Class 17) in 2013 by the Capital Market Academy.

Senior Management

GOH CZE KHIANG
Chief Financial Officer

LI TUANBO
Chief Technical Officer

ZHANG JIANAN
Chief Marketing Officer

LIN YONGFENG
Deputy Chief Production Officer

Mr Goh Cze Khiang 吴芝强 was appointed as our Financial Controller in February 2008 and promoted as Chief Financial Officer on 13 May 2013 and is overall responsible for the financial matters of our Group including overseeing our Group's financial reporting, compliance with postlisting obligation, and company secretarial matters. He has been a Certified Chartered Accountant (FCCA) and a Chartered Accountant (CA) since 1998 and 1999, respectively. He has also been a Certified Financial Planner (CFP) since 2001.

In 2012, he admitted as member of Institute of Singapore Chartered Accountants (CA (Singapore)). Prior to joining, He was the financial controller of China Bearing (Singapore) Ltd, a company listed on the SGX-ST since May 2006. He has more than 28 years of experience in accounting, financial management, consulting and taxation.

Mr Li Tuanbo 李团博 is currently the Chief Technical Officer and is in charge of the production technology and quality control of our Group. He had more than 11 years of experience in production and quality control of food and beverage products. He obtained his degree of Science and Engineering of Food from Xinjiang University of Agriculture in 2005. During 2005 to 2012, Mr Li gained his experience in production, quality control and research and development from various food and beverage companies.

Mr Zhang Jianan 张建安 is currently the Chief Marketing Officer and is in charge of the marketing for our Group. He had more than 20 years of experience in marketing of food and beverage products. He joined our Group in 2014. He obtained his degree in business administrative from Northwest University. During 1993 to 2014, Mr Zhang gained his experience in sales and marketing from various consumer products companies.

Mr Lin Yongfeng 林永锋 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. He obtained his degree in economics from Shantou University. Mr Lin joined our Group in 2013 and during 1999 to 2013, Mr Lin gained his experience in sales and marketing and production from companies in various industries.

Corporate Information

HONORARY CHAIRMAN

Prayudh Mahagitsiri

BOARD OF DIRECTORS

Huang Yupeng (Chairman and CEO)
Huang Yushan (Executive Director)
Zeng Ming (Executive Director)
- resigned on 15 May 2017
Zhu Jun (Executive Director)
Chalermchai Mahagitsiri (Non-Executive Director)
Soh Beng Keng (Lead Independent Director)
Liu Ling (Independent Director)
Wong Chee Meng, Lawrence (Independent Director)
Lai Jingwei (Independent Director)
-appointed on 2 April 2018

AUDIT COMMITTEE

Soh Beng Keng (Chairman)
Liu Ling
Wong Chee Meng, Lawrence

NOMINATING COMMITTEE

Wong Chee Meng, Lawrence (Chairman)
Soh Beng Keng
Liu Ling

REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)
Wong Chee Meng, Lawrence
Liu Ling

JOINT COMPANY SECRETARIES

Chew Kok Liang (LLB) (Hons)

REGISTERED OFFICE

Six Battery Road
#10-01
Singapore 049909

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

Financial Contents

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 2012 (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 2017 ("FY2017") or which will be implemented and where appropriate, explanations are provided for deviation from the Code.

BOARD MATTERS

Principle 1: 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 at all times as fiduciaries in the interests of the Company.

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"), 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 are headed by Independent Directors.

Corporate Governance Report

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 FY2017 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	4	4	–	–	–	–	–	–
Huang Yushan	4	3	–	–	–	–	–	–
Soh Beng Keng	4	4	4	4	1	1	1	1
Zhu Jun	4	3	–	–	–	–	–	–
Zeng Ming(1)	4	1	–	–	–	–	–	–
Liu Ling	4	4	4	4	1	1	1	1
Wong Chee Meng, Lawrence	4	2	4	2	1	1	1	1
Lai Jingwei(2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chalermchai Mahagitsiri	4	0	–	–	–	–	–	–

(1) Mr Zeng Ming resigned on 15 May 2017
(2) Mr Lai Jingwei was appointed on 2 April 2018

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.

For incoming Directors who are first-time directors, the Company would arrange to provide training especially on the duties as a director, area such as accounting and 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").

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.

The Directors have received relevant training to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore. 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;

Corporate Governance Report

- Approval of corporate strategies;
- Approval of material acquisitions and disposal of assets; and
- Approval of major investment and funding decisions.

Principle 2: Board Composition and Guidance

The current Board of Directors consists of eight members, three of whom are Executive Directors, one of whom is Non-Executive Director and four of whom are Independent Directors. The Directors of the Company are:-

Executive Directors

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

Non-Executive Director

Chalermchai Mahagitsiri

Independent Directors

Soh Beng Keng	(Lead Independent Director)
Liu Ling	
Wong Chee Meng, Lawrence	
Lai Jingwei	(appointed on 2 April 2018)

The Board considers an "Independent Director" as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view 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 Guideline 2.3 in the Code and the Guidebook for Audit Committees in Singapore issued by Audit Committee Guidance Committee ("Guidebook") in October 2008, 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 half 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. The Independent Directors should make up at least half of the Board where the Chairman of the Board ("Chairman") is part of the management team and is not an Independent Director. The NC has reviewed the declarations completed by each Director and is satisfied that half of the Board comprises Independent Directors.

The Non-Executive Directors including the 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.

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.

Corporate Governance Report

Throughout the years, the Non-Executive Directors including the 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 Directors including the Independent Directors are encouraged to meet without the presence of the Management so as to facilitate a more effective check on Management.

None of the Independent Directors has served on Board beyond nine years from the date of his/her appointment.

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

The Chairman and CEO is 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 Huang Yupeng, major decisions are made in consultation with the Board, where half of which comprises Independent Directors. 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 Guideline 3.3 of the Code, the Company appointed Soh Beng Keng as the Lead Independent Director of the Company with effect from 11 November 2009. The Lead Independent Director will lead and coordinate the activities of the Independent Directors and serve as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is 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.

Led by the Lead Independent Director, the Independent Directors are encouraged to meet periodically without the presence of the other Directors. The Lead Independent Director should provide feedback to the Chairman after such meetings.

Principle 4: Board Membership

The NC comprises three members, all of whom are Independent Directors. The members of the NC are:

Wong Chee Meng, Lawrence (Chairman)
Soh Beng Keng
Liu Ling

Following the retirement of Liu Ling at the forthcoming AGM, the Company will endeavour to fill the vacancy within 2 months.

Corporate Governance Report

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 and for the CEO; the development of a process 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, the Guidebook and any other salient factors.

Following its annual review, the NC has affirmed the independence of Soh Beng Keng, Wong Chee Meng, Lawrence, Liu Ling and Lai Jingwei. The NC, in recommending the nomination of any Director for a re-election, considers the contribution of the Director, which includes his/her 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 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 Soh Beng Keng, Zhu Jun and Lai Jingwei who are retiring at the forthcoming Annual General Meeting to be held on 30 April 2018 (the "forthcoming AGM"). The Board has accepted the recommendations and the retiring Directors who will be offering themselves for re-election. Liu Ling, who is retiring at the forthcoming AGM, will not be seeking 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 appointment and he shall be eligible for election.

Corporate Governance Report

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	25 April 2017	Is a substantial shareholder and brother of Huang Yushan, the Executive Director of the Company	Nil	Nil
Huang Yushan	29 August 2008	25 April 2016	Is a sister of Huang Yupeng, who is the Chairman and CEO and substantial shareholder of the Company	Nil	Nil
Soh Beng Keng	11 November 2009	22 April 2015 (to be re-elected at the forthcoming AGM)	–	Listed Companies 1. China Haida Ltd. 2. ISDN Holdings Limited 3. BM Mobility Ltd.	Nil
Zhu Jun	19 January 2012	22 April 2015 (to be re-elected at the forthcoming AGM)	–	Nil	Nil
Liu Ling	18 March 2013	25 April 2016 (to retire at the forthcoming AGM)	–	Nil	Nil
Wong Chee Meng, Lawrence	23 April 2013	25 April 2016	–	Listed Companies 1. China Bearing (Singapore) Ltd. 2. Eindec Corporation Limited 3. Atlantic Navigation Holdings (Singapore) Limited	Listed Companies 1. Juken Technology Limited 2. WE Holdings Limited 3. Harry's Holdings Ltd 4. Ziwo Holdings Ltd. 5. Artivision Technologies Ltd.
Lai Jingwei[1]	2 April 2018	To be re-elected at the forthcoming AGM	–	Nil	Nil

Corporate Governance Report

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
Chalermchai Mahagitsiri	13 February 2015	25 April 2017	Is a substantial shareholder of the Company and is the son of the Honorary Chairman of the Company, Prayudh Mahagitsiri	Listed Group 1. Thoresen Thai Agencies Public Company Limited (a company listed in Thailand) 2. Mermaid Maritime Public Co Ltd 3. Unique Mining Services Public Company Limited (a company listed in Thailand) 4. Posco-Thainox Public Company Limited (a company listed in Thailand) 5. Thai Film Industries Public Company (a company listed in Thailand)	Nil

(1) Appointed on 2 April 2018

Note:

The profile and relevant information of the members of the Board are set on pages 16 to 17 of the Annual Report. The Directors' interests in shares are as disclosed in page 39 of the Directors' Statement.

Principle 5: Board Performance

In line with the principles of good corporate governance, the NC had, without the engagement of an external facilitator, implemented an annual performance evaluation process to assess the effectiveness of the Board as a whole and its Board Committees. Each Director completes an evaluation form to assess the overall effectiveness of the Board as a whole. The members of the respective Board Committees are requested to complete the evaluation forms to assess the effectiveness of the Board Committees.

The appraisal process focused on the evaluation of factors such as the size and composition of the Board, the Board's access to information, Board processes and accountability, communication with Senior Management and Directors' standards of conduct. The purpose of the evaluation process is to increase the overall effectiveness of the Board. The results of the evaluation are used constructively by the NC to identify areas of improvements and recommend to the Board the appropriate action.

The NC had decided that the Directors will not be evaluated individually. In assessing individual Director's contribution and performance and in considering the re-election of any Director, the NC had considered but not limited to the attendance record at meetings of the Board and Board Committees, the intensity of participation in the proceedings at meetings and quality of contribution made.

Corporate Governance Report

Principle 6: Access to Information

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 and/or his 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 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.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

Soh Beng Keng	(Chairman)
Wong Chee Meng, Lawrence	
Liu Ling	

Following the retirement of Liu Ling at the forthcoming AGM, the Company will endeavour 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 is 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 30 April 2018.

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 objective is to ensure competitive compensation is in place to build and retain capable and committed Management.

Corporate Governance Report

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 8: 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 41.

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, 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 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 9: Disclosure of Remuneration

The Company's Directors and key management personnel receiving remuneration from the Group for FY2017 are as follows:

Remuneration Band	Number of Directors	
	2017	2016
Executive Directors		
S$1,500,000 and above	1	1
S$250,000 to below S$1,500,000	–	–
Below S$250,000	3	3
Total	4	4
Key Management Personnel		
Below S$250,000	5	5
Total	5	5

Corporate Governance Report

A breakdown of each individual Director's and key management personnel's remuneration, in percentage terms showing the level and mix for FY2017, 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	–	653	1,547	0	–	2,200
Below S$250,000						
Huang Yushan	–	20	–	0	–	20
Zhu Jun	–	50	–	0	–	50
Soh Beng Keng	55	–	–	0	–	55
Zeng Ming[1]	–	14	–	0	–	14
Liu Ling	20	–	–	0	–	20
Wong Chee Meng, Lawrence	50	–	–	0	–	50
Chalermchai Mahagitsiri	20	–	–	0	–	20

	Fees %	Salary %	Bonus %	Share Options %	Others %	Total %
Key Management Personnel						
Below S$250,000						
Goh Cze Khiang	–	92	8	0	–	100
Li Tuanbo	–	100	–	0	–	100
Zhang Jianan	–	100	–	0	–	100
Zhang Jingyuan	–	100	–	0	–	100
Guo Xiaolin	–	100	–	0	–	100

(1) Zeng Ming resigned on 15 May 2017

The Company decided not to disclose information on the remuneration of the top five (5) key management personnel 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 FY2017 is approximately S$281,000.

None of the Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company has received any termination, retirement, post-employment benefits for FY2017.

Other than the Chairman and CEO, Huang Yupeng, who is the brother of Huang Yushan, an Executive Director, there is no employee of the Group who is an immediate family member of a Director or substantial shareholder whose remuneration exceeds S$50,000 for FY2017.

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.

Corporate Governance Report

Principle 10: Accountability

The Board understands its accountability to the shareholders on the Group's position and performance. In this respect, in the discharge of its duties to the shareholders, the Board, when presenting annual audited financial statements and quarterly results announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with Rule 705(5) of the Listing Manual of SGX-ST. Management currently provides the Board with relevant information on the Group's performance, financial position and prospects on a regular basis. In addition, all Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the SGX-ST Listing Manual.

The Management understands its role to provide all members of the Board with management accounts and such explanation and information in a balanced and informed assessment of the Company's performance, position and prospects.

Principle 11: 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 FY2017, the Board has received assurance from the CEO and CFO 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; and the Group's risk management and internal control systems are sufficiently effective.

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, CFO and the key management personnel, the Board with the concurrence of the AC is of the opinion that 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 judgment in decision making, human error losses, fraud or other irregularities.

Principle 12: Audit Committee

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

Soh Beng Keng	(Chairman)
Liu Ling	
Wong Chee Meng, Lawrence	

Following the retirement of Liu Ling at the forthcoming AGM, the Company will endeavour to fill the vacancy within 2 months.

Corporate Governance Report

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 within a period of 12 months nor has any financial interest in the auditing firm. 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, 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 and qualification of the external auditors annually and recommends to the Board the appointment, re-appointment or removal 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. 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.

Corporate Governance Report

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 2017.

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 2017.

The Audit Committee has reviewed the key audit matters disclosed in the independent external auditor's report and is of the view that there is no material inconsistency between the audit procedures adopted by the independent external auditors and Management's assessment and is satisfied that the key audit matters have been appropriately dealt with.

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 auditor's report for the Group that is appropriate in the circumstance. The auditing standards do not allow the Group Auditors in its auditor's 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 FY2017:

Services	**Amount (S$)**
Audit service	543,000
Non-audit fees	
– Tax fee and non-assurance engagement	37,000

The Company has paid S$37,000 for non-audit services to the external auditor during FY2017, which 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 FY2017.

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.

Corporate Governance Report

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.

Principle 13: Internal Audit

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, will assess the adequacy and effectiveness of the internal audit and the internal auditors' independence, the qualification and experiences of internal audit team assigned and the internal auditor's reports and its relationship with the external auditors.

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

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.

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 are 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.

Corporate Governance Report

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

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

To better understand the views of shareholders and investors, the Company holds analyst briefings for the Shareholders and investors 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, to gather views or inputs, and address shareholders' concerns.

To enhance and encourage communication with Shareholders and investors, the Company provides the contact information of its Vice President, Investor Relations ("VPIR") in its press releases. Shareholders and investors 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.

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.

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1 A Relevant Intermediary is:

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

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

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

Corporate Governance Report

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 2017.

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 128 to 137.

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 2017, disclosed in accordance with Rule 907 of the SGX-ST Listing Manual, were as follows:

Name of Interested Person	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	S$1.48 million (equivalent to approximately RMB 7.19 million)	Nil
Soleado Holdings Pte. Ltd.	S$3.79 million (equivalent to approximately RMB 18.44 million)	Nil

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

USE OF NET PROCEEDS

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

Corporate Governance Report

Use of net proceeds	Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilised (RMB'000)	Balance (RMB'000)
(a) Capital expenditure for Group's non-beverage business	60	191,700	186,750	4,950
(b) Distribution network expansion and general working capital	40	127,800	86,100	41,700
- Distribution network expansion		100,000	58,300	41,700
- Bank loan repayment		24,800	24,800	–
- Operating expenses		3,000	3,000	–
Total	**100**	319,500	272,850	46,650

The Company will make further announcements on the use of net proceeds from the Rights Issue 2017 as and when the funds are materially disbursed.

Corporate Social Responsibility

Corporate Social Responsibility (the "CSR") plays an essential role in the long-term success of our business. It is important that we align our interests with that of the communities in which we operate in order to have the support of the local communities and government agencies. We believe that our initiatives and emphasis on returning to the community and looking after the welfare of our staff have translated into goodwill for our Group, contributing to high employee retention rate and staff morale.

Environmental Policy

We share our customers' commitment to the environment and we believe in the importance of caring for our planet working with and encouraging others to do the same. As a company that relies on agricultural products, it makes good business sense and as people living in the world, it is simply the right thing to do.

Commitment to Sustainable Development

Our Directors recognized the importance of being a responsible steward of the land we manage. With this in mind, the Company has established a CSR policy which included the review of the following areas of the Group's activities:

(a) to review and recommend the Group's policy with regards to CSR issues;
(b) to review the Group's environmental policies and standards;
(c) to review the social impact of the Group's business practices in the communities that it operates in;
(d) to review and recommend policies and practices with regard to key stakeholders (suppliers, customers and employees); and
(e) to review and recommend policies and practices with regard to regulators.

Core values of the CSR framework

The Company aims to be recognized as an organization that is transparent and ethical in all its dealings as well as making positive contribution to the community in which it operates. It is committed to being a deeply responsible company in the communities with the following core values in all aspects of it work, including the fulfillment of its social responsibility, toward achieving sustainable development:

- Clear direction, strong leadership and open communication;
- Customer focus;
- Equality, fairness and transparency;
- Development of positive working relationships with others; and
- Respect for people

Toward Sustainability Strategies

The Company will seek ot achieve corporate and social objectives by focusing on four strategic areas:
Good Relations – adopting an employee relations strategy to enhance management and employee interactions and to promote work-life balance and health among employees.

