GRANDNESS

Brand of Excellence

Annual Report 2018

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

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

In 2012, the Group successfully launched its own-branded 振鹏达® ("Grandness") canned fruits, comprising peaches, pears, mandarin oranges and mix fruits to target the huge domestic consumer base in PRC. In 2014, the Group further launched its new range of snack food products under its in-house brand 好田园® ("Hao Tian Yuan").

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

Competitive Strengths

Established track record and market

Well-established network of distributors and reputable retailers

Experienced and dedicated management team

Possess good technical knowledge

Production plants are strategically located in various provinces in the PRC

Consistently high quality products

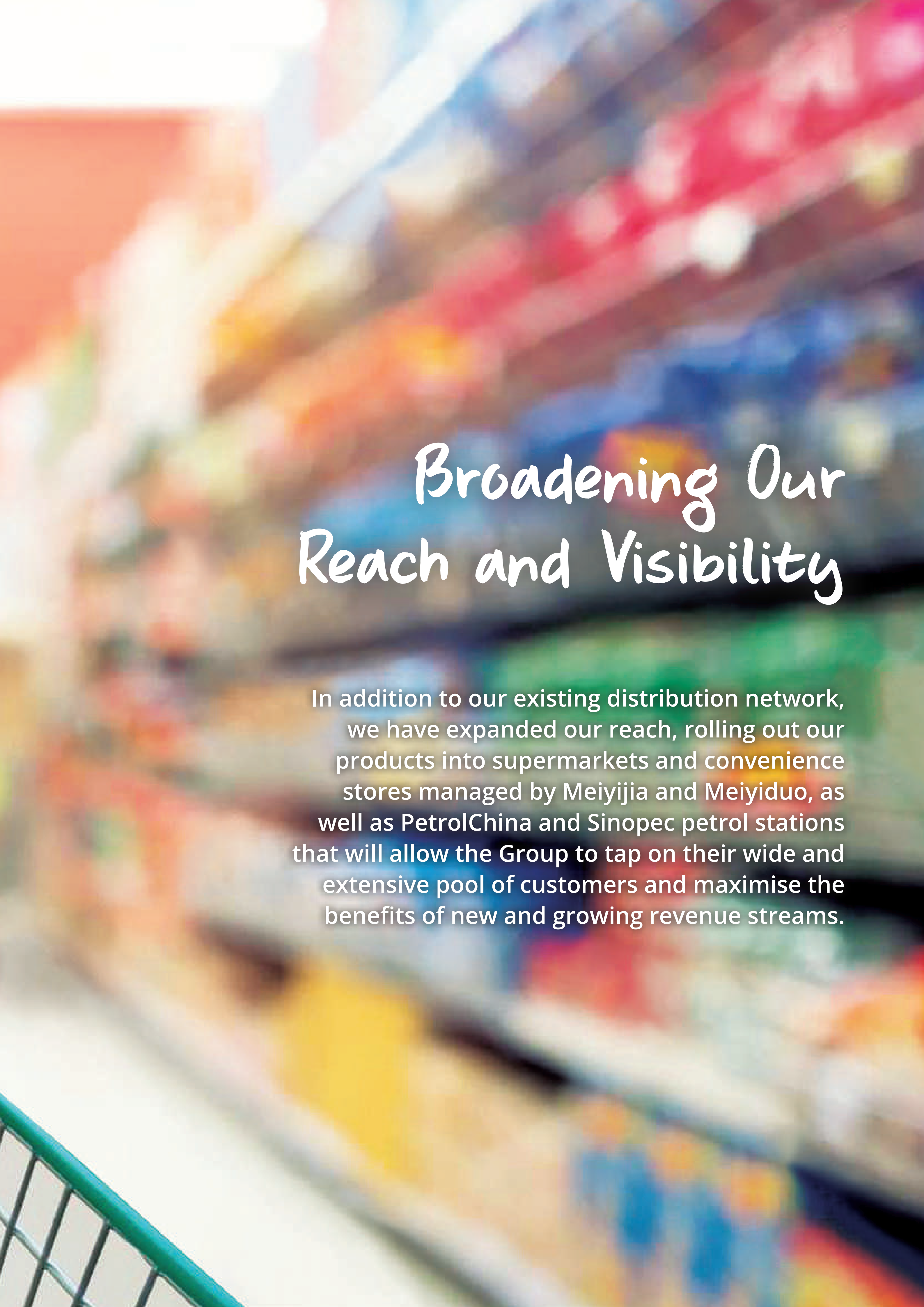
Our Products

BEVERAGES

CANNED FRUITS

CANNED VEGETABLES


振鹏达
鲜绿园
枇杷芒果
Loquat Mango Beverage
30%
喝了就清润!
REJECT IF SAFETY BUTTON IS UP
鲜绿园
椰子汁
生榨
福食特
香蜜柚
梨干
福食特
蜜柚干
福食特
香菇脆
振鹏达
ENJOY THE SNACKS
OK