Community impact – encouraging staff to be involved in projects in support of the wider community.

Fair Trade – providing famers decent working conditions and fair terms of trade for farmers so as to maintain local sustainability.

Environment – developing environmental management practices that minimize adverse impact on the environment.

The CSR and commitments are integral to the Company's overall business strategy. As a result, the Company believes it delivers benefits to the Company and its stakeholders, including employees, business partners, customers, suppliers, shareholders, community members and others.

The Company will, as and when necessary, provide updates on the status of its implementation of its CSR policy in the annual report of the Company.

Directors' Statement

For the financial year ended 31 December 2017

The directors are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In the opinion of the directors,

(a) the accompanying financial statements of the Company and 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 2017 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; and

(b) at the date of this statement, 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)
Soh Beng Keng (Lead independent director)
Wong Chee Meng, Lawrence (Independent director)
Liu Ling (Independent director)
Chalermchai Mahagitsiri (Non-executive director)
Zeng Ming (Executive director, resigned on 15 May 2017)

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 1.1.2017	**As at 31.12.2017 and 21.1.2018#**	As at 1.1.2017	**As at 31.12.2017 and 21.1.2018#**
The Company -				
Sino Grandness Food Industry Group Limited				
Huang Yupeng	239,266,560	**350,024,087**	-	**-**
Chalermchai Mahagitsiri	-	**-**	93,674,700	**130,488,508**

There are no changes to the above shareholdings as at 21January 2018.

Directors' Statement

For the financial year ended 31 December 2017

Directors' interests (Cont'd)

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.

Except as disclosed under the "Share options granted" section of this statement, neither the Company nor its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other body corporate during 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 comprising Soh Beng Keng (Chairman), Wong Chee Meng, Lawrence and Liu Ling, and duly authorised and appointed by the Board of Directors of the Company.

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.

Directors' Statement

For the financial year ended 31 December 2017

Share options granted (Cont'd)

On 24 May 2017, the Company has:

(1) granted options to subscribe 11,398,750 ordinary shares of the Company at exercise price of SGD 0.18 per share to its directors, employees and its subsidiaries' employees. The options are exercisable any time after the second anniversary of the date of grant up to 10th anniversary thereon; and

(2) granted one of its directors, Huang Yushan, aggregate options of 1,101,250 ordinary shares at exercise price of SGD 0.18 per share, exercisable any time after the second anniversary of the date of grant up to 10th anniversary thereon.

The following table summarises information about outstanding directors' share options at the end of the reporting year:

	No. of unissued ordinary shares of the Company under option					
	Options granted during the financial year ended	Aggregate options granted since commencement of ESOS Scheme to	Aggregate options exercised since commencement of ESOS Scheme to	Aggregate options renounced since commencement of ESOS Scheme to	Aggregate options forfeited since commencement of ESOS Scheme to	Aggregate options outstanding as at
	31.12.2017	**31.12.2017**	**31.12.2017**	**31.12.2017**	**31.12.2017**	**31.12.2017**
<u>Name of directors</u>						
Zhu Jun	800,000	3,900,000	–	(800,000)	–	3,100,000
Soh Beng Keng	200,000	1,000,000	–	(200,000)	–	800,000
Wong Chee Meng, Lawrence	200,000	800,000	–	(100,000)	–	700,000
Liu Ling	200,000	800,000	–	(100,000)	–	700,000
Other employees (Other than directors)	9,998,750	42,198,750	–	(5,950,000)	(2,650,000)	33,598,750
	11,398,750	**48,698,750**	**–**	**(7,150,000)**	**(2,650,000)**	**38,898,750**
<u>Name of director and associate of a controlling shareholder of the Company</u>						
Huang Yushan	1,101,250	13,215,000	–	(8,810,000)	–	4,405,000
	12,500,000	**61,913,750**	**–**	**(15,960,000)**	**(2,650,000)**	**43,303,750**

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.

Directors' Statement

For the financial year ended 31 December 2017

Audit committee

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

Soh Beng Keng (Chairman)
Wong Chee Meng, Lawrence
Liu Ling

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 committee reviewed the following:

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

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

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 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.

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

Directors' Statement

For the financial year ended 31 December 2017

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 2017.

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" section of the annual report and on Note 27 to the financial statements.

On behalf of the Directors

HUANG YUPENG

HUANG YUSHAN

29 March 2018

Independent Auditor's Report

To the Members of Sino Grandness Food Industry Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sino Grandness Food Industry Group Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and 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.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial positions of the Group and the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter
Revenue recognition

<u>Risk</u>

The Group derives revenues from sales of canned vegetables and fruits products and snack food and fruits and vegetable beverages to customers including sales of Garden Fresh products through its distributor channels in the People's Republic of China ("PRC").

Under SSA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, there is a presumption of fraud risk with regards to revenue recognition. We applied professional scepticism in this regard, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence. We have identified revenue, in particular, the accuracy and timing of revenue recognition to be a Key Audit Matter.

Please refer to Notes 3 and 22 to the accompanying financial statements. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Independent Auditor's Report

To the Members of Sino Grandness Food Industry Group Limited

Key Audit Matter (Cont'd)
Revenue recognition (Cont'd)

Our Responses and Work Performed

Our procedures are designed to challenge the accuracy and timing of revenue recognition. These procedures included, amongst others:

- we performed walkthrough of the revenue process and tested the design and operating effectiveness of the control procedures over revenue;

- we performed test of details on selected revenue transactions against underlying documentation including shipping documents, sales invoices, customer acknowledgement and receipts;

- we tested the completeness of the revenue recorded in the financial statements by performing detailed cut-off procedures on sales;

- we obtained the Group's policies, procedures and controls over the selection and renewal of distributors and rebates and incentives paid to distributors. We sought to identify and tested the relationship of revenue and its associated rebates, promotion and incentive expense transactions with distributors against underlying documentation and via reasonableness testing;

- we performed visits to selected distributors to confirm our understanding of the distributorship terms, ascertained the existence of any related party transactions, amount and timing of revenue recognition;

- we performed visits to selected subcontractors for beverage production to confirm our understanding of the production order and distribution flow process;

- we circularised confirmations on a sample basis directly to customers;

- we corroborated revenue against transport costs and verified corporate income taxes and value added taxes payments to online government submission portal for selected subsidiaries of the Group;

- we also corroborated the delivery of goods for the revenue derived from distributors and in-house production to the logistic returns and the frequency of the sales ordering patterns;

- we performed revenue analytical procedures including applying data-analytics on revenue from distributors, beverage production channels (in-house production and by external subcontractors) and detailed analysis of product and customer trends;

- we performed additional test of details by selecting additional samples of revenue transactions and tested it against underlying documentation; and

- we sought to identify and understand the relationship of the seasonality of the Group's production and sales of canned products and beverages with the various relevant products harvesting seasons through inquiries and performing procedures such as walkthrough of the business activities and key processes for the Group's manufacturing and sales activities. We corroborated our understanding based on our previous experience and by performing data analytics and observing the trend of production and sales patterns against the seasonality factors.

Independent Auditor's Report

To the Members of Sino Grandness Food Industry Group Limited

Key Audit Matter
Refinancing of exchangeable bonds

Risk

The Group undertook a restructuring arrangement on 28 June 2017 for the exchangeable bonds ("EB") and straight bonds ("SB2") issued by its subsidiary, Garden Fresh (HK) Fruit and Vegetable Co., Limited ("the Original Issuer").

Under the terms of the restructuring, the EB are to be substituted into preference shares issued by Garden Fresh Group Holding Co., Ltd, Cayman ("the Proposed Listco") upon full redemption of SB2 by 28 September 2017. The holders of preference shares have the right to convert the preference shares into ordinary shares of the Proposed Listco at any time the preference shares remain outstanding. There is a modification of terms and conditions, where previously, the holders of the EB have the option to convert into ordinary shares of the Proposed Listco prior to its maturity 12 months after the closing date i.e. 28 February 2017.

However, there was no redemption of SB2 on the said due date, 28 September 2017.

As at 31 December 2017, the EB and SB2 are treated to be repayable within the next 12 months and is approximately RMB 521.4 million and RMB 212.8 million respectively.

We have identified three risks from refinancing of EB, namely (1) Accounting for the Modification of the EB, (2) Valuation of EB and (3) Liquidity or Funding of the Group as Key Audit Matters as described in the following paragraphs.

Please refer to Notes 2(a) and 21 to the accompanying financial statements. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Risk

(1) Accounting for the Modification of the EB

Management has regarded the refinancing of the EB as a substantial modification of the terms of the original financial liability in that the EB are to be substituted with a preference share instrument issued by a counter party, Garden Fresh Group Holding Co., Ltd., Cayman ("the Proposed Listco") on the basis that the bondholders are now entitled in the shareholding of the Proposed Listco at 16.876% (on an enlarged basis) as detailed in Note 21 to the financial statements.

Given that the modification of the EB is a complex area involving significant judgement by management and accounting estimates, we have identified this as a Key Audit Matter.

Our Responses and Work Performed

- we inspected the restructuring agreement to confirm our understanding of the terms and conditions of the refinancing;

- we evaluated the appropriateness of management's accounting treatment against the relevant accounting standards; and

- we have reviewed management's assessment, including the qualitative factors, on the substantial modification of the terms of the original financial liability and concluded that the accounting for the modification of the EB has been made in accordance with the requirements of FRS 39.

Independent Auditor's Report

To the Members of Sino Grandness Food Industry Group Limited

Key Audit Matter (Cont'd)
Refinancing of exchangeable bonds (Cont'd)

Risk

(2) Valuation of EB

Management has accounted for the EB as a financial liability at fair value through profit or loss as it results in more relevant information as the entire EB is managed and is evaluated by management on a fair value basis. The valuation of the EB was carried out by an independent third party valuer, Jones Lang LaSalle Corporate and Appraisal Advisory Limited ("management expert"). We have identified the valuation of the EB as a Key Audit Matter as it involves significant estimation uncertainty arising from unobservable inputs in the valuation which could result in material misstatement.

Our Responses and Work Performed

- in assessing the valuation of the EB, we evaluated the competence, capabilities and objectivity of management expert, obtained an understanding of the work of that management expert and evaluated the appropriateness of that management expert's work as audit evidence for the relevant assertion;

- we evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity; and

- we have evaluated the sensitivity analysis performed by management and assessed the adequacy of the Group's disclosures relating to the assumptions and key estimates used in determining the fair value of the EB using the Discounted Cashflows Method.

We concluded that the assumptions and estimates used in the valuation were supportable.

Risk

(3) Liquidity or Funding of the Group

The aggregate maximum redemption amounts for the SB2 and EB are approximately RMB 752.5 million at maturity (assumed to be 31 March 2018) and convertible loan of RMB 141.9 million, plus interest payable up to and due on 16 May 2018. The Group's cash and bank balances as at 31 December 2017 stood at RMB 693.6 million. As of the date of this report, the Company is currently in discussions with bondholders for the extended repayment date up till 31 March 2018. In this regard, management has reviewed its sources of funding and working capital requirements and prepared a cash flow forecast for the 12 months after the year end taking into account the settlement of the SB2, EB and convertible loan, in the event it is required to do so, including assessing the Group's ability to raise new funds and generate cash flows from operations.

As at 28 February 2018, the Group has collected approximately RMB 676.4 million from its customers. As of that date, the Group has cash and liquidity resources totalling approximately RMB 1,004 million consisting of cash and bank balances of RMB 887.1 million and unutilised bank credit facilities of RMB 116.9 million. Management concluded that the Group will have sufficient cash resources to settle the SB2 and the EB and pay its other liabilities as and when due given the cash and liquidity resources that are available to the Group and taking into account its working capital needs and considering that the payment for certain capital expenditures that are contracted for to be discretionary. Given the significant size of the redemption amount involved, we have identified liquidity risk to be a Key Audit Matter. Liquidity risk arises if the Group encounters difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset.

Independent Auditor's Report

To the Members of Sino Grandness Food Industry Group Limited

Key Audit Matter (Cont'd)
Refinancing of exchangeable bonds (Cont'd)

Our Responses and Work Performed

- we circularised and obtained confirmations from a majority of the SB2 and the EB holders on the principal and redemption amounts and terms and conditions of the SB2 and the EB as at 31 December 2017;

- we discussed with management and a majority of the SB2 and EB holders on the redemption status of the SB2 and the EB, and understood that negotiations by both parties to restructure and/or settle the EB and SB are still on-going as of the date of our report;

- we tested the Group's collections from its customers as at 28 February 2018 against supporting documentation such as bank credit advices;

- we tested the Group's cash and bank balances as at 28 February 2018 against supporting documentation such as bank statements and examined the unutilised bank credit facilities as at 28 February 2018;

- we reviewed the cash flow requirements of the Group over the next 12 months based on budgets and forecast, challenging the key assumptions used in the cash flow forecasts with reference to historical financial performance and our understanding of the Group's business operations, evaluated the liquidity requirements against the Group's banking facilities terms and conditions and future repayment schedules, understood what forecast capital expenditure is committed and what could be considered discretionary, re-performed the calculations and performed a sensitivity analysis over the inputs to the cash flow forecast.

We consider management's assumptions and conclusion to be consistent with the available evidence and information.

Key Audit Matter
Risk of material misstatement in cash and bank balances

Risk

Cash being a liquid asset is susceptible to risk of accounting irregularities. The Group has received proceeds of approximately RMB 314.4 million (excluding issue costs of RMB 1.9 million) from the rights issue during the financial year ended 31 December 2017 and is currently preparing for the application and filing with Hong Kong Stock Exchange for the offshore bond issuance for a sum no more than US$150 million despite the Group having a cash and bank balance of approximately RMB 693.6 million as at 31 December 2017, we have identified the existence of cash and bank balances as a Key Audit Matter.

Please refer to Note 13 to the accompanying financial statements. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Our Responses and Work Performed

Our procedures to verify the existence of the cash and bank balances of the Group as at 31 December 2017 included, amongst others:

- we performed all bank confirmations for bank balances (including in-person visits to banks in the PRC);

- we performed walkthrough and performed control tests on receipts and payments cycle during the financial year;

- using data analytics, we tested the completeness of the journal population on bank account transactions during the year;

Independent Auditor's Report

To the Members of Sino Grandness Food Industry Group Limited

Key Audit Matter (Cont'd)
Risk of material misstatement in cash and bank balances (Cont'd)

Our Responses and Work Performed (Cont'd)

- we tested interbank transfers against underlying supporting documentation on a sample basis;
- we reviewed the year end bank reconciliations and tested the accuracy of the monthly brought forward and closing bank balances;
- we physically counted the cash on hand balances; and
- we circularised bank confirmations at various odd dates for PRC banks on a sample basis.

Other Information

Management is responsible for the other information. The other information comprises the "Financial Highlights, Chairman's Statement, Operations and Financial Review, Corporate Governance Report, Corporate Social Responsibility and Directors' Statement" included in the annual report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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 Act and FRSs, 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.

Independent Auditor's Report

To the Members of Sino Grandness Food Industry Group Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

To the Members of Sino Grandness Food Industry Group Limited

Report on Other Legal and Regulatory Requirements

In our opinion, 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, 29 March 2018

Statements of Financial Position

As at 31 December 2017

		The Company		The Group	
		31 December	31 December	**31 December**	31 December
		2017	2016	**2017**	2016
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-Current Assets					
Land use rights	4	**–**	–	**108,797**	110,296
Property, plant and equipment	5	**14**	18	**1,350,757**	1,078,120
Subsidiaries	6	**100,032**	85,987	**–**	–
Amount owing by subsidiaries	7	**769,086**	548,203	**–**	–
Deferred tax assets	8(a)	**–**	–	**–**	–
Deposits paid for non-current assets	9	**–**	–	**510,935**	787,802
		869,132	634,208	**1,970,489**	1,976,218
Current Assets					
Inventories	10	**–**	–	**38,282**	44,504
Trade receivables	11	**–**	–	**1,345,669**	1,153,722
Other receivables	12	**172**	135	**399,389**	481,057
Cash and bank balances	13	**4,802**	46,904	**693,625**	297,749
		4,974	47,039	**2,476,965**	1,977,032
Total assets		**874,106**	681,247	**4,447,454**	3,953,250
EQUITY					
Capital and Reserves					
Share capital	14	**755,344**	440,948	**755,344**	440,948
(Accumulated losses)/retained profits		**(197,354)**	(121,142)	**2,077,139**	1,728,917
Other reserves	15	**66,087**	49,847	**253,851**	229,870
		624,077	369,653	**3,086,334**	2,399,735
Non-controlling interests		**–**	–	**2,031**	2,168
Total equity		**624,077**	369,653	**3,088,365**	2,401,903
LIABILITIES					
Non-Current Liabilities					
Obligations under finance leases	18	**–**	–	**5,719**	–
Bank borrowings	19	**–**	–	**130,240**	173,425
Deferred tax liabilities	8(b)	**20,241**	20,241	**20,241**	20,241
		20,241	20,241	**156,200**	193,666
Current Liabilities					
Trade payables	16	**11,035**	3,570	**106,488**	41,285
Other payables	17	**26,385**	139,088	**94,116**	187,327
Obligations under finance leases	18	**–**	–	**5,026**	–
Current tax payable		**–**	–	**43,625**	9,622
Bank borrowings	19	**–**	–	**77,560**	263,708
Convertible loan	20	**141,867**	134,660	**141,867**	134,660
Straight bonds	21	**–**	–	**212,758**	193,416
Amount owing to a subsidiary	7	**50,501**	14,035	**–**	–
Exchangeable bonds	21	**–**	–	**521,449**	527,663
		229,788	291,353	**1,202,889**	1,357,681
Total liabilities		**250,029**	311,594	**1,359,089**	1,551,347
Total equity and liabilities		**874,106**	681,247	**4,447,454**	3,953,250

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 2017

The Group	Note	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
Revenue	22	**3,717,734**	3,509,605
Cost of sales		**(2,303,943)**	(2,051,897)
Gross profit		**1,413,791**	1,457,708
Other operating income	23(a)	**14,267**	118,926
Distribution costs	23(b)	**(712,143)**	(760,699)
Administrative expenses	23(c)	**(132,571)**	(167,385)
Other operating expenses		**(15)**	(110)
Finance costs	23(d)	**(56,547)**	(43,876)
Profit before income tax and changes in fair values of the derivative in relation to convertible loan, and exchangeable bonds including derivatives		**526,782**	604,564
Fair value loss on derivative on convertible loan	20	**(11,095)**	-
Changes in fair value of exchangeable bonds and option derivatives in relation to convertible bonds	21	**6,214**	133,285
Profit before taxation	23(f)	**521,901**	737,849
Taxation	24	**(166,075)**	(160,774)
Profit for the year and representing total comprehensive income		**355,826**	577,075
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**355,963**	577,551
Non-controlling interests		**(137)**	(476)
		355,826	577,075
		Cents RMB	Cents RMB
Earnings per share:	25		
- Basic		**38.0**	77.3
- Diluted		**38.0**	76.4

* There are no other comprehensive income and expense items for both financial years.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2017

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 2016		440,948	1,203,901	22,673	(31,413)	171,101	1,807,210	2,644	1,809,854
Share-based payment expense under ESOS Scheme	15	–	–	27,174	–	–	27,174	–	27,174
Profit for the year, representing total comprehensive income for the year		–	577,551	–	–	–	577,551	(476)	577,075
Dividend paid during the year	28	–	(12,200)	–	–	–	(12,200)	–	(12,200)
Transfer to statutory reserve		–	(40,335)	–	–	40,335	–	–	–
At 31 December 2016		440,948	1,728,917	49,847	(31,413)	211,436	2,399,735	2,168	2,401,903
Share-based payment expense under ESOS Scheme	15	**–**	**–**	**16,240**	**–**	**–**	**16,240**	**–**	**16,240**
Profit for the year, representing total comprehensive income for the year		**–**	**355,963**	**–**	**–**	**–**	**355,963**	**(137)**	**355,826**
Issue of shares	14	**204,982**	**–**	**–**	**–**	**–**	**204,982**	**–**	**204,982**
Share issue expenses	14	**(1,920)**	**–**	**–**	**–**	**–**	**(1,920)**	**–**	**(1,920)**
Reclassification of an amount previously classified under other payables to "Director of the Company" used to subscribe in the rights issue of the Company	17	**–**	**–**	**–**	**–**	**–**	**–**	**111,334**	**111,334**
Transfer of non-controlling interests into share capital on completion of rights issue on 13 March 2017	14, 17	**111,334**	**–**	**–**	**–**	**–**	**111,334**	**(111,334)**	**–**
Transfer to statutory reserve		**–**	**(7,741)**	**–**	**–**	**7,741**	**–**	**–**	**–**
At 31 December 2017		**755,344**	**2,077,139**	**66,087**	**(31,413)**	**219,177**	**3,086,334**	**2,031**	**3,088,365**

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 2017

	Note	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
Cash Flows from Operating Activities			
Profit before taxation		**521,901**	737,849
Adjustments for:			
Changes in fair value of convertible bonds and option derivatives in relation to convertible bonds	21	**–**	(175,496)
Changes in fair value of exchangeable bonds	21	**(6,214)**	42,211
Gain on restructuring of convertible bond	21	**–**	(91,618)
Fair value gain on convertible loan at inception	20	**–**	(7,847)
Fair value loss on derivative on convertible loan	20	**11,095**	–
Depreciation of property, plant and equipment	5	**85,360**	72,609
Amortisation of land use rights	4	**1,499**	2,392
Share-based payment expense under ESOS Scheme	15	**16,240**	27,174
Loss on disposal of property, plant and equipment (net)	23(f)	**134**	94
Interest expense	23(d)	**56,547**	43,876
Interest income	23(a)	**(3,226)**	(1,795)
Exchange (gain)/loss		**(18,370)**	18,458
Operating cash flows before working capital changes		**664,966**	667,907
Decrease/(increase) in deposits pledged with banks		**130,437**	(135,234)
Decrease in inventories		**6,222**	10,184
Increase in operating receivables		**(70,066)**	(305,418)
Decrease in operating payables		**51,651**	75,087
Cash generated from operations		**783,210**	312,526
Income tax paid		**(132,072)**	(191,298)
Interest paid		**(16,961)**	(16,870)
Net cash generated from operating activities		**634,177**	104,358
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment (Note A)		**(28,332)**	(177,145)
Proceeds from disposal of property, plant and equipment		**36**	50
Deposits paid for non-current assets (Note A)		**(48,430)**	(285,101)
Refund of deposits paid for non-current assets	9	**–**	70,544
Interest received		**3,226**	1,795
Net cash used in investing activities		**(73,500)**	(389,857)
Cash Flows from Financing Activities			
Proceeds from share issue	14	**204,982**	–
Share issue costs	14	**(1,920)**	–
Repayment of finance leases liabilities		**(2,331)**	–
Bank loans obtained		**177,000**	326,394
Bank loans repaid		**(395,708)**	(195,000)
Interest paid	20	**(16,387)**	(8,327)
Repayment of SB1		**–**	(101,802)
Long term loan proceeds		**–**	166,785
Convertible loan proceeds		**–**	129,178
Dividend paid	28	**–**	(12,200)
Net cash (used in)/generated from financing activities		**(34,364)**	305,028
Net increase in cash and cash equivalents		**526,313**	19,529
Cash and cash equivalents at beginning of year		**131,868**	112,339
Cash and cash equivalents at end of year (Note 13)		**658,181**	131,868

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 2017

Reconciliation of liabilities arising from financing activities

With effective from 1 January 2017, the Amendments to FRS 7 Statements of Cash Flow comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in 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:

	Finance leases	Bank borrowings	Convertible loan	Straight bonds	Exchangeable bonds
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016	–	437,133	134,660	193,416	527,663
Cash flow					
Additions	–	177,000	–	–	–
Repayments of principal/interest	(2,331)	(395,708)	(16,387)	–	–
Non-cash changes					
Acquisition of property, plant and equipment by means of finance leases	13,076	–	–	–	–
Fair value loss on derivative on convertible loan	–	–	11,095	–	–
Changes in fair value of exchangeable bonds	–	–	–	–	(6,214)
Accrued interest	–	–	20,244	19,342	–
Exchange translation	–	(10,625)	(7,745)	–	–
At 31 December 2017	10,745	207,800	141,867	212,758	521,449

Note A

Property, plant and equipment

During the financial year ended 31 December 2017, the Group acquired property, plant and equipment with an aggregate cost of RMB 358,167,000 (2016 - RMB 211,370,000), of which RMB 285,084,000 (2016 - RMB 22,532,000) was transferred from deposits paid for non-current assets and RMB 13,076,000 (2016 - Nil) was acquired by means of finance leases. Cash payments of RMB 28,332,000 (2016 - RMB 177,145,000) were made to purchase property, plant and equipment. As at 31 December 2017, the amount owing to contractors and suppliers of property, plant and equipment recorded under "Other payables" totalled RMB 31,675,000 (2016 - RMB 11,693,000).

Deposits paid for non-current assets

At 31 December 2017, the Group recorded RMB 510,935,000 (2016 - RMB 787,802,000) as deposits paid for non-current assets. During the financial year ended 31 December 2017, cash payments of RMB 48,430,000 (2016 - RMB 285,101,000) were made and refund of Nil (2016 - RMB 70,544,000) was received. A transfer for a sum of RMB 325,297,000 (2016 - RMB 22,532,000) was made upon completion to property, plant and equipment during the financial year ended 31 December 2017. This excludes a sum RMB 40,213,000 (2016 - Nil) relating to VAT.

Notes to the Financial Statements

For the financial year ended 31 December 2017

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2017 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 Six Battery Road, #10-01, Singapore 049909. The principal place of business of the Group is located at 56th Floor Tower A, Union Plaza, No. 5022, Binhe Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China (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 6 to the financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC") of Singapore. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies 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 consolidated financial statements in conformity with FRS 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 consolidated 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:

Going concern

As at 31 December 2017, the Company's current liabilities exceeded its current assets by RMB 224,814,000 (2016 - RMB 244,314,000). Notwithstanding this, the financial statements of the Company have been prepared on a going concern basis as the Company is able to obtain additional funds from the subsidiaries to settle its current liabilities and has the ability to direct funds for its own use.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2(a) 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 manufacturing and 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.

Income taxes (Notes 8 and 24)

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 8(b) to the financial statements.

Liquidity or funding of the Group

Pursuant to the restructuring arrangement on 28 June 2017 for the exchangeable bonds ("EB") and straight bonds ("SB2") issued by its subsidiary, Garden Fresh (HK) Fruit and Vegetable Co., Limited ("the Original Issuer"), the EB are to be substituted into preference shares issued by Garden Fresh Group Holding Co., Ltd, Cayman ("the Proposed Listco") upon full redemption of SB2 (Refer to Note 21).

Notes to the Financial Statements

For the financial year ended 31 December 2017

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

Significant judgements in applying accounting policies (Cont'd)

Liquidity or funding of the Group (Cont'd)

As at 31 December 2017, the Group has bank balances and cash on hand of RMB 693.6 million (2016 - RMB 297.7 million). As of that date, it has SB2 of RMB 212.8 million (2016 - RMB 193.4 million) and EB of RMB 521.4 million (2016 - RMB 527.7 million) which have matured on 28 September 2017. The Group has recorded a net profit of RMB 355.8 million (2016 - RMB 577.1 million) and generated cash from operating activities of RMB 634.2 million (2016 - RMB 104.4 million) for the financial year ended 31 December 2017.

On 31 March 2016, the Company's wholly owned subsidiary, Garden Fresh Group Holding Co., Ltd submitted an application to the Stock Exchange of Hong Kong ("HKSE") for the Proposed Listing ("HKSE Application") along with a draft prospectus as part of the HKSE Application. The listing application is valid for 6 months from date of submission after which it will automatically lapse and relevant information will need to be updated. The lapsing of the listing application does not mean that the Proposed Listing has been cancelled. The Company is in the process of updating the relevant information. The Company reiterates that it is continuing its ongoing efforts towards obtaining the approval for the Proposed Listing of the Beverage Business. The Proposed Listing is still in progress as at the date of the financial statements.

After the restructuring of the EB on 28 June 2017, the Company has SB2 (comprising the 2011 SB2 and 2012 SB2 Bonds) with a redemption amount of RMB 217.8 million and a maximum redemption sum for the EB of RMB 534.7 million. As of the date of this financial statements, the management of the Company is currently in negotiation with bondholders on its settlement to be made on or before 31 March 2018. The grant of the extension of the repayment date is contingent to a lump sum partial repayment of approximately 10% of the SB2.

The Group, including the Company, are of the view that it will have sufficient cash and liquidity resources to repay the SB2 and the EB due on maturity, assumed to be 31 March 2018, with a maximum redemption sum totalling RMB 752.5 million, together with the convertible loan of RMB 141.9 million plus interest thereon due on 16 May 2018, in the event it is required to do so, and to meet its working capital requirements for the 12 months after the year end for the following reasons:

- as at 28 February 2018, the Group has cash and liquidity resources totalling RMB 1,004 million consisting of cash and bank balances of RMB 887.1 million and untapped bank credit facilities of RMB 116.9 million, which is sufficient to repay the SB2 and EB of RMB 752.5 million and convertible loan of RMB 141.9 million plus interest accrued thereon, in the event it is required to;

- the Group is actively monitoring the collection from its customers. As at 31 December 2017, the Group's trade receivables balance was approximately RMB 1,345.7 million (2016 - RMB 1,153.7 million). As at 28 February 2018, approximately RMB 676.4 million has been received from customers;

- the Group has net current assets of RMB 1,274.1 million (2016 - RMB 619.4 million) as at 31 December 2017;

- while continuing to move ahead with its plan on the Proposed Listing, management will also actively monitor and manage its cash flow positions, banking facilities, trade receivables and capital investment plans. If required, the management shall reduce investment sums or postpone its capital investment plans in order to further strengthen its cash flow position;

- management has prepared a cash flow forecast for the 12 months after the year end which indicates that sufficient cash resources will be available to meet the working capital needs of the Group including the repayment of the SB2 and the EB (taking into account the Group's banking facilities terms and conditions and future repayment plans, including any discretionary capital expenditure payments for capital committed) when due; and

- as of the date of this financial statements, the bondholders have not demanded repayment from the Group and discussions are still ongoing between the management and bondholders to further discuss the grant of extending the repayment date to 31 March 2018.

Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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:

Amortisation of land use rights (Note 4)

Land use rights are amortised on a straight-line basis over their estimated useful lives. The Group has been granted rights of use of land of 50 years. The carrying amount of the Group's land use rights as at 31 December 2017 is RMB 108.8 million (2016 - RMB 110.3 million). Changes in the expected level of usage could impact the economic useful lives of land use rights, therefore future amortisation charges could be revised.

If the actual useful lives of land use rights differ by 10% from the management's estimates, the carrying amount of the Group's land use rights will be approximately RMB 167,000 (2016 - RMB 266,000) lower and RMB 136,000 (2016 - RMB 217,000) higher.

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 40 years. The carrying amounts of the Company's and the Group's property, plant and equipment as at 31 December 2017 are RMB 14,000 (2016 - RMB 18,000) and RMB 1,350.8 million (2016 - RMB 1,078.1 million) respectively. 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 9.5 million (2016 - RMB 8.1 million) lower and RMB 7.8 million (2016 - RMB 6.6 million) higher.

Useful lives of plant and machinery (Note 5)

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

If the actual useful lives of plant and machinery differ by 10% from the management's estimates, the carrying amount of the Group's plant and machinery will be approximately RMB 6.3 million (2016 - RMB 5.5 million) lower and RMB 5.2 million (2016 - RMB 4.5 million) higher.

Allowance for inventory obsolescence (Note 10)

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 3.8 million (2016 - RMB 4.5 million).

Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

Impairment of trade and other receivables (Notes 11 and 12)

Impairment of trade and other receivables are based on an assessment of the recoverability of trade receivables and other receivables. Allowances are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade receivables, other receivables and doubtful debt expenses in the period in which such estimate has been changed.

If the net present values of estimated cash flows had been lower by 10% from management's estimates for all past due loans and receivables, the allowance for impairment of the Group may have been higher by RMB 3.8 million (2016 - RMB 36.3 million). However, the Group does not foresee any additional impairment in trade receivables and other receivables.

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 2017, 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 Flows method (2016 - Binomial Option Pricing Model), which is subject to the limitations of the said method that incorporates certain unobservable market data. It also involves uncertainties in estimates and assumptions used by the directors of the Company. As the Discounted Cash Flows method requires input of highly subjective assumptions in deriving inputs such as liquidity and specific premiums, changes in subjective input assumptions can materially affect the fair value estimates. The amortised cost of the straight bonds was based on restructured principal on 28 June 2017.

  Details of the assumptions used are disclosed in Note 31.6.

  No sensitivity analysis has been presented on the fair value of the exchangeable bonds as the bonds have matured on 30 September 2017. The carrying amounts as at 31 December 2017 and redemption amounts assumed at 31 March 2018 of the exchangeable bonds are approximately RMB 521.4 million and RMB 534.7 million respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

Fair value measurements and valuation processes (Cont'd)

- Derivative on convertible loan

  The derivative on convertible loan was derived using the Monte Carlo Simulation method that incorporates certain unobservable market data, uncertainties in estimates and assumptions used by the directors of the Company. The said method requires input of highly subjective assumptions in deriving inputs such as volatility rate and liquidity premium, changes in subjective input assumptions can materially affect the fair value estimates.

  Details of the assumptions used are disclosed in Note 31.6.

  If the discount rate used in the valuation of option derivative on convertible loan has been 0.5% higher or lower than management's estimates, the carrying amount of the option derivative on convertible loan would have been lower by RMB 0.3 million and higher by RMB 0.1 million respectively.

Modification of the Exchangeable Bonds ("EB") (Note 21)

In the course of determining the resultant financial effect arising from the modification of the EB pursuant to the restructuring undertaken by the Group on 28 June 2017, management has applied judgement and estimates used in their assumptions.

The management has considered the facts that the conversion of preference shares has legally expired and the payment of cash is considered breached. Considering the financial impact on the modification of the EB, the management has taken the presumption on the basis that the terms and conditions of the EB continued as of 28 June 2018.

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

2(b) Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 7	Statement of Cash Flows	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets for Unrecognised Losses	1 January 2017

Notes to the Financial Statements

For the financial year ended 31 December 2017

2(b) Interpretations and amendments to published standards effective in 2017 (Cont'd)

Amendments to FRS 7 *Statement of Cash Flows*

The Amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows - excluding contributed equity - to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances.

These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in. The Group has included the additional required disclosures in the Consolidated Statement of Cash Flows to the financial statements.

Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments to FRS 12 is effective for annual periods beginning on or after 1 January 2017.

Management has reassessed all unrealised losses on debt instruments measured at fair value and there is no material impact.

2(c) Singapore Financial Reporting Standards (International) ("SFRS(I)") not yet effective

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018 and thereafter Singapore Financial Reporting Standards (International) ("SFRS(I)") which refer to Singapore Financial Reporting Standards (International) and SFRS(I) Interpretations issued by the ASC.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed below.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS(I) 16	Leases	1 January 2019

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

Notes to the Financial Statements

For the financial year ended 31 December 2017

2(c) Singapore Financial Reporting Standards (International) ("SFRS(I)") not yet effective (Cont'd)

Amendments to SFRS(I) 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments to SFRS(I) 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

(i) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments

(ii) Share-based payment transactions with a net settlement feature for withholding tax obligations

(iii) A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Companies are required to apply the amendments for annual periods beginning on or after 1 January 2018. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments* replaces the FRS 39 and it is a package of improvements introduced by SFRS(I) 9 which include a logical model for:

- Classification and measurement;
- A single, forward-looking "expected loss" impairment model; and
- A substantially reformed approach to hedge accounting.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018.