Broadening Our Reach and Visibility

In addition to our existing distribution network, we have expanded our reach, rolling out our products into supermarkets and convenience stores managed by Meiyijia and Meiyiduo, as well as PetrolChina and Sinopec petrol stations that will allow the Group to tap on their wide and extensive pool of customers and maximise the benefits of new and growing revenue streams.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present Sino Grandness Food Industry Group Limited's annual report for the financial year ended 31 December 2018 ("FY2018").

For the year under review, we made strides in strengthening our capabilities, elevating our market positioning and expanding our reach through brand enhancement initiatives while delivering a stable set of results.

THE YEAR IN NUMBERS

In FY2018, total revenue remained largely stable with a 1.7% increase from the RMB3.47 billion of FY2017 to RMB3.53 billion in FY2018. This marks another consecutive year of recording our highest revenue to date. The Group's gross profit also improved, rising by 3.9% to RMB1.21 billion from RMB1.17 billion the year before. Our gross profit margin ("GPM") improved by 0.7 percentage points, from 33.6% in FY2017 to 34.3% in FY2018. The improvement of the Group's overall GPM was due to a higher GPM across all our segments.

The Group's beverages segment continues to be at the forefront of revenue growth, contributing 4.8% more with RMB2.6 billion in sales. Its performance was largely driven by the expansion of our distribution network in the People's Republic of China ("PRC"). Our canned products saw a slowdown with products for the overseas market recording a 9.5% lower revenue of RMB497.4 million as compared to RMB549.4 million in FY2017. Canned products for the domestic market likewise fell and was reported 1.6% lower at RMB449.5 million from RMB442.3 million in FY2017. On a positive note, the higher GPM was due to improvements across all segments. The beverage product segment saw higher average selling prices compared to FY2017 while the overseas and domestic products segment benefitted from lower cost of raw materials.

EXPANDING IN DEPTH AND BREADTH

Our strategy for growth has always been to broaden our reach and our visibility through effective advertising and marketing and exploring multiple avenues to deliver our products. The year ended 31 December 2018 saw the Group continuing to forge new partnerships, agreements and joint ventures with strategic parties and growing our brands. Our efforts encompass both the conventional and electronic. In March 2018, we inked a deal to offer all our products via a distribution network using intelligent technology that includes unmanned convenience stores. Our pivotal agreement with Baixianwang Intelligent Technology ("深圳市百鲜网智能科技有限公司") and Tomcat Culture ("深圳市童猫文化产业有限公司") will pave the way to increase our visibility and accessibility for consumers.

Three months later, we made another leap in expanding our reach with the rolling out of products into one of the leading and fastest growing convenience chain stores in China, Meiyijia convenience stores. This allows us to tap on its more than 15 million online customers and more than 13,000 stores as at May 2018, covering 13 provinces and 68 cities across China. In Guangdong province alone, Meiyijia has more than 10,000 convenience stores. Our avenues to consumers are set to grow as Meiyijia adds approximately 200 new stores per month across China.

At the same time, we commenced roll out of our products in Meiyiduo supermarkets which is managed by Shenzhen Meiyiduo Operation Management Limited Company ("MOML" 深圳市美宜多运营管理有限公司) which has more than 170 supermarkets and convenience stores under various names including Meiyiduo.

In addition to the above, the Group is also looking to fuel further expansion of its distribution network in China via a joint venture to distribute new brands of snack food and beverages in supermarkets and convenience stores within PetroChina and Sinopec petrol stations. The joint venture with Dongqi Shenzhen Trading Company Limited (深圳市东启商贸有限公司) allows us to combine our strengths in developing and producing a wide range of food and beverages of premium quality, with Dongqi's existing network and business contacts. These new distribution channels have the potential to generate a new and growing source of revenue for the Group due to the steady customer flow each day as well as the demand for a broad range of food and beverage products. Apart from juices, some of the other beverages products which we may distribute include energy drinks and coffee.

BUILDING AND GROWING OUR BRAND

As we strengthen the tangible aspects of our brand and business, equal emphasis is placed on developing our brand. A stronger brand translates to the momentum to achieve our vision of being one of the leading beverage brands in China and Asia.

On that note, we maintained and improved our standing when we were accorded for the fourth time, the prestigious "Top 500 Brands In Asia" award (亚洲品牌500强) during the 13th Asia Brand Ceremony held in Hong Kong on 9th September 2018. In addition to cementing our position among the leading brands in Asia, it was also revealed that the Garden Fresh brand value has increased to RMB17.62 billion (approximately SGD3.52 billion) compared with RMB12.83 billion from the previous valuation. Furthermore, our latest brand value ranking on the List has improved by 41 spots to 437 from 478 in the previous year.

Further affirming the strength of our brand was the receipt of enterprise credit grade (企业信用等级证书) with AAA rating from the China International Cooperation Association of Small and Medium Enterprises on 25 July 2018. The AAA rating is the highest credit rating given to an enterprise reflecting healthy operational conditions, low default risk, positive credit records and relatively low transactional risk. We were elated and see the AAA rating as a testament to the high standards we have placed on maintaining a good record and positive creditworthiness in matters concerning our operations, finance, production safety, product quality, tax payment, human resource, environmental issues and intellectual properties.

MOVING FORWARD

For the year 2018, the National Bureau of Statistic of China reported that China's gross domestic product increased by 6.6% year-on-year to RMB90,030.9 billion as the economy maintained steady growth momentum. Total retail sales of consumer goods in rose 9.0% to RMB38,098.7 billion with retail sales of consumer goods in urban areas rising 8.8% to RMB32,563.7 billion while retail sales in rural areas rose 10.1% to RMB5,535.0 billion. Online retail sales of physical goods in 2018 rose 25.4% to 7,019.8 billion yuan, and accounted for 18.4% of the total retail sales of consumer goods in China. We interpret these as encouraging factors for our business and will resolutely pursue opportunities to continue delivering sustainable growth.

Chinese consumers have shown increasing demand for convenient products and functional health food as a result of rising disposable incomes, increasing health awareness and change in consumption pattern. The Group has responded to this trend by steadily expanding its product range as well as online and offline distribution channel in order to appeal to a broader customer base in the China market. To capitalize on the growth opportunities ahead, the Group will continue to invest in various advertising and promotional activities as well as sales and marketing initiatives in order to enhance its brand visibility and grow its market share in China.

Furthermore, in order to extend and diversify our product range, we have continued to invest resources to develop and launch new beverage products such as mango juice, coconut milk, apple vinegar and lactobacillus drinks. These efforts have yielded positive results as we now derive sales from a wider range of beverage products in addition to loquat juices.

ACKNOWLEDGEMENT

As the year comes to close, we look back with appreciation for the contribution of all parties in guiding and enabling the Group to thrive through another year. On behalf of the Board, I would like to once again thank my fellow directors, management team and the staff for their hard work and efforts. I would like to express my gratitude in particular to the directors who have helped steer the Group thus far. My thanks to Mr Prayudh Mahagitsiri, Mr Wong Chee Meng, Ms Liu Ling and Mr Chalermchai Mahagitsiri for their involvement in steering the Group. I would also like to welcome aboard Mr Zhang Jinze who joins us as an Independent Director. Lastly, I would like to thank the shareholders and customers for their faith and support that are the cornerstones of our growth and progress. We look forward to working together with all parties in the year to come.

HUANG YUPENG
Chairman and CEO

主席献词

尊敬的各位股东，

我很荣幸代表中华食品工业集团的董事会，向各位提呈截至2018年12月31日止财政年度（“2018财年”）的年报。

回顾2018财年，我们提交一组稳定的财务业绩的当儿，也通过提升品牌地位的建设，大幅度加强了集团的能力，提升及扩大市场定位及覆盖力。

收入及盈利

在2018财年，总收入额稳健增长了1.7%，从2017财年的人民币34.7亿元涨至2018财年的人民币35.3亿元。这辉煌成绩也是我们持续第二年迄今取得最高收入额的一年。本集团的毛利也有所进步，从去年的人民币11.7亿元增至今年的人民币12.1亿元，涨了3.9%。我们的毛利率进步了0.7百分点，从2017财年的33.6%上升至2018财年的34.3%。集团毛利率增长由我们所有的产品毛利率上升所推动。

本集团收入的主要来源来自饮料业务板块，销售额相较于去年比，涨了4.8%，至人民币25.9亿元。饮料业务板块销售上升主要因由本集团努力拓展其于中国的销售网络所致。相比于2017财年，国外市场出售的罐头产品销售额下降了9.5%，从2017财年的人民币5.49亿元下滑至2018财年的人民币4.98亿元。同样的，罐头产品的销售额于国内市场下降了1.6%，从2017财年的人民币4.42亿元下滑至2018财年的人民币4.50亿元。然而，令人鼓舞的是，由于我们所有的产品毛利率上升，促进毛利率整体有所增长。相较2017财年，饮料业务板块平均售价上升，而我们海外及本地产品也由原材料成本降低的关系，为集团带来更多利润。