Overall, the Group does not expect a significant change to the measurement basis arising from adoption of the new classification and measurement model under SFRS(I) 9 based on its initial assessment of the impact on the Group's financial statements.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9.

For financial liabilities currently held at fair value, the Group expects to continue measuring cost of these liabilities at fair value under SFRS(I) 9.

Impairment - The Group plans to apply the 12-month approach and record lifetime expected impairment losses on all trade receivables.

The Group is currently performing a detailed analysis under SFRS(I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether the 12-month or lifetime expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS(I) 9.

Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS(I) 9.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2(c) Singapore Financial Reporting Standards (International) ("SFRS(I)") not yet effective (Cont'd)

SFRS(I) 15 *Revenue Contracts with Customers*

SFRS(I) 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue - Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018.

Management anticipates that the initial application of the new SFRS(I) 15 should not result in changes to the accounting policies relating to revenue recognition. However, additional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS(I) 15.

The standard clarifies how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, SFRS(I) 15, i.e. on 1 January 2018.

SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which lessees are required to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 Leases will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the entity has adopted SFRS(I) 15.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has factory, warehouse and office premises where they are under operating leases. The Group expects these operating leases to be recognised as assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. It is currently impracticable to disclose any further information on the known or reasonable estimable impact to the Group's financial statements as the management has yet to complete its detailed assessment. Management does not plan to early adopt the above new SFRS(I) 16.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies

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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

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.

Acquisitions

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.

A change in the ownership interest

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.

Disposals

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed off the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable FRSs).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Financial Statements

For the financial year ended 31 December 2017

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.

Business combination

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the investee; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the investee,

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

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

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

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

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.

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:

Factory and warehouse premises	20 to 40 years
Renovation	5 years
Plant and machinery	10 years
Motor vehicles	5 to 10 years
Office equipment	5 to 10 years

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

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

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.

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. 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.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company or the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

Financial assets (Cont'd)

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company or the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade receivables and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in 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.

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.

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

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.

Financial liabilities

The Company's and the Group's financial liabilities include borrowings, finance lease liabilities, trade payables, other payables and related party balances.

Financial liabilities are recognised when the Company or the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "Finance costs" in the profit or loss. Financial liabilities are derecognised if the Company's or the Group's obligations specified in the contract expire or are discharged or cancelled.

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

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. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statements of financial position.

Trade payables, other payables and related party balances are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on "Finance leases").

Dividend distributions to shareholders are included in current financial liabilities when the dividends are declared and payable.

As at 31 December 2017, the exchangeable bonds (hybrid instrument) are measured at fair value through profit or loss. The Group does not have any available-for-sale financial assets or held-to-maturity investment.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

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.

Convertible bonds

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

Conversion option

If the conversion option in a convertible bond is 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 is a derivative liability. The derivative is required to be carried at fair value with changes in fair value recognised in profit or loss.

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

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

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

Exchangeable bonds

Financial liabilities classified as "Designated as at 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 that would otherwise be separated from the host contract and recognized separately.

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 2017 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 during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of a guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

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.

Borrowing costs

Borrowing costs are recognised in the profit or loss in the period they are incurred.

Leases

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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

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. The Group made provision for deferred tax liabilities on withholding tax of the forecasted 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% 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 taxation 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 taxation authority is included as part of "other receivables" or "other payables" in the consolidated statement of financial position.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

Employee benefits

Defined contribution schemes

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.

Employee leave entitlements

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

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, or to the "treasury shares" account, when treasury shares are re-issued to the employees.

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.

Employee share option scheme ("ESOS Scheme") (Cont'd)

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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

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;

(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 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

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.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. 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.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant value-added tax and is arrived at after deduction of trade discounts and rebates. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of canned vegetables and canned fruits and fruit juices is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transactions can be measured reliably.

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

Rental income from the rental of factory and warehouse space is recognised upon acceptance of tenancy.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3 Significant accounting policies (Cont'd)

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.

4 Land use rights

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Cost			
Balance at beginning of year and at end of year		**119,977**	119,977
Accumulated amortisation			
Balance at beginning of year		**9,681**	7,289
Amortisation for the year	23(c) & 23(f)	**1,499**	2,392
Balance at end of year		**11,180**	9,681
Net book value		**108,797**	110,296

As at the end of the reporting period, the carrying amount of land use rights of the Group which have been pledged to financial institutions to secure banking facilities are as follows:

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Net book value	19	**40,528**	51,542

Notes to the Financial Statements

For the financial year ended 31 December 2017

4 Land use rights (Cont'd)

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 2017 RMB'000	31 December 2016 RMB'000
Grandness (Sichuan) Foods Co., Ltd.						
#1	Land at Qiongxin Road side, Linqiong Town, Qionglai City The People's Republic of China (邛崍市临邛镇邛新路侧)	邛崍市人民政府	50 years (expiring on 2 March 2055)	80,834.47	**2,995**	3,082
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	**6,837**	7,006
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	**40,528**	41,454
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	**58,437**	58,754
					108,797	110,296

Notes to the Financial Statements

For the financial year ended 31 December 2017

5 Property, plant and equipment

The Company	Office equipment RMB'000
Cost	
At 1 January 2016	48
Additions	13
At 31 December 2016 and at 31 December 2017	**61**
Accumulated depreciation	
At 1 January 2016	37
Depreciation for the year	6
At 31 December 2016	**43**
Depreciation for the year	**4**
At 31 December 2017	**47**
Net book value	
At 31 December 2017	**14**
At 31 December 2016	18

Notes to the Financial Statements

For the financial year ended 31 December 2017

5 Property, plant and equipment (Cont'd)

The Group	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	Total RMB'000
Cost							
At 1 January 2016	456,583	3,854	487,654	4,541	2,228	168,799	1,123,659
Additions	95,966	82	485	88	91	114,658	211,370
Reclassifications	204,087	–	29,031	–	–	(233,118)	–
Disposals	–	(12)	(126)	(958)	(2)	–	(1,098)
At 31 December 2016	**756,636**	**3,924**	**517,044**	**3,671**	**2,317**	**50,339**	**1,333,931**
Additions	**959**	**–**	**340,729**	**124**	**353**	**16,002**	**358,167**
Disposals	**(80)**	**(403)**	**(580)**	**(211)**	**–**	**–**	**(1,274)**
At 31 December 2017	**757,515**	**3,521**	**857,193**	**3,584**	**2,670**	**66,341**	**1,690,824**
Accumulated depreciation							
At 1 January 2016	64,690	3,749	111,497	2,687	1,533	–	184,156
Depreciation for the year	22,666	45	49,209	432	257	–	72,609
Disposals	–	–	(47)	(905)	(2)	–	(954)
At 31 December 2016	**87,356**	**3,794**	**160,659**	**2,214**	**1,788**	**–**	**255,811**
Depreciation for the year	**26,435**	**130**	**58,390**	**229**	**176**	**–**	**85,360**
Disposals	**(30)**	**(403)**	**(481)**	**(190)**	**–**	**–**	**(1,104)**
At 31 December 2017	**113,761**	**3,521**	**218,568**	**2,253**	**1,964**	**–**	**340,067**
Net book value							
At 31 December 2017	**643,754**	**–**	**638,625**	**1,331**	**706**	**66,341**	**1,350,757**
At 31 December 2016	669,280	130	356,385	1,457	529	50,339	1,078,120

Notes to the Financial Statements

For the financial year ended 31 December 2017

5 Property, plant and equipment (Cont'd)

(a) Depreciation is charged to:

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Cost of sales		**43,091**	40,440
Distribution costs	23(b)	**10,652**	3,701
Administrative expenses	23(c)	**31,617**	28,468
	23(f)	**85,360**	72,609

(b) Factory and warehouse premises are located at:

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
<u>At cost</u>		
Factory and warehouse premises		
- #1 (Note 4)	**66,157**	66,157
- #2 (Note 4)	**120,656**	120,586
- #3 (Note 4)	**254,478**	253,790
- #4 (Note 4)	**271,665**	271,544
- #5 *	**44,559**	44,559
	757,515	756,636

* 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	38,686.86	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 490.2 million (2016 - RMB 521.5 million) was as follows:

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
At net book value,			
- Factory and warehouse premises	19(c), (e) & (j)	**204,351**	357,461
- Plant and machinery	19(j)	**285,885**	164,030
		490,236	521,491

Notes to the Financial Statements

For the financial year ended 31 December 2017

5 Property, plant and equipment (Cont'd)

(d) As at 31 December 2017, the net book value of plant and machinery under finance leases of the Group amounted to RMB 13,076,000 (2016 - Nil).

(e) The construction-in-progress relate to:

		Estimated date of completion
(i)	the construction of factory and hostel on the existing land at 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)	September 2018
(ii)	the administration building on the existing land at 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)	September 2018
(iii)	the construction of production line on the existing 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一路西侧)	September 2018

6 Subsidiaries

The Company	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Unquoted equity investments, at cost	**42,021**	42,021
Fair value of share options granted	**58,011**	43,966
	100,032	85,987

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

6 Subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation / principal place of business	Cost of investments		Proportion of interests and voting rights held by the Group		Principal activities
		2017	2016	**2017**	2016	
		RMB'000	RMB'000	**%**	%	
Held by the Company						
Grandness (HK) Industry Co., Limited* (振鹏达(香港)实业有限公司)[1]	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	Production and sale of canned vegetables and canned fruits
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)[3]	PRC	**39,569**	30,636	**58.3**	58.3	Sale of canned vegetables and canned fruits
Held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)						
Grandness Group Co., Limited*, @ (振鹏达集团股份有限公司)[1]	Hong Kong	–	–	**100**	100	Investment holding
Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited* (鲜绿园(香港)果蔬饮料有限公司)[1]	Hong Kong	–	–	–	–[&]	Investment holding
Grandness (Anhui) Foods Co., Ltd. * (振鹏达(安徽)食品有限公司)[7]	PRC	–	–	**100**	100	Production and sale of fruits and vegetable juices (on production trial run)
Garden Fresh Group Holding Co., Ltd * (鲜绿园集团控股有限公司)[8]	Cayman Islands	–	–	**100**	100	Investment holding
Balance carried forward		**81,590**	72,657			

Notes to the Financial Statements

For the financial year ended 31 December 2017

6 Subsidiaries (Cont'd)

Name	Country of incorporation / principal place of business	Cost of investments		Proportion of interests and voting rights held by the Group		Principal activities
		2017	2016	**2017**	2016	
		RMB'000	RMB'000	**%**	%	
Balance brought forward		**81,590**	72,657			
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)[8]	British Virgin Islands	**–**	–	**100[&]**	100[&]	Investment holding
Grandness Group Co., Limited* (振鹏达集团股份有限公司)[1]	Hong Kong	**–**	–	**–**	–[@]	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)[1]	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)[3]	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#	Production and sale of canned vegetables and canned fruits
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#	Production and sale of canned vegetables and canned fruits
Dongpeng (Chengdu) Agricultural Development Co.,Ltd.* (成都东鹏农业发展有限公司)[4]	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	Production and sale of canned vegetables and canned fruits
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
Balance carried forward		**81,590**	72,657			

Notes to the Financial Statements

For the financial year ended 31 December 2017

6 Subsidiaries (Cont'd)

Name	Country of incorporation / principal place of business	Cost of investments		Proportion of interests and voting rights held by the Group		Principal activities
		2017	2016	**2017**	2016	
		RMB'000	RMB'000	**%**	%	
Balance brought forward		**81,590**	72,657			
Held by Shenzhen Grandness Industry Groups Co., Ltd. (Cont'd) (深圳振鹏达实业集团有限公司)						
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
Held by Grandness (Shanxian) Food Co., Ltd. (山东单县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#	Production and sale of canned vegetables and canned fruits
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#	Production and sale of canned vegetables and canned fruits
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)[3]	PRC	**18,442**	13,330	**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
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**	–	Production and sale of fruits and vegetable juices (yet to commence operations)
Balance carried forward		**100,032**	85,987			

Notes to the Financial Statements

For the financial year ended 31 December 2017

6 Subsidiaries (Cont'd)

Name	Country of incorporation / principal place of business	Cost of investments		Proportion of interests and voting rights held by the Group		Principal activities
		2017	2016	**2017**	2016	
		RMB'000	RMB'000	**%**	%	
Balance brought forward		**100,032**	85,987			
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited* (四川鲜绿园果蔬饮料有限公司)[4]	PRC	**–**	–	**90**	90	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	**–**	–	**10**	10	Production and sale of fruits and vegetable juices
		100,032	85,987			

* 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%.

^ The subsidiary was incorporated on 10 May 2017.

^^ The subsidiary was incorporated on 3 February 2016.

& Restructuring within the Group has been performed in preparation for IPO purposes. In 2015, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited was 100% held by Grandness (HK) Industry Co., Limited. In 2016, for IPO preparation purposes, restructuring took place in February 2016 whereby Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited was held directly by Garden Fresh Beverage Group Co., Ltd. (BVI) who in turn was 100% held by Garden Fresh Group Holding Co., Ltd. (Cayman). The latter company has been designated as the proposed listed company for IPO purposes.

@ In 2016, due to changes in the restructuring plans, Grandness Group Co., Limited (formerly known as Garden Fresh Group Co., Limited) (Hong Kong-incorporated) which was initially designated as the proposed listed company has been replaced by another entity (Garden Fresh Group Holding Co., Limited (Cayman-incorporated) as the new proposed listed company) in February 2016. Accordingly, Garden Fresh Group Co., Limited changed its name to Grandness Group Co., Limited which is now 100% held by Grandness (HK) Industry Co., Limited.

1. The local auditor is Procon CPA Limited (博爾会计师有限公司).
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 Wan Bang Certified Public Accountants Co., Ltd (四川万邦会计师事务所).
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 Tiancheng Certified Public Accountants Co., Ltd (宜昌天成会计师事务所有限公司).
7. Exempted from statutory audit as these subsidiaries have yet to commence any business activities.
8. Audit is not required by law in the country of incorporation.

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

7 Amount owing by/(to) subsidiaries

The Company	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Amount owing by subsidiaries		
Non-current and non-trade		
Grandness (HK) Industry Co., Limited	**738,086**	517,203
Shanxi Yongji Huaxin Food Co., Ltd.	**31,000**	31,000
	769,086	548,203
Amount owing to a subsidiary		
Non-current and non-trade		
Shenzhen Grandness Industry Groups Co., Ltd.	**(50,501)**	(14,035)

Included in the amount owing to a subsidiary of RMB 14,035,000 as at 31 December 2016 is an amount of RMB 12,200,000 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.

8 Deferred taxation

8(a) Deferred tax assets

		The Company		The Group	
	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Balance at beginning of year		**–**	–	**–**	1,654
Transfer to profit or loss	24	**–**	–	**–**	(1,654)
Balance at end of year		**–**	–	**–**	–

8(b) Deferred tax liabilities

	The Company		The Group	
	31 December 2017 RMB'000	31 December 2016 RMB'000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Balance at beginning and end of year	**20,241**	20,241	**20,241**	20,241
The balance comprises tax on				
- undistributed earnings of subsidiaries	**19,241**	19,241	**19,241**	19,241
- unremitted income	**1,000**	1,000	**1,000**	1,000
To be settled after one year	**20,241**	20,241	**20,241**	20,241

Notes to the Financial Statements

For the financial year ended 31 December 2017

8 Deferred taxation (Cont'd)

8(b) Deferred tax liabilities (Cont'd)

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. The Group has provided for withholding tax based on the dividends that would be required to be proposed or paid by certain subsidiaries under business conditions to meet its operational needs and shareholders' expectation.

Deferred tax liabilities of RMB 107.1 million (2016 - RMB 80.6 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.

9 Deposits paid for non-current assets

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Advances to contractor for construction of workshop		
Balance at beginning of year	**90,789**	22,532
Additions	**6,905**	90,789
Transfer to property, plant and equipment on completion	**–**	(22,532)
Balance at end of year	**97,694**	90,789
Advances to suppliers for purchases of plant and machinery		
Balance at beginning of year	**697,013**	573,245
Additions	**41,525**	194,312
Refund*	**–**	(70,544)
Transfer to property, plant and equipment on completion	**(325,297)**	–
Balance at end of year	**413,241**	697,013
Grand total	**510,935**	787,802

* The refund was due to the cancellation of contract with one of the suppliers for purchase of plant and machinery for Shanxi Yongji Huaxin Food Co., Ltd. during the financial year ended 31 December 2016.

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

During the financial year ended 31 December 2017, the advances of RMB 6.9 million (2016 - RMB 90.8 million) paid to contractor for construction of workshop relate 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).

Notes to the Financial Statements

For the financial year ended 31 December 2017

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

The advances of RMB 413.2 million (2016 - RMB 697.0 million) made to suppliers for purchases of plant and machinery relate to the planned acquisition of new production lines for both the canned vegetables and canned fruits and fruit juices segments by the following subsidiaries:

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Shanxi Yongji Huaxin Food Co., Ltd.	**–**	83,000
Grandness (Shanxian) Food Co., Ltd.	**81,390**	81,390
Grandness (Anhui) Foods Co., Ltd.	**–**	71,840
Garden Fresh (Hubei) Food & Vegetable Beverage Co., Limited	**85,051**	213,983
Garden Fresh (Shenzhen) Food & Vegetable Beverage Co., Limited	**246,800**	246,800
	413,241	697,013

As at the end of the reporting period, the deposits paid for non-current assets are unsecured, interest-free and non-refundable.