广度及深度的扩展

我们的增长策略向来通过有效广告宣传和推销，探讨多种渠道以扩大产品的覆盖面及知名度。截至2018年12月31日，集团继续致力和策略性伙伴缔结新的合作关系，签署协同及联营机会，力求扩展我们品牌的地位。利用传统与电子渠道，我们努力拓展业务。在2018年3月，我们签订了一份合约，运用智能技术在分销网路上（包括无人便利商店）分销我们的各种产品。集团与深圳市百鲜网智能科技有限公司和深圳市童猫文化产业有限公司之间的关键合作将增加产品的可见度，让消费者更容易获取我们的产品。

三个月后，我们成功把产品打进中国一家在业内处于领先位置，并增长最快速的连锁便利店，美宜嘉便利商店。这策略对于本集团扩大市场的雄心壮志打了一剂强心针。截至2018年5月，透过这个合作，我们的产品可供超过150万名网上顾客浏览，横跨中国13个省份和68个城市内的13,000间便利商店。单在广东省，便有超过10,000间美宜嘉便利商店。随着美宜嘉每个月在中国新增约200间门店，我们的顾客能通过这些途径更轻易地购买我们的产品。同时，我们也在深圳市美宜多运营管理有限公司经营的美宜多超市推出我们的产品。深圳市美宜多运营管理有限公司旗下拥有超过170间不同品牌的超市和便利商店，当中包括美宜多。

不仅如此，集团也希望通过合营的方式，把新推出的零食和饮料分销到中国石油及中国石化加油站，务求扩大产品在中国的销售网络。这项与深圳市东启商贸有限公司的合营企业有助于我们利用东启现有的商业网络，并结合双方能够发展和生产琳琅满目优质的食品和饮料的优势，是个双赢的合作。随着超市和便利商店每天引入稳定的顾客流量，以及供应市场对各式各样食品和饮料的需求，这些新的分销管道为集团提供了一个潜力无限的收入来源。除了分销果汁之外，我们也可能分销其他饮料，如能量饮料和咖啡。

建立和发展我们的品牌

在拓展业务的同时，我们也同样注重于发展其品牌。一个强大的品牌能推动及实现我们成为中国和亚洲领先饮料品牌之一的愿景。

在这方面，我们在2018年9月9日，在香港举行第13届亚洲品牌典礼上，维持并加强其市场位置，第四次荣获‘亚洲品牌500强’的殊荣。鲜绿园品牌的价值从去年的人民币128.3亿元上升至今年的人民币176.2亿元（约新币35.2亿元），这振奋的消息更加巩固集团在餐饮业的龙头企业地位。此外，根据最新的统计，本集团的品牌价值排名进步了41个位置，从去年的第478位提升至第437。

于2018年7月25日，在中国中小企业国际合作协会评估下，本集团旗下子公司荣获AAA等级的企业信用等级证书，更加肯定我们的品牌实力。AAA 等级是给予一间企业的最高评价，反映企业的健康运营状态，低违约风险，良好信贷记录以及较低交易风险。我们很雀跃荣获AAA 等级，这表示本集团致力保持其良好的记录，以及为秉持运营，财政，生产安全，产品品质，缴税期限，人力资源，环境问题与版权的信用可靠度而严格遵守的高标准，得到了认可。

未来发展

根据国家统计局的资料，由于2018年中国的经济保持稳健增长，致使国内生产总值于去年相比上升了6.6%至人民币九十万三百零九亿元。消费品的总零售销量上涨了9.0%至人民币三十八万九百八十七亿元，当中市区出售的消费品零售销量上升了8.8%至人民币三十二万五千六百三十七亿元，而郊区出售的消费品零售销量也涨了10.1%至人民币五万五千三百五十亿元。有形产品的网络零售销量在2018年涨了25%至人民币七万一百九十八亿元，占中国消费品总零售销量的18.4%。这振奋人心的成绩会鼓舞我们继续寻求适当时机，推动业务增长。

由于中国消费者可支配收入的增加，对健康意识的提高和消费模式的转化，导致他们对便利产品和功能性健康食品的需求不断增加。为了应对这一趋势，本集团稳步扩大其上线和下线的分销渠道，以吸引更多中国市场客户群。乘着未来的增长机会，集团将继续投资于各种广告及宣传活动，以及推出销售及营销计划，以提升其品牌知名度及增加其在中国的市场份额。

此外，为了扩大及拓展我们的产品范围，我们继续投入资源，开发和推出新的饮料产品，如芒果汁，椰奶，苹果醋和乳酸菌饮料。除了出售枇杷汁，我们也出售更多种类的饮品，为我们带来可观的销量额。

感谢

随着这一年来到尾声，让我们回顾各方在这一年里给予集团的指导，促进集团蓬勃发展所做出的贡献表示感激。我在此代表董事会向各位董事、管理团队及员工为他们所作出的努力及贡献致谢。我要特别感谢迄今为止帮助引导集团的董事。我要向Prayudh Mahagitsiri先生，黄志明先生，刘凌女士以及Chalermchai Mahagitsiri 先生参与指导集团致谢。我也要欢迎张金泽先生及龚树立先生出任独立董事一职。最后，我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。我们期待和各方在来年迎来更多机遇。

黄育鹏
主席及首席执行官

Our Footprints

鲜绿园®

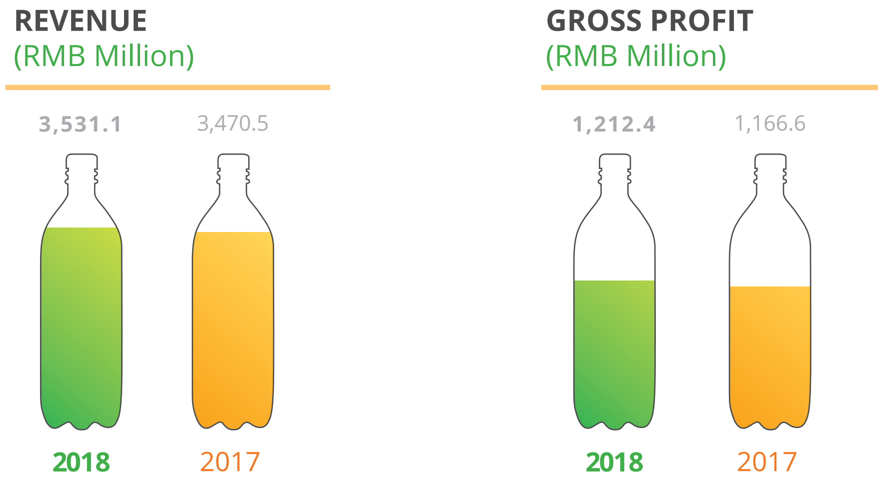
GRANDNESS
振鹏达

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

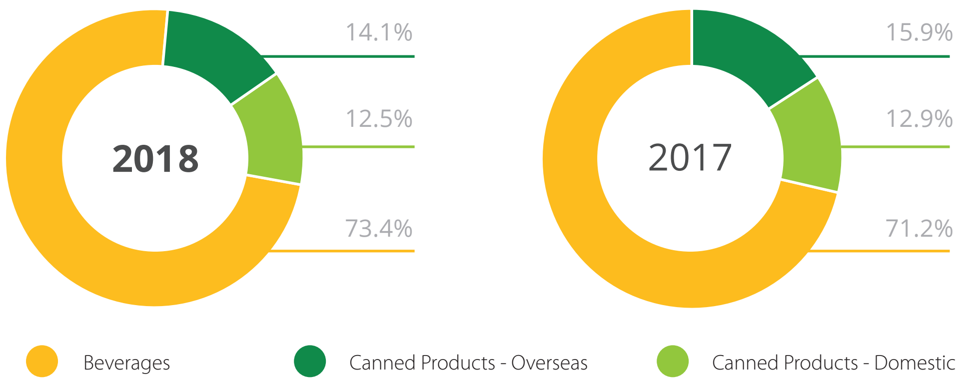
GRANDNESS

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

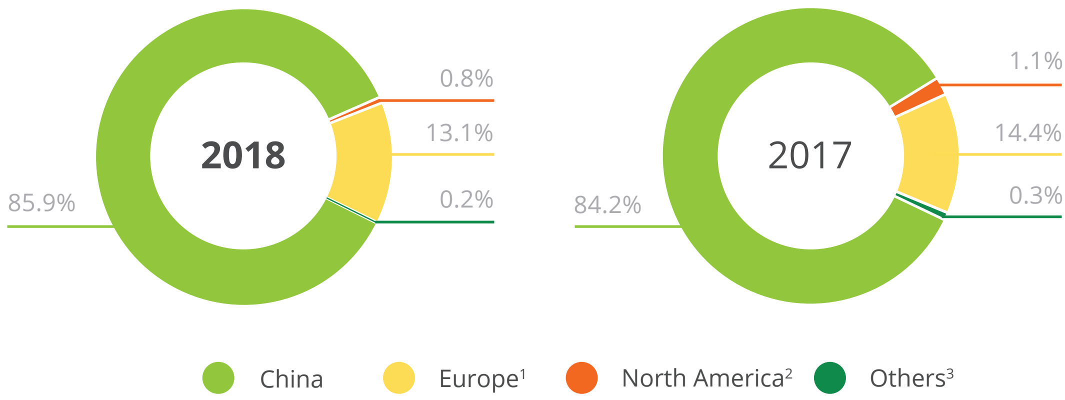
Financial Highlights



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 North America
3. Relates to sales to countries such as Australia and Turkey

GROUP FINANCIAL HIGHLIGHTS FOR FY2018

RMB (million)	FY2018	FY2017	Change %
Revenue	3,531.1	3,470.5	1.7
Gross profit	1,212.4	1,166.6	3.9
Gross profit margin	34.3%	33.6%	0.7ppt
Distribution & selling expenses	(495.6)	(464.9)	6.6
Administrative expenses	(147.0)	(132.6)	10.9
Finance costs	(57.2)	(56.5)	1.2
Cessation of internal production	(229.4)	-	-
Other operating expenses	(46.6)	-	-
Gain on extinguishment of debt and change in fair values of the derivative in relation to convertible loan and exchangeable bonds	47.6	(4.9)	N.M.
Net profit attributable to shareholders	153.8	355.8	(56.8)

**N.M. = Not Meaningful*

For the year under review, the Group's revenue remained stable with a 1.7% increase to RMB3.53 billion from the RMB3.47 billion recorded for FY2017. The growth was largely driven by higher sales numbers of our beverage segment which contributed RMB119.7 million more sales for FY2018. The segment continued to benefit from the expansion of our distribution network in the PRC. However, our revenue growth was partially offset by a decrease in sales for our canned products in both the domestic and overseas market. Sales was lower by RMB7.1 million and RMB52.0 million respectively.