10 Inventories

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
At cost,		
Finished goods	**27,201**	34,111
Packaging materials	**6,189**	6,765
Raw materials	**4,892**	3,628
	38,282	44,504
Included in cost of sales are inventories charged of:	**2,281,878**	2,013,908

11 Trade receivables

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Trade receivables		
- external parties	**1,345,669**	1,153,722
Less: Impairment loss on trade receivables		
Balance at beginning of year	**–**	(154)
Allowance utilised	**–**	154
Balance at end of year	**–**	–
Net trade receivables	**1,345,669**	1,153,722

Notes to the Financial Statements

For the financial year ended 31 December 2017

11 Trade receivables (Cont'd)

Trade receivables are due within 90 to 120 days (2016 - 60 to 90 days) and do not bear any interest. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers. No additional allowance for impairment has been considered necessary.

(i) The age analysis of trade receivables neither past due nor impaired is as follows:

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Current - neither past due nor impaired	**1,307,622**	790,608

(ii) The age analysis of trade receivables past due and not impaired is as follows:

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Past due 0 to 3 months	**38,047**	363,114
Past due 3 to 6 months	**–**	–
Past due over 6 months	**–**	–
	38,047	363,114

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 record with the Group.

Impairment on trade receivables is made on specific debts for which the directors of the Group are of the opinion that debts are not recoverable.

(iii) The credit risk for trade receivables based on the information provided to key management is as follows:

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
By geographical areas		
The People's Republic of China	**1,250,396**	1,007,974
Europe	**89,313**	136,330
North America	**4,999**	7,068
Others	**961**	2,350
	1,345,669	1,153,722

Notes to the Financial Statements

For the financial year ended 31 December 2017

12 Other receivables

	The Company		The Group	
	31 December 2017 RMB'000	31 December 2016 RMB'000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Advances to				
- contractor	**–**	–	**223**	5,457
- suppliers	**–**	–	**121,072**	108,860
- employees	**65**	60	**436**	424
- third parties	**–**	–	**51,594**	52,178
Prepayments	**–**	–	**26,306**	78,643
VAT receivable	**–**	–	**97,153**	109,258
Export tax refunds	**–**	–	**101,112**	99,220
Tax recoverable	**–**	–	**145**	25,812
Deposits	**12**	12	**448**	379
Guzhen (Anhui) Municipal Government (安徽固镇镇政府)	**–**	–	**–**	60
Others	**95**	63	**900**	766
	172	135	**399,389**	481,057

Other receivables (excluding prepayments, taxes and advances to suppliers) are neither past due nor impaired.

The advances which are unsecured and interest-free are mainly made to suppliers for the purchase of raw materials, packaging materials and finished goods.

Prepayment includes prepaid advertisement expenses amounting to RMB 18.9 million (2016 - RMB 70.6 million) and prepaid Initial Public Offering ("IPO") expenses of a subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited, amounting to RMB 6.3 million (2016 - RMB 7.3 million) that relate solely to the equity offering.

VAT receivable relates to the percentage of qualifying purchases at the time the vendor invoices are processed.

Export tax refunds relate to tax refunds which is calculated at 15% (2016 - 15%) on overseas sales.

13 Cash and bank balances

	The Company		The Group	
	31 December 2017 RMB'000	31 December 2016 RMB'000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Cash on hand	**–**	–	**117**	112
Bank balances	**4,802**	46,904	**693,508**	297,637
	4,802	46,904	**693,625**	297,749

Notes to the Financial Statements

For the financial year ended 31 December 2017

13 Cash and bank balances (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 2017 RMB'000**	31 December 2016 RMB'000
Cash and bank balances as per above		**693,625**	297,749
Less:			
Deposits placed in banks for bank borrowings	19	**(35,444)**	(165,881)
		658,181	131,868

14 Share capital

	Number of shares		Amount	
	31 December 2017 '000	31 December 2016 '000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Issued and fully paid ordinary shares with no par value:				
Balance at beginning of year	**673,344**	673,344	**440,948**	440,948
Shares issued pursuant to rights issue	**306,066**	–	**204,982**	–
Share issuance expenses	**–**	–	**(1,920)**	–
Transfer of non-controlling interest into share capital on completion of rights issue	**–**	–	**111,334**	–
Balance at end of year	**979,410**	673,344	**755,344**	440,948

On 13 March 2017, the Company has allotted and issued 306,065,830 new ordinary shares ("rights issue") at an issue price of S$0.210 per share, pursuant to its renounceable non-underwritten rights issue undertaken by the Company on basis of 5 rights shares for every 11 existing ordinary shares of the Company.

The transfer of non-controlling interest into share capital on completion of rights issue relates to amount that was received on behalf of a director of the Company, Huang Yupeng in 2016 for the purpose of his subscription in the rights issue of the Company which was issued on 13 March 2017 (Note 17).

Total consideration received amounted to S$64,273,875 (RMB 314,395,663) which is to provide funds for the expansion of the Group's operations. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

15 Other reserves

	The Company		The Group	
	31 December 2017 RMB'000	31 December 2016 RMB'000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Statutory common reserve				
Balance at beginning of year	**–**	–	**211,436**	171,101
Movement during the year	**–**	–	**7,741**	40,335
Balance at end of year	**–**	–	**219,177**	211,436
ESOS Scheme reserve				
Balance at beginning of year	**49,847**	22,673	**49,847**	22,673
Movement during the year	**16,240**	27,174	**16,240**	27,174
Balance at end of year	**66,087**	49,847	**66,087**	49,847
Merger reserve				
Balance at beginning and end of year	**–**	–	**(31,413)**	(31,413)
Grand total	**66,087**	49,847	**253,851**	229,870

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 26). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Merger reserve

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

16 Trade payables

	The Company		The Group	
	31 December 2017 RMB'000	31 December 2016 RMB'000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Trade payables	**1,940**	1,662	**75,344**	23,815
Accruals	**9,095**	1,908	**31,144**	17,470
	11,035	3,570	**106,488**	41,285

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

17 Other payables

	The Company		The Group	
	31 December 2017 RMB'000	31 December 2016 RMB'000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Amount owing to				
- contractors	**–**	–	**31,590**	11,588
- suppliers of property, plant and equipment	**–**	–	**85**	105
- suppliers	**–**	–	**88**	54
- employees	**–**	–	**650**	635
- third parties	**559**	5,554	**2,338**	6,402
Accrual of directors' fees	**459**	588	**459**	588
VAT and government tax payable	**–**	–	**22,688**	23,424
Withholding tax payable	**199**	199	**199**	898
Advance from customers	**–**	–	**15**	12
Deposits	**–**	–	**133**	147
Director of the Company	**25,076**	132,686	**35,622**	143,232
Others	**92**	61	**249**	242
	26,385	139,088	**94,116**	187,327

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.

During the financial year ended 31 December 2016, included in amount due to a director of the Company, Huang Yu Peng, was a sum of RMB 111,333,667 received on behalf for the purpose of his subscription in the proposed rights issue of shares of the Company. On 13 March 2017, the said amount was fully utilised to subscribe in the rights issue of the Company (Note 14).

The amount due to a director of the Company relates to amount due to Huang Yupeng, which is unsecured and interest-free.

Notes to the Financial Statements

For the financial year ended 31 December 2017

18 Obligations under finance leases

The Group	31 December 2017 RMB'000	31 December 2016 RMB'000
Minimum lease payment payable:		
Due not later than one year	**5,647**	–
Due later than one year and not later than five years	**6,436**	–
	12,083	–
Less: finance charges allocated to future periods	**(1,338)**	–
Present value of minimum lease payments	**10,745**	–
Present value of minimum lease payments:		
Due not later than one year	**5,026**	–
Due later than one year and not later than five years	**5,719**	–
	10,745	–

A wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited, leases plant and machinery from a non-related party under finance leases. 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)].

19 Bank borrowings

The Group	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Bank loans (secured)			
- 星展银行(中国)有限公司深圳分行	(a)	–	20,000
- 上海浦东发展银行股份有限公司深圳华侨城支行	(b)	–	28,500
- 上海浦东发展银行股份有限公司深圳华侨城支行	(c)	–	30,000
- 上海浦东发展银行股份有限公司深圳华侨城支行	(d)	**25,000**	–
- 中信银行股份有限公司深圳分行	(e)	–	40,000
- 上海浦东发展银行股份有限公司深圳分行	(f)	–	30,000
- 上海浦东发展银行股份有限公司	(g)	–	65,208
- 渤海国际信托股份有限公司	(h)	–	50,000
- 中国信托商业银行股份有限公司广州分行	(i)	**20,000**	–
- DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH	(j)	**162,800**	173,425
		207,800	437,133
Amount repayable:			
Not later than one year		**77,560**	263,708
Later than one year and not later than five years		**130,240**	173,425
		207,800	437,133

Notes to the Financial Statements

For the financial year ended 31 December 2017

19 Bank borrowings (Cont'd)

(a) The bank loan of RMB 20.0 million has been repaid on 1 April 2017. The loan was secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by a wholly-owned subsidiary, Shanxi Yongji Huaxin Food Co., Limited; and
- a pledge of bank balances of RMB 9.22 million (Note 13) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest was charged at a rate between 5.44% and 5.85% per annum.

(b) The bank loan of RMB 28.5 million has been repaid on 11 May 2017. The loan was secured by a pledge of bank balances of RMB 30.0 million (Note 13) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest was charged at 4.35% per annum.

(c) The bank loan of RMB 30.0 million has been repaid on 10 May 2017. The loan was secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng; and
- the land use rights with a carrying amount of RMB 3.1 million (Note 4) and factory and warehouse premises with a carrying amount of RMB 42.0 million [Note 5(c)] belonging to a subsidiary, Grandness (Sichuan) Foods Co., Ltd.

Interest was charged at 4.35% per annum.

(d) The bank loan of RMB 25.0 million is repayable on 22 August 2018. The loan is secured by a pledge of cash and bank balances of USD 4.2 million (RMB 27.4 million) (Note 13) of a wholly-owned subsidiary, Grandness (HK) Industry Co., Limited.

Interest is charged at 4.35% per annum.

(e) The bank loan of RMB 40.0 million has been repaid on 21 June 2017. The loan was secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by a wholly-owned subsidiary, Grandness (Shanxian) Foods Co., Ltd;
- the land use rights with a carrying amount of RMB 7.0 million (Note 4) and factory and warehouse premises with a carrying amount of RMB 100.4 million [Note 5(c)] belonging to a subsidiary, Grandness (Shanxian) Foods Co., Ltd; and
- housing properties with an approximated fair value of RMB 60.2 million belonging to a director of the Company, Huang Yupeng.

Interest was charged at 5.66% per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2017

19 Bank borrowings (Cont'd)

(f) The bank loan of RMB 30.0 million has been repaid on 7 June 2017. The loan was secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by a wholly-owned subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited; and
- a pledge of cash and bank balances of RMB 6.0 million (Note 13) of a wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited.

Interest was charged at 5.66% per annum.

(g) The bank loan of USD 9.4 million (RMB 65.2 million) has been repaid on 3 January 2017. The loan was secured by a pledge of bank balances of RMB 70.0 million (Note 13) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest was charged at 2.16% per annum.

(h) The bank loan of RMB 50.0 million has been repaid on 5 January 2017. The loan was secured by a pledge of cash and bank balances of RMB 50.66 million (Note 13) of a wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited.

Interest was charged at a flat rate of 1.62% per annum.

(i) The bank loan of RMB 20.0 million is repayable on 11 April 2018. The loan is secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by the Company, Sino Grandness Food Industry Group Limited; and
- a pledge of bank balances of RMB 8.0 million (Note 13) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest is charged at 5.87% per annum.

(j) The term loan of USD 25.0 million (RMB 162.8 million; 2016 - RMB 173.4 million) is repayable over 10 instalments semi-annually commencing from 15 April 2018 with a fixed principal payment of USD 2,500,000 plus any applicable interest.

The loan is secured by, inter-alia:

- first ranking mortgage in the amount of USD 25.0 million (RMB 162.8 million; 2016 - RMB 173.4 million) on its land use rights and factory and warehouse premises belonging to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited with the carrying amounts of RMB 40.5 million (2016 - RMB 41.5 million) (Note 4) and RMB 204.4 million (2016 - RMB 215.1 million) [Note 5(c)] respectively;
- a pledge of equipment with a carrying amount of RMB 285.9 million (2016 - RMB 164.0 million) [Note 5(c)] belonging to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited;
- a corporate guarantee provided by a wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited; and
- a corporate guarantee provided by the Company, Sino Grandness Food Industry Group Limited.

The Group has financial covenants attached to this term loan which relate to restriction of limits imposed on certain ratios to be maintained. During the financial year ended 31 December 2017, there are no known instances of any breach of loan covenants of the Group and its subsidiaries.

Notes to the Financial Statements

For the financial year ended 31 December 2017

19 Bank borrowings (Cont'd)

(j) (Cont'd)

As at the end of the reporting period, the applicable floating interest rate stood at 3.80% (2016 - 3.80%) per annum over the applicable 6-month LIBOR. The effective interest rate of the term loan ranges from 5.14% to 5.57% (2016 - 4.50% to 5.06%) per annum.

20 Convertible loan

On 13 April 2016, the Company entered into a USD 20 million convertible loan agreement with Soleado Holdings Pte. Ltd, the conversion of which is subject to shareholders' approval. The full amount had been disbursed to the Company on 17 May 2016 (closing date). The rate of interest on the loan is 12% per annum. However, the terms and conditions of the convertible loan agreement provide that the rate of interest payable shall be revised to 16.5% per annum if certain conditions are not satisfied. The loan shall be repaid in full 24 months from the closing date which falls on 16 May 2018.

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"). 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.

In 2016, the convertible loan has been presented as a current liability as the Company has yet to convene a shareholders meeting to approve the conversion terms under which the lender has the right to demand repayment as at 31 December 2016.

The Company and the Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
At beginning of year		**134,660**	–
Transaction value		**–**	129,178
Adjusted for:			
Fair value gain on convertible loan at inception	23(a)	**–**	(7,847)
Amortised interest cost	23(d)	**20,244**	12,153
Interest repayment during the year		**(16,387)**	(8,327)
Exchange differences		**(7,745)**	9,503
		(3,888)	5,482
		130,772	134,660
Fair value loss on derivative on convertible loan	23(a)	**11,095**	–
At end of the year		**141,867**	134,660

The fair value of the convertible loan (including derivative) at inception on 17 May 2016 was determined by an independent valuer, Jones Lang Lasellle Corporate and Appraisal Advisory Limited, discounted using an effective interest rate of 16.43% with a nil fair value on derivative on convertible loan as the conversion terms were subject to Shareholders' approval then.

On 15 May 2017, the Company has 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 14). Shareholders' approval was obtained in the extraordinary general meeting held on 8 June 2017.

The convertible loan, if not converted, will be redeemed on or prior to the maturity date, 16 May 2018.

Notes to the Financial Statements

For the financial year ended 31 December 2017

20 Convertible loan (Cont'd)

The convertible loan does not contain any equity component or equity instrument owing to the feature in the conversion option in the convertible loan is to be settled in a variable number of shares and is therefore regarded as a financial liability as at 31 December 2017.

The embedded derivative (effective upon Shareholders' approval obtained as mentioned above) is indexed to both the share price denominated in S$ and the S$/US$/RMB exchange rate per the convertible loan agreement. The exercise price of the equity conversion option (if any) is denominated in US$ but the underlying share of the Company is traded in S$. Therefore, it is not possible to separate the equity price risk from the foreign currency risk and value each component separately, because the two are interdependent. The management of the Company is of the view that they should be bundled together as a whole and to be treated as a single compound derivative.

As at the reporting date, the fair value of the convertible loan (excluding option derivative) was calculated using cash flows discounted at an effective interest rate of 16.28% (2016 - 16.28%) per annum and the derivative on convertible loan was derived using Monte Carlo Simulation method at a discount rate 14.11% (2016 - Nil) per annum. The fair value is within Level 3 of the fair values hierarchy [Note 31.6(a)].

As at the date of this financial statements, the convertible loan has yet to be converted into new ordinary shares of the Company.

21 Exchangeable bonds

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
2016 Exchangeable Bonds, at fair value	**–**	527,663
2017 Exchangeable Bonds, at fair value	**521,449**	–
	521,449	527,663

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**").

2016 Restructuring

As stated in FY2015, to the extent of the 100% of the principal amount of the old convertible bonds, a partial sum of RMB 210.3 million representing 60% of the principal sum had been refinanced by way of new Exchangeable Bonds which attached new convertible features in the event of an Initial Public Offering ("**IPO**") of Garden Fresh Group Holding Co., Ltd ("**Garden Fresh Cayman**" or the listing vehicle) while the remaining 40% was refinanced into a new Straight Bonds.

On 31 March 2016, the Group had submitted an application to the Stock Exchange of Hong Kong ("HKSE") for the Proposed Listing of its subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited ("**Garden Fresh (HK)**" or "**the issuer**") including the filing of the draft prospectus as part of the HKSE listing application. As of the date of this financial statements, management is continuing their efforts on the Proposed Listing.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2016 Restructuring (Cont'd)

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

As reported in the 2016 Annual Report, under the original terms of the Convertible Bonds, the Bondholders may exchange their bonds into shares of the issuer, Garden Fresh (HK), which is the issuer of the Convertible Bonds. The Convertible Bonds had been determined and accounted for as a compound instrument under FRS 32 Financial Instruments: Presentation, whereby, the liability component was recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds and is subsequently carried at amortised cost using the effective interest method until the liability is to be extinguished on conversion or redemption of the bonds. The Convertible Bonds do not contain any equity component or equity instrument as the conversion option in the Convertible Bond is settled other than by the exchange of a fixed number of the issuer's own equity instruments (i.e. fixed for floating); the conversion option is a derivative liability and measured at its fair value at each reporting date. See Section A - Full redemption of 2011 SB2 Bonds and 2012 SB2 Bonds.