The Group's profitability improved for FY2018 with gross profit increasing by approximately 3.9% or RMB45.8 million to RMB1.21 billion from RMB1.17 billion in FY2017. Building on that gain, the Group's overall gross profit margin ("GPM") improved by 0.7 percentage points to 34.3% for FY2018 as compared to 33.6% in the previous financial year. The increase in GPM for the beverage segment was mainly due to the higher average selling price while the higher GPM for products overseas and domestic market segment was mainly due to the lower cost of raw materials in FY2018.

The Group's net profit attributable to shareholders dipped slightly from RMB355.8 million in FY2017 to RMB153.8 million for the year under review. The decrease was mainly attributable to the cessation of internal production and increase in operating expenses.

Meanwhile, an acquisition of property, plant and equipment and repayment of bank borrowings, partially offset by bank loans obtained and net cash generated from operations resulted in a decrease in cash and cash equivalents to RMB621.8 million for the year under review.

The Group's earnings per share also saw a decline, dropping from RMB38.0 cents per share in FY2017 to RMB15.7 cents per share in FY2018. In contrast, net asset value grew by RMB17.0 cents per share to RMB332.3 cents per share for FY2018 from the RMB315.3 cents per share reported for FY2017.

Operations and Financial Review

SEGMENTAL REVIEW

Product Segment		12 Months (FY) Jan – Dec 2018 RMB Million	12 Months (FY) Jan – Dec 2017 RMB Million	Change %
Canned Products	Overseas	497.4	549.4	(9.4)
	Domestic	442.3	449.5	(1.6)
Beverage		2,591.4	2,471.6	4.8
Total		**3,531.1**	**3,470.5**	**1.7**

Performance for our three segments were mixed with the beverage segment growing by 4.8% and contributing RMB2,591.4 million for the year under review as compared to the RMB2,471.6 million in FY2017. The canned products for the overseas market recorded a 9.4% decline in sales at RMB497.4 million whereas in FY2017, the segment posted RMB549.4 million in revenue. The canned products for the domestic market segment performed relatively better than overseas with a 1.6% lower revenue, declining from RMB449.5 million in FY2017 to RMB442.3 million in FY2018.

GROSS PROFIT

Product Segment		12 Months (FY) Jan – Dec 2018 RMB Million	12 Months (FY) Jan – Dec 2017 RMB Million	Change %
Canned Products	Overseas	138.1	122.7	12.6
	Domestic	155.9	187.1	(16.7)
Beverage		918.3	856.8	7.2
Total		**1,212.3**	**1,166.6**	**3.9**

The gross profit of each business segment closely mirrors their sales performance. For the beverages segment, gross profit improved by 7.2% to RMB918.3 million from RMB856.8 million in FY2017. The canned products for overseas segment saw a 12.6% increase in gross profit from RMB122.7 million in FY2017 to RMB138.1 million in FY2018. Lastly, gross profit for the canned products for the domestic segment declined, dropping by 16.7% to RMB155.9 million as compared to the RMB187.1 million previously.

CONCLUSION

For the financial year ending 31 December 2019, the Group will continue to scale up its strategy of reaching out to engage new customers while strengthening and encouraging existing consumption. We believe that the fundamental drivers of our strategy such as the growing demand of Chinese consumers for convenient and healthy food products remain sound. In conjunction with rising demand for consumer goods across offline and online channels, this translates into further avenues that we can tap on to grow our value. We will continue to enhance our brand visibility to grow our market share while expanding our range of products to grow our returns.

Board of Directors

HUANG YUPENG
Chairman and CEO

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

HUANG YUSHAN
Executive Director

Madam Huang Yushan 黄育珊 is our Executive Director and is responsible for all human resource and administrative matters of our Group. She began her career in 1989 with state-owned Shenzhen Yuehai Hotel Enterprise Co., Ltd where she remained till 2000 and last held the position of assistant to the finance manager. In 2000, she joined Airland Hotel in Dameisha, Shenzhen City as their finance manager and was responsible for the management of the finances of the hotel. In 2002, she joined Fuxing Logistics (Shenzhen) Co., Ltd as their finance manager and was responsible for the management of the company's finances. Huang Yushan joined our Group in 2005 and was the Chief Financial Officer and Vice-President (Human Resource and Administration) for Shenzhen Grandness. In February 2008, with the engagement of our 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).

ZHU JUN
Executive Director

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

Board of Directors

SOH BENG KENG
Lead Independent Director

LAI JINGWEI
Independent Director

ZHANG JINZE
Independent Director

GONG SHULI
Independent Director

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.

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

Mr. Zhang Jinze 张金泽 is our Independent Director and was appointed on 18 May 2018. Mr Zhang graduated from Wuxi Institute of Light Industry (now known as Jiangnan University) in August 1982 with a Bachelor of Engineering Degree in Food Engineering. After graduation, he joined China National Research Institute of Food & Fermentation Industries ("CNRIFF") since 1982 and retired in July 2017. Before retiring, Mr Zhang was the Deputy Dean of the China Food, a senior engineer and a postgraduate tutor for food engineering.

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

GOH CZE KHIANG
Chief Financial Officer

LU YUNQIU
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 post listing 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 Chief Financial Offer of China Bearing (Singapore) Ltd, a company listed on the SGX-ST since May 2006. He has more than 30 years of experience in accounting, financial management, consulting and taxation.

Mr Lu Yunqiu 陆云球 is currently the Chief Technical Officer and is in charge of the production technology, research and development and quality control of our Group. He had more than 20 years of experience in production, research and development and quality control of food and beverage products. He obtained his degree of Science and Engineering of Food from Shijiazhuang Construction Science and Technology College 1995 to 2018, Mr Lu gained his experience in production, research and development, 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

BOARD OF DIRECTORS

Huang Yupeng (Chairman and CEO)
Huang Yushan (Executive Director)
Zhu Jun (Executive Director)
Soh Beng Keng (Lead Independent Director)
Lai Jingwei (Independent Director)
-appointed on 2 April 2018
Zhang Jingze (Independent Director)
- appointed on 18 May 2018
Gong Shuli (Independent Director)
- appointed on 5 July 2019
Liu Ling (Independent Director)
- retired on 30 April 2018
Chalermchai Mahagitsiri (Non-Executive Director)
- resigned on 31 January 2019
Wong Chee Meng, Lawrence (Independent Director)
- resigned on 25 February 2019

AUDIT COMMITTEE

Soh Beng Keng (Chairman)
Lai Jingwei
Gong Shuli

NOMINATING COMMITTEE

Lai Jingwei (Chairman)
Soh Beng Keng
Gong Shuli

REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)
Lai Jingwei
Gong Shuli

COMPANY SECRETARY

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 2018 ("FY2018") and as at the date of this report or which will be implemented and where appropriate, explanations are provided for deviation from the Code.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to annual reports covering financial years from 1 January 2019. The Company will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