In 2016, management has revisited the terms of the restructuring agreement of the Convertible Bonds. Under the restructuring, the holders of the Exchangeable Bonds have the option to convert their bonds into shares of Garden Fresh Cayman (the proposed listing vehicle), instead of converting into the shares that were issued by the issuer, Garden Fresh (HK). Having satisfied that the new instrument meets the criteria under FRS 39 Financial Instruments: Measurement and Recognition, where the Exchangeable Bonds do not contain any equity component or equity instrument as the conversion option in the Exchangeable Bonds is settled other than by the exchange of a fixed number of the issuer's own equity instruments (i.e. fixed for floating), management has designated the Exchangeable Bonds as a hybrid instrument and disclosed as a financial liability at fair value, and has measured it at its fair value, with changes in fair value recognised in profit or loss at each reporting date.

The reconciliation of the original Convertible Bonds and the restructured Exchangeable Bonds is as follows:

Carrying amount

		RMB'000
Convertible bonds including option derivatives	31 December 2015	1,032,930
Exchangeable bonds	31 December 2016	527,663
Variance		505,267

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2016 Restructuring (Cont'd)

Represented by:

The Group	Gain on restructuring	Restructured into Straight Bonds	Changes in fair value (Gain on valuation) of Old Convertible Bond up to 1 March 2016	Changes in fair value (Loss on valuation) of Exchangeable Bond up to 31 December 2016	Variance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 1)	(Note 2)	(Note 3)	
2012 Convertible Bond	(72,481)	(178,562)	(152,219)	6,409	(396,853)
2011 Convertible Bond	(19,137)	(101,802)	(23,277)	35,802	(108,414)
Total	(91,618)	(280,364)	(175,496)#	42,211#	(505,267)

The sum gives rise to the changes in fair value of the option derivatives in relation to Convertible Bonds.

Note 1: The valuation of the Convertible Bonds on the restructuring date (1 March 2016) is as follows:

The Group	Old Convertible Bond on 1 March 2016	Restructured into Straight Bonds	Restructured into Exchangeable Bonds	Gain on restructuring
	RMB'000	RMB'000	RMB'000	RMB'000
2012 Convertible Bond	616,718	178,562	365,675	72,481
2011 Convertible Bond	240,716	101,802	119,777	19,137
Total	857,434	280,364	485,452	91,618

Note 2: The movement for the old Convertible Bonds from 1 January 2016 to 1 March 2016 is as follows:

The Group	Old Convertible Bond valuation on 1 March 2016	Old Convertible Bond valuation on 1 January 2016	Changes in fair value/ (Gain on valuation)
	RMB'000	RMB'000	RMB'000
2012 Convertible Bond	616,718	768,937	(152,219)
2011 Convertible Bond	240,716	263,993	(23,277)
Total	857,434	1,032,930	(175,496)*

* This include finance costs of RMB 20.0 million arising from the liability component.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2016 Restructuring (Cont'd)

Note 3: The movement for the Exchangeable Bonds from 1 March 2016 to 31 December 2016 is as follows:

The Group	Exchangeable Bond valuation on 31 December 2016	Exchangeable Bond valuation on 1 March 2016	Changes in fair value/ Loss on valuation
	RMB'000	RMB'000	RMB'000
2012 Convertible Bond	372,084	365,675	6,409
2011 Convertible Bond	155,579	119,777	35,802
Total	527,663	485,452	42,211

2011 SB2 Bonds and 2012 SB2 Bonds

As at 31 December 2016, the principal amount of the SB2 Bonds approximate to their fair values due to their short term nature and the details are as follows:

	Maturity date	Interest rate (per annum)	Principal amount	31 December 2016 Carrying amount
			RMB'000	RMB'000
SB2 Bonds in 2016				
2011 SB2 Bonds	12 months after the issue date	10%	20,125	54,498
2012 SB2 Bonds	12 months after the issue date	10%	67,500	138,918
Total			87,625	193,416

2017 Restructuring

During the financial year ended 31 December 2017, 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 (see **Section A**);

(b) substitution of the 2011 bonds to 2011 preference shares and the 2012 bonds to 2012 preference shares (See **Section B**); 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 (see **Section C**).

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

Under the 2017 Restructuring Agreement, 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 ("USD") at the prevailing USD-RMB exchange rate.

					31 December 2017
	Maturity date	Interest rate (per annum)	Principal amount	Redemption price	**Carrying amount**
			RMB'000	RMB'000	**RMB'000**
SB2 Bonds					
2011 SB2 Bonds	28 September 2017	10%	50,312	61,186	**59,948**
2012 SB2 Bonds	28 September 2017	10%	128,250	156,257	**152,810**
Total			^178,562	217,443	**212,758**

Name of bondholders	**Principal Amount**
	RMB'000
2011 SB2 bondholders	
CDIB Capital Investment I Limited	41,875
CDIB & Partners Investment Holding (Cayman) Ltd	8,437
	50,312
2012 SB2 bondholders	
Goldman Sachs Investments Holdings (Asia) Limited	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

No repayment has been made on the said due date. As at the date of this financial statements, the management of the Company is still negotiating with the bondholders on its settlement to be made on or before 31 March 2018. The grant of the extension of the repayment date is contingent to a lump sum partial repayment of approximately 10% of the 2011 SB2 and 2012 SB2 Bonds.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

Under the 2017 Restructuring Agreement, it was agreed that each of the 2011 Convertible Bondholders and the 2012 Convertible Bondholders agrees with Garden Fresh (HK) and 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 Cayco Shares on the Main Board of the HKSE or on the A share market of the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (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 2017 Restructuring Agreement, completion of the 2017 Restructuring ("**Completion**") shall take place on the earlier of:

(i) the date falling 3 months after the date of the 2017 Restructuring Agreement (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 2017 Restructuring Agreement, the long stop date shall be 15 months from the date of the 2017 Restructuring Agreement ("**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 2017 Restructuring Agreement).

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 210,000,000 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 within 15 months from the date of the 2017 Restructuring Agreement. Following the issuance of the New Investor Qualifying Shares within 15 months from the date of the 2017 Restructuring Agreement, 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 2017 Restructuring Agreement 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 2017 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.

21 Exchangeable bonds (Cont'd)

2017 Restructuring (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

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 USD at the prevailing USD-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 USD at the prevailing USD-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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (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

(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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (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)

(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:

$$A \times (100\% - B) = C$$

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).

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (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)

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.

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 prior to Initial Redemption Date; or
- starting from the 30th day after the date on which the qualified listing application has been rejected, withdrawn or has lapsed (such redemption date and the Initial Redemption Date, "**Redemption Date**"), if (and only if) a Qualified Listing Application 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 USD at the prevailing USD-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 Goldman Sachs Investments Holdings (Asia) Limited made its initial investment in the Group in 2012 to the relevant redemption date. The redemption price shall be paid in USD at the prevailing USD-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 qualified listing application prior to Initial Redemption Date; or
- on a day falling 30 days or more after the date on which the Qualified Listing Application has been rejected, withdrawn or has lapsed (such redemption date and the Initial Redemption Date, "Redemption Date"), if (and only if) a Qualified Listing Application has been made prior to the Initial Redemption Date but has been rejected or withdrawn or has lapsed after the Initial Redemption Date,

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (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 (Cont'd)
in each case at a redemption price (paid in RMB or, if agreed between Garden Fresh Cayman and the relevant 2011 Preference Shareholder, in USD at the prevailing USD-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 USD at the prevailing USD-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.

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 USD at the prevailing USD-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 USD at the prevailing USD-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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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 USD at the prevailing USD-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 USD at the prevailing USD-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.

As at 31 December 2017, the management is of the view that the preference shares instrument is 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 is remote but may only occur in the future date when the contractual arrangement becomes more certain. 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 management of the Company is of the view that the qualitative changes under the 2017 Restructuring Agreement indicate that the changes in the terms of the debt instrument are substantially different and has accordingly assessed the financial effect arising from the modification of the Exchangeable Bonds as of 30 June 2017.

As the new instrument does not meet the "fixed for fixed" requirement, 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

The reconciliation of the original Exchangeable Bonds and the restructured Exchangeable Bonds in 2017 is as follows:

Carrying amount

		RMB'000
Original Exchangeable Bonds	31 December 2016	527,663
Restructured Exchangeable Bonds in 2017	31 December 2017	521,449
Variance		6,214

Represented by:

	Net changes in fair value (Gain on valuation) of original Exchangeable Bond and at extinguishment, up to 30 June 2017	Changes in fair value (Gain on valuation) of Exchangeable Bond restructured in 2017 up to 31 December 2017	Variance
	RMB'000	RMB'000	RMB'000
	(Note 2)	(Note 3)	
2012 Convertible Bond	(6,897)	255	(6,642)
2011 Convertible Bond	319	109	428
Total	(6,578)	364	(6,214)

Note 1: No gain/loss arising from the extinguishment of the original Exchangeable Bonds as at 30 June 2017, as the management has taken the presumption that the terms and conditions of the Exchangeable Bonds continued as of 28 June 2017.

Note 2: The movement for the original Exchangeable Bonds from 1 January 2017 to 30 June 2017 is as follows:

	Valuation on 30 June 2017 RMB'000	Valuation on 1 January 2017 RMB'000	Changes in fair value/ Gain on valuation RMB'000
Exchangeable bonds	521,085	527,663	(6,578)

Note 3: The movement for the restructured Exchangeable Bonds in 2017 from 30 June 2017 to 31 December 2017 is as follows:

	Valuation on 31 December 2017 RMB'000	Valuation on 30 June 2017 RMB'000	Changes in fair value/ Gain on valuation RMB'000
Exchangeable bonds	521,449	521,085	364

Notes to the Financial Statements

For the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

Maximum redemption amounts

The maximum redemption amounts of the SB2 and Exchangeable Bonds at the maturity date (assumed to be on 31 March 2018) totalled at RMB 752.5 million.

	31 December 2017 Carrying amount RMB'000	31 March 2018 Redemption amount RMB'000
Exchangeable bonds	521.4	534.7
SB2 Bonds	212.8	217.8
	734.2	752.5

22 Revenue

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Sale of		
- canned asparagus	**313,302**	300,242
- canned long beans	**95,428**	94,078
- canned mushrooms	**143,959**	140,208
- canned fruits	**452,653**	433,924
- snacks	**20,128**	10,139
	1,025,470	978,591
Sale of beverages	**2,692,264**	2,531,014
	3,717,734	3,509,605

Notes to the Financial Statements

For the financial year ended 31 December 2017

23(a) Other operating income

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Sales of scrap		**–**	23
Sales of raw materials and packaging materials		**5,803**	4,751
Cost of raw materials and packaging materials		**(7,419)**	(4,950)
		(1,616)	(176)
Government subsidy		**21**	230
Interest income - banks		**3,226**	1,795
Exchange gain	23(f)	**11,584**	16,691
Rental income		**604**	647
Gain on disposal of property, plant and equipment	23(f)	**–**	4
Fair value gain on restructuring of convertible bond	21	**–**	91,618
Fair value gain on convertible loan at inception	20	**–**	7,847
Miscellaneous income		**448**	270
		14,267	118,926

23(b) Distribution costs

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Employee benefit costs	23(e)	**9,961**	11,939
Freight charges	23(f)	**234,440**	218,517
Entertainment		**141**	292
Travelling		**1,251**	1,794
Consumable expenses		**180**	242
Packaging		**10,000**	6,819
Depreciation expense	5(a)	**10,652**	3,701
Advertising expenses	23(f)	**182,698**	260,134
Promotional expenses	23(f)	**261,529**	256,061
Rental expenses	23(f)	**-**	23
Sample		**81**	39
Telephone expenses		**76**	178
Others		**1,134**	960
		712,143	760,699

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For the financial year ended 31 December 2017

23(c) Administrative expenses

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Amortisation of land use rights	4 & 23(f)	**1,499**	2,392
Audit fees paid/payable to:			
- auditors of the Company	23(f)	**1,310**	1,822
- other auditors	23(f)	**307**	179
Other audit or review fees:			
- auditors of the Company	23(f)	**879**	–
- other auditors	23(f)	**334**	34
Bank charges		**1,332**	1,959
Consumable expenses		**214**	1,698
Directors' fees	23(f)	**515**	600
Depreciation expense	5(a)	**31,617**	28,468
Employee benefit costs		**20,543**	22,001
Share-based payment expense under ESOS Scheme	23(e) & 23(f)	**16,240**	27,174
	23(e)	**36,783**	49,175
Entertainment		**757**	1,006
Exchange loss	23(f)	**17,006**	20,279
Loss on disposal of property, plant and equipment	23(f)	**134**	98
Government tax expenses		**2,897**	3,996
IPO expenses	23(f)	**4,400**	19,039
Motor vehicle expenses		**184**	309
Professional and legal fees		**19,757**	8,343
Advisory expenses		**–**	7,852
Rental expenses	23(f)	**2,427**	3,883
Repair and maintenance		**205**	492
Travelling expenses		**1,133**	2,055
Utilities		**799**	613
Withholding tax on dividends from a PRC subsidiary		**–**	610
Others		**8,082**	12,483
		132,571	167,385

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For the financial year ended 31 December 2017

23(d) Finance costs

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Interest expenses:			
- bank borrowings		**16,670**	11,772
Exchangeable bonds - liability component at amortised cost		**19,342**	19,950
Convertible loan - amortised cost	20	**20,244**	12,153
Account fee		**291**	1
		56,547	43,876
The effective interest rate per annum:			
- bank borrowings		**4.35%- 5.87%**	1.62% - 5.85%
- exchangeable bonds		**10.21%**	17.27%
- convertible loan	20	**16.28%**	16.28%
- obligations under finance leases	18	**9.42%**	–

23(e) Employee benefit costs

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Directors' remuneration:			
- salaries and related costs		**11,108**	11,111
- defined contributions		**92**	141
Key management personnel (other than directors):			
- salaries and related costs		**1,712**	2,832
- defined contributions		**90**	281
Other than directors and key management personnel:			
- salaries and related costs		**36,870**	36,708
- defined contributions		**2,183**	2,548
Share-based payment expense under ESOS Scheme	23(c) & 23(f)	**16,240**	27,174
		68,295	80,795

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For the financial year ended 31 December 2017

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

Employee benefit costs are charged to:

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Cost of sales		**21,551**	19,681
Distribution costs	23(b)	**9,961**	11,939
Administrative expenses	23(c)	**36,783**	49,175
		68,295	80,795

23(f) Profit before taxation

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Profit before taxation has been arrived at after charging/(crediting):			
Advertising expenses	23(b)	**182,698**	260,134
Amortisation of land use rights	4 & 23(c)	**1,499**	2,392
Audit fees paid/payable to:			
- auditors of the Company	23(c)	**1,310**	1,822
- other auditors	23(c)	**307**	179
Other audit or review fees:			
- auditors of the Company	23(c)	**879**	–
- other auditors	23(c)	**334**	34
Depreciation of property, plant and equipment	5(a)	**85,360**	72,609
Changes in fair value of convertible bonds option derivatives	21	**–**	(175,496)
Changes in fair value of exchangeable bonds	21	**(6,214)**	42,211
		(6,214)	(133,285)
Fair value loss on derivative on convertible loan	20	**11,095**	–
Directors' fees	23(c)	**515**	600
Exchange loss (net)	23(a) & 23(c)	**5,422**	3,588
Loss on disposal of property, plant and equipment (net)	23(a) & 23(c)	**134**	94
Freight charges	23(b)	**234,440**	218,517
IPO expenses	23(c)	**4,400**	19,039
Promotional expenses	23(b)	**261,529**	256,061
Rental expenses:			
- factory and warehouse	23(c)	**2,427**	3,883
- others	23(b)	**–**	23
		2,427	3,906
Share-based payment expense under ESOS Scheme	23(c) & 23(e)	**16,240**	27,174

Notes to the Financial Statements

For the financial year ended 31 December 2017

24 Taxation

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Current taxation		**166,075**	159,120
Deferred taxation	8(a)	**–**	1,654
		166,075	160,774

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 2017 RMB'000**	31 December 2016 RMB'000
Profit before taxation	**521,901**	737,849
Tax at statutory rate of 25%	**158,096**	149,725
Tax at statutory rate of 17%	**(15,610)**	664
Tax at statutory rate of 16.5%	**(3,076)**	27,704
Tax effect on non-taxable income	**(3,055)**	(41,251)
Tax effect on non-deductible expenses	**17,776**	18,599
Deferred tax assets not recognised	**6,891**	2,568
Utilisation of deferred tax assets previously not recognised	**(277)**	(1,146)
Others	**5,330**	2,257
	166,075	159,120

Non-deductible expenses included in the tax reconciliation of the Group relate mainly to 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 to certain types of income exempted from tax.

The Group has unabsorbed tax losses of certain subsidiaries amounting to approximately RMB 49.5 million (2016 - RMB 28.1 million), which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. These 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

24 Taxation (Cont'd)

The unrecognised tax losses will expire as follows:

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Year 2017	**–**	1,838
Year 2018	**3,534**	6,472
Year 2019	**4,364**	4,504
Year 2020	**3,751**	4,982
Year 2021	**10,272**	10,271
Year 2022	**27,564**	–
Total	**49,485**	28,067

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB 12.4 million (2016 - RMB 7.0 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.

25 Earnings per share

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Net profit attributable to equity holders of the Company	**355,963**	577,551

The Group	**31 December 2017**	31 December 2016*
	No. of shares '000	
Weighted average number of ordinary shares outstanding for the purpose of basic earnings per share	**936,365**	747,413
Adjustment for the effect:		
- share options	**1,556**	8,362
Weighted average number of ordinary shares outstanding for the purpose of diluted earnings per share	**937,921**	755,775

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Basic earnings per share (cents)	**38.0**	77.3
Diluted earnings per share (cents)	**38.0**	76.4

* Number of weighted average number of ordinary shares were restated due to retrospective adjustments for rights issue.

Notes to the Financial Statements

For the financial year ended 31 December 2017

25 Earnings per share (Cont'd)

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 ordinary shares issued for rights issue of shares during the period (Note 14) 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.

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.

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.

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

	Weighted average exercise options	**Options price**	Weighted average exercise options	Options price
	2017	**2017**	2016	2016
	'000	**SGD**	'000	SGD
Outstanding at the beginning of year	**30,804**	**0.38**	26,100	0.39
Granted	**12,500**	**0.18**	14,514	0.49
Forfeited	**–**	**–**	(1,000)	0.26
Renounced	**–**	**–**	(8,810)	0.60
Expired	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Outstanding at end of the year	**43,304**	**0.32**	30,804	0.38
Exercisable at year end	**16,290**	**0.29**	6,995	0.33

Notes to the Financial Statements

For the financial year ended 31 December 2017

26 Employee share option scheme (the "ESOS Scheme") (Cont'd)

Fair value of share options granted

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 2017 are shown below:

	2017	2016
Weighted average share price	**SGD 0.39**	SGD 0.45
Weighted average exercise price	**SGD 0.32**	SGD 0.38
Expected volatility	**53.30%**	53.30%
Expected option life	**6.5 - 8.0 years**	6.5 - 8.0 years
Risk-free rate	**2.08%**	2.08%
Expected dividend yield	**0%**	0%
Fair value at measurement date	**SGD 0.277 (RMB 1.360)**	SGD 0.330 (RMB 1.584)

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.

27 Related party transactions

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

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Convertible loan obtained from a related party	**–**	134,660
Interest on convertible loan from a related party	**18,435**	8,327
Advisory fee payable/paid to a related party	**7,188**	7,852

The related party refers to the PM Group of companies under which the non-executive director, Chalermchai Mahagitsiri serves as a common director. As a shareholder of PM Group, which holds shares in the Company, Chalermchai Mahagitsiri meets the definition of a related party under FRS 24 Related Party Disclosures despite being a common director.

Notes to the Financial Statements

For the financial year ended 31 December 2017

28 Dividends

The Company	**2017 RMB'000**	2016 RMB'000
Dividends proposed		
- Ordinary dividends:		
First and final tax exempt (one-tier) dividend of Nil (2016 - Nil) cents per share	**–**	–
Dividends paid		
- Ordinary dividends:		
First and final tax exempt (one-tier) dividend of Nil (2016 - 0.018) cents per share paid in respect of the previous financial year	**–**	12,200

There is no dividend declared for the current financial year and the immediate preceding financial year.

29 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 2017 RMB'000**	31 December 2016 RMB'000
Not later than one year	**2,195**	2,955
Later than one year and not later than five years	**2,154**	991
Later than five years	**511**	738

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

29 Commitments (Cont'd)

(i) Operating lease commitment (non-cancellable) (Cont'd)

(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 2017 RMB'000**	31 December 2016 RMB'000
Not later than one year	**50**	50
Later than one year and not later than five years	**92**	150
Later than five years	**–**	–

The current rents receivable on the leases on the Group's factory and warehouse 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后门	12,800.00	1 November 2012	31 October 2020	50

(ii) Capital commitments

The Group's capital commitments contracted but not provided for in the consolidated financial statements are as follows:

The Group	**2017 RMB'000**	2016 RMB'000
Expenditure contracted for the construction of:		
- production plant [(a)]	**123,834**	123,834
- factory plant	**21,365**	35,775
- equipment	**81,141**	120,990
Expenditure contracted for the acquisition of patents	**10,800**	10,800
	237,140	291,399

(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 investment cost would be executed in 3 phases with construction work commenced in 2014, and expected completion date being September 2018. The aggregate cost incurred as at 31 December 2017 was RMB 476.17 million (2016 - RMB 476.17 million).

Notes to the Financial Statements

For the financial year ended 31 December 2017

29 Commitments (Cont'd)

(iii) Corporate guarantees

The Company has provided corporate guarantees to certain banks for credit facilities totalling RMB 202.8 million (2016 - RMB173.4 million) granted to two subsidiaries for which the Company is exposed to liabilities which is capped at RMB 262.8 million (2016 - RMB 173.4 million). As at the reporting date, the bank credit facilities utilised stood at RMB 182.8 million (2016 - RMB 173.4 million) [Notes 19(i) and 19(j)].

As at 31 December 2017, the fair value of the corporate guarantees determined based on the expected loss arising from the risk of default is insignificant.

(iv) Other commitment

Uncalled capital contribution

The Group	**2017** **RMB'000**	2016 RMB'000
Uncalled capital contribution in respect of a subsidiary, Hao Tian Yuan Industry (Shenzhen) Co., Ltd. (好田园实业(深圳)有限公司)	**50,000**	50,000

30 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) Manufacturing and sale of canned vegetables and canned fruits ("Grandness segment"); and

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

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.

Except as indicated above, 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.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax expense and non-controlling interests.

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.

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30 Statement of operations by segments (Cont'd)

(a) Business segments

	Canned vegetable and fruits		Fruit beverages		Total	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016	**31 December 2017**	31 December 2016
The Group	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
REVENUE						
Total sales	**1,025,470**	978,591	**2,692,264**	2,531,014	***3,717,734**	*3,509,605
RESULTS						
Segment result	**61,638**	118,098	**521,691**	530,342	**583,329**	648,440
Finance costs	**(26,790)**	(18,088)	**(29,757)**	(25,788)	**(56,547)**	(43,876)
Changes in fair value of exchangeable bonds and option derivatives in relation to convertible bonds	**–**	–	**6,214**	133,285	**6,214**	133,285
Fair value loss on derivative on convertible loan	**(11,095)**	–	**–**	–	**(11,095)**	–
Profit before taxation	**23,753**	100,010	**498,148**	637,839	**521,901**	737,849
Taxation					**(166,075)**	(160,774)
Non-controlling interests	**137**	476	**–**	–	**137**	476
Net profit					**355,963**	577,551
OTHER INFORMATION						
Segment assets (excluding taxation and deposits paid for non-current assets)	**1,592,602**	1,323,490	**2,145,507**	1,607,668	**3,738,109**	2,931,158
Segment liabilities (excluding taxation)	**294,158**	504,995	**978,178**	992,167	**1,272,336**	1,497,162
Capital expenditure						
- Property, plant and equipment	**193,897**	127,235	**164,270**	84,135	**358,167**	211,370
Amortisation of land use rights	**574**	1,467	**925**	925	**1,499**	2,392
Depreciation of property, plant and equipment	**40,236**	31,974	**45,124**	40,635	**85,360**	72,609
Deposits paid for non-current assets	**179,085**	327,019	**331,850**	460,783	**510,935**	787,802

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

30 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	**2017 RMB'000**	2016 RMB'000
Revenue		
- Europe	**498,822**	427,853
- North America	**40,979**	31,765
- The People's Republic of China	**3,168,295**	2,974,240
- Others	**9,638**	75,747
	3,717,734	3,509,605

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 2017 RMB'000**	31 December 2016 RMB'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	**3,738,109**	2,931,158
Deposits paid for non-current assets	**510,935**	787,802
VAT receivable	**97,153**	109,258
Export tax refunds	**101,112**	99,220
Tax recoverable	**145**	25,812
	4,447,454	3,953,250

The Group	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	**1,272,336**	1,497,162
Deferred tax liabilities	**20,241**	20,241
VAT and government tax payable	**22,688**	23,424
Withholding tax payable	**199**	898
Current tax payable	**43,625**	9,622
	1,359,089	1,551,347

Notes to the Financial Statements

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31 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 2017 and 31 December 2016, the Group's financial instruments mainly consisted of cash and bank balances, financial assets and financial liabilities.

31.1 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 United States Dollar. 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 2017						
Amount owing by subsidiaries	**7**	**340,251**	**400,269**	**28,566**	**–**	**769,086**
Other receivables	**12**	**–**	**–**	**79**	**93**	**172**
Cash and bank balances	**13**	**4,472**	**330**	**–**	**–**	**4,802**
		344,723	**400,599**	**28,645**	**93**	**774,060**
Trade payables	**16**	**1,940**	**9,095**	**–**	**–**	**11,035**
Other payables	**17**	**418**	**–**	**25,967**	**–**	**26,385**
Amount owing to a subsidiary	**7**	**–**	**38,403**	**12,098**	**–**	**50,501**
Convertible loan (excluding option derivative)	**20**	**–**	**130,772**	**–**	**–**	**130,772**
		2,358	**178,270**	**38,065**	**–**	**218,693**
31 December 2016						
Amount owing by subsidiaries	7	335,798	27,129	185,276	–	548,203
Other receivables	12	–	–	35	100	135
Cash and bank balances	13	46,895	9	–	–	46,904
		382,693	27,138	185,311	100	595,242
Trade payables	16	1,662	1,908	–	–	3,570
Other payables	17	108,908	9,219	20,961	–	139,088
Amount owing to a subsidiary	7	–	6,024	8,011	–	14,035
Convertible loan (excluding option derivative)	20	–	134,660	–	–	134,660
		110,570	151,811	28,972	–	291,353

Notes to the Financial Statements

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31 Financial risk management objectives and policies (Cont'd)

31.1 Foreign currency risk (Cont'd)

The Group's currency exposures based on the information provided to key management is as follows:

The Group	Note	Singapore Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
31 December 2017						
Trade receivables	**11**	**–**	**95,272**	**1,250,397**	**–**	**1,345,669**
Other receivables	**12**	**–**	**5,725**	**393,145**	**519**	**399,389**
Cash and bank balances	**13**	**4,524**	**83,751**	**604,620**	**730**	**693,625**
		4,524	**184,748**	**2,248,162**	**1,249**	**2,438,683**
Trade payables	**16**	**1,940**	**9,095**	**95,453**	**–**	**106,488**
Other payables	**17**	**417**	**–**	**93,699**	**–**	**94,116**
Bank borrowings	**19**	**–**	**162,800**	**45,000**	**–**	**207,800**
Convertible loan (excluding option derivative)	**20**	**–**	**130,772**	**–**	**–**	**130,772**
		2,357	**302,667**	**234,152**	**–**	**539,176**
31 December 2016						
Trade receivables	11	–	145,747	1,007,975	–	1,153,722
Other receivables	12	–	5,357	473,800	1,900	481,057
Cash and bank balances	13	46,941	70,121	178,859	1,828	297,749
		46,941	221,225	1,660,634	3,728	1,932,528
Trade payables	16	1,661	1,908	37,716	–	41,285
Other payables	17	108,908	9,219	69,200	–	187,327
Bank borrowings	19	–	238,633	198,500	–	437,133
Convertible loan (excluding option derivative)	20	–	134,660	–	–	134,660
		110,569	384,420	305,416	–	800,405

Notes to the Financial Statements

For the financial year ended 31 December 2017

31 Financial risk management objectives and policies (Cont'd)

31.1 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 USD 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 2017		31 December 2016	
The Company		**RMB'000**		RMB'000	
		Profit net of tax	**Equity**	Profit net of tax	Equity
SGD	- strengthened 5% (2016 - 5%)	**14,208**	**14,208**	11,293	11,293
	- weakened 5% (2016 - 5%)	**(14,208)**	**(14,208)**	(11,293)	(11,293)
USD	- strengthened 5% (2016 - 5%)	**8,337**	**8,337**	(4,675)	(4,675)
	- weakened 5% (2016 - 5%)	**(8,337)**	**(8,337)**	4,675	4,675
The Group					
SGD	- strengthened 5% (2016 - 5%)	**90**	**90**	(2,641)	(2,641)
	- weakened 5% (2016 - 5%)	**(90)**	**(90)**	2,641	2,641
USD	- strengthened 5% (2016 - 5%)	**(4,422)**	**(4,422)**	(6,120)	(6,120)
	- weakened 5% (2016 - 5%)	**4,422**	**4,422**	6,120	6,120

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.

31.2 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, convertible loan, straight bonds, straight bonds and convertible loan and exchangeable bonds.

Notes to the Financial Statements

For the financial year ended 31 December 2017

31 Financial risk management objectives and policies (Cont'd)

31.2 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 2017					
Fixed rate					
Convertible loan (excluding option derivative)	**130,772**	**–**	**–**	**–**	**130,772**
Floating rate					
Cash and bank balances	**4,802**	**–**	**–**	**–**	**4,802**
31 December 2016					
Fixed rate					
Convertible loan	134,660	–	–	–	134,660
Floating rate					
Cash and bank balances	46,904	–	–	–	46,904

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 2017					
Fixed rate					
Exchangeable bonds	**521,449**	**–**	**–**	**–**	**521,449**
Straight bonds	**212,758**	**–**	**–**	**–**	**212,758**
Convertible loan (excluding option derivative)	**130,772**	**–**	**–**	**–**	**130,772**
Finance leases	**5,026**	**3,885**	**1,834**	**–**	**10,745**
Bank borrowings	**45,000**	**–**	**–**	**–**	**45,000**
Floating rate					
Bank borrowings	**32,560**	**32,560**	**32,560**	**65,120**	**162,800**
Cash and bank balances	**693,625**	**–**	**–**	**–**	**693,625**
31 December 2016					
Fixed rate					
Exchangeable bonds	527,663	–	–	–	527,663
Straight bonds	193,416	–	–	–	193,416
Convertible loan (excluding option derivative)	134,660	–	–	–	134,660
Bank borrowings	50,000	–	–	–	50,000
Floating rate					
Bank borrowings	213,708	34,685	34,685	104,055	387,133
Cash and bank balances	297,749	–	–	–	297,749

Notes to the Financial Statements

For the financial year ended 31 December 2017

31 Financial risk management objectives and policies (Cont'd)

31.2 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 2017		31 December 2016	
The Company	**RMB'000**		RMB'000	
	Profit net of tax	**Equity**	Profit net of tax	Equity
Interest rate				
- decreased 1%	**(36)**	**(36)**	(351)	(351)
- increased 1%	**36**	**36**	351	351
The Group				
Interest rate				
- decreased 1%	**(3,981)**	**(3,981)**	670	670
- increased 1%	**3,981**	**3,981**	(670)	(670)

31.3 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 (2016 - five) largest debtors accounted about 5.4% (2016 - 6.7%) 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 Company and the Group 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.

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. The maximum exposure of the Company in respect of its intra-group financial guarantees [see Note 29(iii)] at the reporting date as if the facilities are drawn down is up to the amount of RMB 182.8 million (2016 - RMB 173.4 million). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantees.

Notes to the Financial Statements

For the financial year ended 31 December 2017

31 Financial risk management objectives and policies (Cont'd)

31.3 Credit risk (Cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the product sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	31 December 2017		31 December 2016	
The Group	**RMB'000**	**% of total**	RMB'000	% of total
By product sectors:				
Canned foods	**287,077**	**21%**	335,294	29%
Beverages	**1,058,592**	**79%**	818,428	71%
	1,345,669	**100%**	1,153,722	100%

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11.

31.4 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. Refer to Note 2(a) on significant judgements on exchangeable bonds, straight bonds and convertible loan repayment.

Notes to the Financial Statements

For the financial year ended 31 December 2017

31 Financial risk management objectives and policies (Cont'd)

31.4 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 2017			
Trade payables	**11,035**	**–**	**11,035**
Other payables (less VAT, government tax and withholding tax payable)	**26,186**	**–**	**26,186**
Convertible loan	**138,756**	**–**	**138,756**
Amount owing to a subsidiary	**50,501**	**–**	**50,501**
Financial guarantees	**43,158**	**145,330**	**188,488**
	269,636	**145,330**	**414,966**
As at 31 December 2016			
Trade payables	3,570	–	3,570
Other payables (less VAT, government tax and withholding tax payable)	138,889	–	138,889
Convertible loan	21,923	142,881	164,804
Amount owing to a subsidiary	14,035	–	14,035
Financial guarantees	8,852	196,278	205,130
	187,269	339,159	526,428

The Group	Less than 1 year RMB'000	Between 1 to 5 years RMB'000	Total RMB'000
As at 31 December 2017			
Finance leases	**5,647**	**6,436**	**12,083**
Bank borrowings	**87,531**	**145,330**	**232,861**
Trade payables	**106,488**	**–**	**106,488**
Other payables (less VAT, government tax and withholding tax payable)	**71,229**	**–**	**71,229**
Convertible loan	**138,756**	**–**	**138,756**
Straight bonds	**217,817**	**–**	**217,817**
Exchangeable bonds	**534,740**	**–**	**534,740**
	1,162,208	**151,766**	**1,313,974**
As at 31 December 2016			
Bank borrowings	272,560	196,278	468,838
Trade payables	41,285	–	41,285
Other payables (less VAT, government tax and withholding tax payable)	163,005	–	163,005
Convertible loan	21,923	142,881	164,804
Straight bonds	196,419	–	196,419
Exchangeable bonds	534,739	–	534,739
	1,229,931	339,159	1,569,090

Notes to the Financial Statements

For the financial year ended 31 December 2017

31 Financial risk management objectives and policies (Cont'd)

31.4 Liquidity risk (Cont'd)

The unutilised bank credit facilities of the Group as at 31 December 2017 and 28 February 2018 are as follows:

The Group	**28 February 2018 RMB'000**	**31 December 2017 RMB'000**
Unutilised bank credit facilities	**116.9**	**116.9**

31.5 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.

31.6 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 20 and Note 21 for disclosures of convertible loan and exchangeable bonds respectively that are measured at fair value.

The Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2017				
Liabilities				
Convertible loan	**–**	**–**	**141,867**	**141,867**
Exchangeable bonds	**–**	**–**	**521,449**	**521,449**
2016				
Liabilities				
Convertible loan	–	–	134,660	134,660
Exchangeable bonds	–	–	527,663	527,663

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

31 Financial risk management objectives and policies (Cont'd)

31.6 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 as at 31 December RMB'000	Valuation techniques	Unobservable inputs	Range
2017				
Fair value measurement of exchangeable bonds	**521,449**	Cash flow of the convertible bonds at its corresponding discount rate	Revised redemption return Discount rate	20% - 25% 10.21%
Fair value measurement of convertible loan	**130,772**	Cash flow of the convertible loan at its corresponding discount rate	Discount rate	16.28%
Fair value measurement of derivative on convertible loan	**11,095**	Monte Carlo Simulation	Discount rate Volatility rate	14.11% 43.30%
	663,316			
2016				
Fair value measurement of exchangeable bonds	527,663	Binomial Option Pricing Model	Revised redemption return Discount rate Expected volatility Dividend yield	20% - 25% 17.27% 27.05% 0%
Fair value measurement of convertible loan at inception	134,660	Cash flow of the convertible loan at its corresponding discount rate	Discount rate	16.28%
	662,323			

(b) Movements in Level 3 assets and liabilities measured at fair value

Please refer to Notes 20 and 21 for the movement of convertible loan and exchangeable bonds respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2017

31 Financial risk management objectives and policies (Cont'd)

31.6 Fair value measurements (Cont'd)

(c) Valuation policies and procedures

The Group's Chief Financial Officer ("CFO"), who is assisted by the financial controllers (collectively referred to as the "CFO office") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO office reports to the Audit Committee.

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 FRS 113 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.

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 documents and reports its analysis and results of the external valuations to the Audit Committee on a quarterly basis. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

32 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 2017 and 31 December 2016.

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

32 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, bank borrowings, convertible loan and exchangeable bonds including option derivatives less cash and bank balances.

		The Company		The Group	
		31 December	31 December	**31 December**	31 December
		2017	2016	**2017**	2016
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Trade payables	16	**11,035**	3,570	**106,488**	41,285
Other payables	17	**26,385**	139,088	**94,116**	187,327
Finance lease obligations	18	**–**	–	**10,745**	–
Bank borrowings	19	**–**	–	**207,800**	437,133
Exchangeable bonds	21	**–**	–	**521,449**	527,663
Convertible loan	20	**141,867**	134,660	**141,867**	134,660
Straight bonds	21	**–**	–	**212,758**	193,416
		179,287	277,318	**1,295,223**	1,521,484
Less: Cash and bank balances	13	**(4,802)**	(46,904)	**(693,625)**	(297,749)
Net debt		**174,485**	230,414	**601,598**	1,223,735
Equity attributable to the equity holders of the Company		**624,077**	369,653	**3,086,334**	2,399,735
Capital and net debt		**798,562**	600,067	**3,687,932**	3,623,470
Gearing ratio		**22%**	38%	**16%**	34%

33 Financial instruments

33.1 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 convertible loan and exchangeable bonds is disclosed in Note 20 and Note 21 respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2017

33 Financial instruments (Cont'd)

33.2 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 2017 RMB'000**	31 December 2016 RMB'000
Financial assets			
Loans and receivables:			
- Amount owing by subsidiaries	7	**769,086**	548,203
- Advances to employees	12	**65**	60
- Others	12	**95**	63
Cash and bank balances	13	**4,802**	46,904
		774,048	595,230
Financial liabilities at amortised cost			
Trade payables and accruals	16	**11,035**	3,570
Other payables:			
- Amount owing to third parties	17	**559**	5,554
- Accrual of directors' fees	17	**459**	588
- Director of the Company	17	**25,076**	132,686
- Convertible loan (excluding option derivative) at amortised cost	20	**130,772**	134,660
- Others	17	**92**	61
		167,993	277,119
Financial liabilities at fair value			
Derivative on convertible loan	20	**11,095**	–

Notes to the Financial Statements

For the financial year ended 31 December 2017

33 Financial instruments (Cont'd)

33.2 Accounting classifications of financial assets and financial liabilities (Cont'd)

The Group	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Financial assets			
Loans and receivables:			
- Net trade receivables	11	**1,345,669**	1,153,722
- Advances to supplier	12	**121,072**	108,860
- Advances to employees	12	**436**	424
- Advances to third parties	12	**51,594**	52,178
- Others	12	**900**	766
Cash and bank balances	13	**693,625**	297,749
		2,213,296	1,613,699
Financial liabilities at amortised cost			
Trade payables and accruals	16	**106,488**	41,285
Other payables:			
- Amount owing to contractors	17	**31,590**	11,594
- Amount owing to suppliers of property, plant and equipment	17	**85**	105
- Amount owing to suppliers	17	**88**	54
- Amount owing to employees	17	**650**	635
- Amount owing to third parties	17	**2,338**	6,402
- Accrual of directors' fees	17	**459**	588
- Advance from customers	17	**15**	12
- Deposits	17	**133**	147
- Director of the Company	17	**35,622**	143,232
- Others	17	**249**	236
Finance leases	18	**10,745**	–
Borrowings	19	**207,800**	437,133
Convertible loan (excluding option derivative) at amortised cost	20	**130,772**	134,660
Straight bonds at amortised cost	21	**212,758**	193,416
		739,792	969,499
Financial liabilities at fair value			
Derivative on convertible loan	20	**11,095**	–
Exchangeable bonds at fair value through profit or loss	21	**521,449**	527,663
		532,544	527,663

Notes to the Financial Statements

For the financial year ended 31 December 2017

34 Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation:

	2016		
The Group	As previously reported RMB'000	Reclassification RMB'000	After reclassification RMB'000
Consolidated statement of cash flows			
Cash Flows from Operating Activities			
Interest paid	(25,197)	8,327	(16,870)
Cash Flows from Financing Activities			
Interest paid	–	(8,327)	(8,327)
	(25,197)	–	(25,197)

There is no impact on other notes to the financial statements as the reclassification relates to interest paid thereon to the financial statements.

Statistics of Shareholdings

As at 16 March 2018

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	979,410,658	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 16 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	28	1.19	1,045	0.00
100 – 1,000	47	1.99	30,186	0.00
1,001 - 10,000	530	22.47	3,639,733	0.37
10,001 - 1,000,000	1,697	71.94	141,852,767	14.49
1,000,001 and above	57	2.41	833,886,927	85.14
Total	**2,359**	**100.00**	**979,410,658**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2018

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LTD	285,449,522	29.15
2	DBS NOMINEES PTE LTD	152,061,226	15.53
3	SOLEADO HOLDINGS PTE LTD	81,450,857	8.32
4	CITIBANK NOMINEES SINGAPORE PTE LTD	47,261,088	4.83
5	HL BANK NOMINEES (SINGAPORE) PTE LTD	42,200,403	4.31
6	UOB KAY HIAN PTE LTD	35,842,569	3.66
7	DBSN SERVICES PTE LTD	28,155,236	2.87
8	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	15,884,308	1.62
9	MAYBANK KIM ENG SECURITIES PTE LTD	13,450,408	1.37
10	OCBC SECURITIES PRIVATE LTD	13,345,206	1.36
11	SEAH KOK BENG	9,009,700	0.92
12	CHIA KEE KOON	7,449,300	0.76
13	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	7,269,209	0.74
14	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,255,988	0.74
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,135,352	0.63
16	CHAN KONG HON	4,778,181	0.49
17	TAN CHENG GUAN	4,550,000	0.46
18	PHILLIP SECURITIES PTE LTD	4,040,214	0.41
19	TAN BEE HONG KATRINE	4,000,000	0.41
20	OCBC NOMINEES SINGAPORE PTE LTD	3,797,216	0.39
	TOTAL:	**773,385,983**	**78.97**

Statistics of Shareholdings

As at 16 March 2018

LIST OF SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Huang Yupeng	350,024,087	35.74	–	–
Chalermchai Mahagitsiri	–	–	130,488,508[1]	13.32
Soleado Holdings Pte. Ltd.	93,544,559	9.55	–	–
Thoresen Thai Agencies Public Company Limited	–	–	93,544,559[2]	9.55

Note:

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 issued shares of 979,410,658.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 16 March 2018, approximately 47.79% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED ("the Company") will be held at Room 330, Level 3 Suntec Singapore Convention & Exhibition Centre 1 Raffles Boulevard, Suntec City Singapore 039593 on Monday, 30 April 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. 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 2)**
Mr Soh Beng Keng	(Retiring under Regulation 91)	**(Resolution 3)**
Mr Lai Jingwei	(Retiring under Regulation 97)	**(Resolution 4)**

Ms Liu Ling who is retiring pursuant to Regulation 91 of the Company's Constitution, is not seeking for re-election.

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$160,000 for the financial year ending 31 December 2018 to be paid half-yearly in arrears. (2017: S$145,000) **(Resolution 5)**

4. 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 6)**

5. 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:

6. **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***")

Notice of Annual General Meeting

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 outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(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.

(Resolution 7)

[See Explanatory Note (ii)]

7. **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. **(Resolution 8)**

[See Explanatory Note (iii)]

8. **Grant of Options under the Scheme to Ms Huang Yushan, an associate of a controlling shareholder of the Company**

That subject to and contingent upon the passing of Ordinary Resolution 9, the Remuneration Committee of the Company be and is hereby authorised to offer and grant Option(s) to Ms Huang Yushan, an associate of a controlling shareholder of the Company on the following terms:

Notice of Annual General Meeting

(a) Proposed Date of Grant of Option(s): Any time within one (1) month from the date of this Annual General Meeting

(b) Proposed Number of shares comprised in the proposed Option(s): Up to 1,101,250 shares

(c) Exercise Price per Share: Twenty per cent (20%) discount to the Market Price as at the date of grant

(d) Exercise Period: At any time after the second (2nd) anniversary of the date of grant of the Options and up to the tenth (10th) anniversary therefrom

In this Resolution, "**Market Price**" means the price equal to the average of the last dealt price for a share in the capital of the Company, as determined by reference to the daily official list or other publication published by the SGX-ST for the five (5) consecutive market days immediately preceding the date of grant, rounded up to the nearest whole cent in the event of fractional prices. **(Resolution 9)**

[See Explanatory Note (iv)]

9. **Renewal of Share Purchase Mandate**

THAT:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit, at such prices as may be determined by the Directors of the Company from time to time up to the Maximum Price, whether by way of:-

(i) market purchase(s) (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"); and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and the Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Proposed Share Buy-back Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Proposed Share Buy-back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Proposed Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:-

(i) the date on which the next annual general meeting of the Company is held or is required by law to be held;

(ii) the date on which the share buy-backs are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Proposed Share Buy-back Mandate is varied or revoked; and

Notice of Annual General Meeting

(d) in this Resolution:

"**Maximum Limit**" means the number of issued Shares representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if applicable) as at the date of the last annual general meeting before the resolution authorising the Proposed Share Buy-back Mandate is passed or as at the date on which the resolution authorising the Proposed Share Buy-back Mandate is passed, whichever is the higher;

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares;

(ii) in the case of an Off-Market Purchase of a Share, 120% of the Average closing Price of the Shares;

"**Average Closing Price**" means (a) the average of the closing market prices of a Share over the last 5 Market Days, on which transactions in the Shares were recorded, preceding the date of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase; and (b) deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

(Resolution 10)

[See Explanatory Note (v)]

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore, 13 April 2018

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr Zhu Jun will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.

Mr Soh Beng Keng will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of Audit and Remuneration Committees and a member of the Nominating Committee. Mr Soh Beng Keng will be considered independent pursuant to Rule 704(8) 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 of the Company. Mr Lai Jingwei will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Resolution 7, 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.

(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 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.

(iv) Resolution 9, if passed, will empower the Directors of the Company to grant options pursuant to Sino Grandness Employee Share Option Scheme ("**Scheme**") to subscribe up to 1,101,250 ordinary shares in the capital of the Company to Ms Huang Yushan ("**Proposed Options**"). Ms Huang Yushan is the sister of Mr Huang Yupeng, a controlling shareholder of the Company. Therefore, Ms Huang Yushan is considered an associate of Mr Huang Yupeng under the SGX-ST Listing Manual.

Rationale for the grant

Ms Huang Yushan is and has been an Executive Director of the Company since 2008. Since then, she has, and continues to, contribute significantly to the performance and strategic direction of the Group. Ms Huang Yushan is an important member of the executive team of the Group and it is believed she will continue to make invaluable contributions to the Group. In the Extraordinary General Meeting of the Shareholders of the Company held on 23 September 2013, the Shareholders of the Company had approved the participation of Ms Huang Yushan in the Scheme.

As at the Notice of the 2017 AGM, Ms Huang Yushan holds outstanding options under the Scheme to which entitles her to subscribe for 4,405,000 shares (the "**Existing Options**"). As at the Notice of the 2017 AGM, she has not exercised any options granted to her under the Scheme. The Board of Directors proposes to grant further options to Ms Huang Yushan to subscribe for up to 1,101,250 shares. Based on the existing issued share capital of the Company as at the Latest Practicable Date, an aggregate of 10,100,172 options (representing 10% of the total number of shares available under the Scheme as at that date) may be held by Ms Huang Yushan pursuant to the Scheme. The said 1,101,250 shares, together with the Existing Options, amount to an aggregate of 5,506,250 shares which represent approximately 5.45% of the total number of shares available under the Scheme as at the Latest Practicable Date.

The Company is proposing to grant the Proposed Options to reward Ms Huang Yushan for her past and continuing contributions to the Group and to motivate her to further create higher shareholders' value. The exercise price of the Proposed Options is set at twenty per cent (20%) discount to the market price, which is consistent with all other options granted to other employees and directors under the Scheme. The Proposed Options, if exercised, would increase Ms Huang's cost of investment in the Company and in turn demonstrate her long term commitment to further enhance shareholders' wealth through appreciation of the share price. Additionally, as the Proposed Options may not be exercised until after the second anniversary of the date of grant, the reward from the exercise of the Proposed Options would not be immediate. The value of the Proposed Options would be realized only when the results and prospects of the Group's long term performances and growth translate into higher share price and higher shareholder value.

Notice of Annual General Meeting

<u>Past approvals for grant of options to Ms Huang Yushan under the Scheme</u>

The Company had previously sought Shareholders' approval for grant of options to Ms Huang Yushan under the Scheme on the following dates:

Date	Number of Shares comprised in the options
23 September 2013	Up to 4,405,000 (or such number of Shares as may be adjusted upon the completion of the share split of every 1 Share into 2 Shares)
22 April 2015	Up to 1,290,000
25 April 2016	Up to 2,013,750
25 April 2017	Up to 1,101,250

Directors' recommendation

All Directors who are eligible to participate in the Scheme have refrained from making any recommendation in favour of the Ordinary Resolution in respect of the proposed grant of options to subscribe for up to 1,101,250 shares to Ms Huang Yushan at the Annual General Meeting.

The Company shall procure that Mr Huang Yupeng, Ms Huang Yushan, their respective associates, and all shareholders who are eligible to participate in the Scheme ("**Eligible Shareholders**") shall abstain from voting in the Ordinary Resolution on the proposed grant of options to subscribe for up to 1,101,250 shares to Ms Huang Yushan at this Annual General Meeting.

Mr Huang Yupeng, Ms Huang Yushan and other Eligible Shareholders shall not accept nomination as proxy or otherwise vote at this Annual General Meeting in respect of the Ordinary Resolution unless shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the Ordinary Resolution.

Directors' responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, this notice constitutes full and true disclosure of all material facts about this Ordinary Resolution, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statements in this notice misleading. Where information herein has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced herein in its proper form and context.

SGX-ST's disclaimer

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Notice of Annual General Meeting.

(v) Resolution 10, if passed, will authorise the directors from the date of this Annual General Meeting until the earliest of (i) the date on which the next annual general meeting of the Company is held or required by law to be held, (ii) the date on which the purchases or acquisitions by the Company pursuant to this mandate are carried out to the full extent mandated; or (iii) the date on which the authority conferred by this mandate is varied or revoked by Shareholders in general meeting, to purchase or otherwise acquire issued ordinary shares in the capital of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) in the capital of the Company. For more information on this resolution, please refer to the Appendix dated 13 April 2018.

Notice of Annual General Meeting

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two 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.)

3. The instrument appointing a proxy must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not less than forty-eight (48) hours before the time appointed for holding 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.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed 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. 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.
2. 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:

Name	NRIC/Passport No	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Room 330, Level 3 Suntec Singapore Convention & Exhibition Centre 1 Raffles Boulevard, Suntec City Singapore 039593 on Monday, 30 April 2018 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her* discretion.

(If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
1	Audited Financial Statements for the financial year ended 31 December 2017		
2	Re-election of Mr Zhu Jun as a Director		
3	Re-election of Mr Soh Beng Keng as a Director		
4	Re-election of Mr Lai Jingwei as a Director		
5	Approval of Directors' fees amounting to S$160,000 for the financial year ending 31 December 2018 (2017: S$145,000)		
6	Re-appointment of Foo Kon Tan LLP as Auditors		
7	Authority to allot and issue new shares		
8	Authority to issue shares under the Sino Grandness Employee Share Option Scheme		
9	Grant of Options under the Scheme to Ms Huang Yushan, an associate of a controlling shareholder of the Company		
10	Renewal of share buyback mandate		

Dated this __________ day of ____________________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
and/or Common Seal of Corporate Shareholder

* Delete where inapplicable

Notes :

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, 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 a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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 a proxy or proxies 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.

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. 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.

* 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 a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED
56th Floor Tower A Union Plaza
No 5022 Binhe Road
Futian District Shenzhen
Guangdong Province
The People's Republic of China