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 FY2018 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	3	–	–	–	–	–	–
Huang Yushan	4	3	–	–	–	–	–	–
Soh Beng Keng	4	4	4	4	1	1	1	1
Zhu Jun	4	4	–	–	–	–	–	–
Liu Ling(1)	4	1	4	1	1	1	1	1
Wong Chee Meng, Lawrence(2)	4	4	4	4	1	1	1	1
Lai Jingwei(3)	4	1	4	1	-	-	1	0
Zhang Jinze(4)	4	1	–	–	–	–	–	–
Chalermchai Mahagitsiri(5)	4	0	–	–	–	–	–	–
Gong Shuli(6)	–	–	–	–	–	–	–	–

(1) Ms Liu Ling retired on 30 April 2018

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

(3) Mr Lai Jingwei was appointed on 2 April 2018

(4) Mr Zhang Jinze was appointed on 18 May 2018

(5) Mr Chalermchai Mahagitsiri resigned on 31 January 2019

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

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.

CORPORATE GOVERNANCE REPORT

Matters Requiring Board Approval

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

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

Principle 2: Board Composition and Guidance

The current Board of Directors consists of seven members, three of whom are Executive Directors 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

Independent Directors

Soh Beng Keng	(Lead Independent Director)
Lai Jingwei	(appointed on 2 April 2018)
Zhang Jinze	(appointed on 18 May 2018)
Gong Shuli	(appointed on 5 July 2019)

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 judgment 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 majority of the Board comprises Independent Directors.

In line with Guideline 2.4 of the Code, the independence of Mr Soh Beng Keng who has served on the Board beyond nine (9) years from the date of his first appointment, was subject to particularly rigorous review on his independence by members of the Board. The relevant factors that were taken into consideration in assessing the independence of Mr Soh Beng Keng are set out under Principle 4. The NC with the concurrence of the Board is satisfied that Mr Soh Beng Keng, despite having served on the Board for more than 9 years, continues to be considered independent, Mr Soh Beng Keng abstained from the rigorous review of his independence.

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 more than 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.

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.

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 majority 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 as at the date of this report are:

Lai Jingwei (Chairman)
Soh Beng Keng
Gong Shuli

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, Lai Jingwei, Zhang Jinze and Gong Shuli. The NC, in recommending the nomination of any Director for a re-election, considers the contribution of the Director, which includes his attendance record, overall participation, expertise, strategic vision, business judgment and sense of accountability.

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

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

The NC 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 Huang Yupeng, Huang Yushan and Gong Shuli who are retiring at the forthcoming Annual General Meeting to be held on 8 August 2019 (the "forthcoming AGM"). The Board has accepted the recommendation and the retiring Directors who will be offering themselves for re-election. Zhang Jinze, who is retiring at the forthcoming AGM, will not be seeking for re-election.

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

Key information regarding the Directors are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Relationships with directors, the Company or shareholders who holds 10% and above	Present Directorships and Chairmanships in Other Listed Companies and Major Appointments	Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments
Huang Yupeng	20 April 2007	25 April 2017 (to be re-elected at the forthcoming AGM)	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 (to be re-elected at the forthcoming AGM)	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	30 April 2018	–	Listed Companies 1. China Haida Ltd. 2. ISDN Holdings Limited 3. BM Mobility Ltd.	Nil
Zhu Jun	19 January 2012	30 April 2018	–	Nil	Nil
Lai Jingwei	2 April 2018	30 April 2018	–	Nil	Nil
Zhang Jinze(1)	18 May 2018	To retire at the forthcoming AGM	–	Nil	Nil
Gong Shuli(2)	5 July 2019	To be re-elected at the forthcoming AGM	–	Nil	Nil

(1) Appointed on 18 May 2018

(2) Appointed on 5 July 2019

Note:

The profile and relevant information of the members of the Board are set on pages 15 to 16 of the Annual Report. The Directors' interests in shares are as disclosed in page 46 of the Directors' Statement.

CORPORATE GOVERNANCE REPORT

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

Name of Director	Huang Yupeng	Huang Yushan	Gong Shuli
Date of appointment	20 April 2007	29 August 2008	5 July 2019
Date of last re-appointment	25 April 2017	25 April 2016	N.A.
Age	57	54	62
Country of principal residence	People's Republic of China	People's Republic of China	People's Republic of China
The Board's comments on the NC's recommendation for re-election	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Huang's performance as an Executive Chairman and Chief Executive Officer of the Company	The Board has accepted the NC's recommendation, who has reviewed and considered Ms Huang's performance as an Executive Director of the Company	The Board has accepted the NC's recommendation to re-elect Mr Gong Shuli as an Independent Director of the Company based on his qualifications and work experience
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for overseeing the overall management and operation of the Group	Executive, responsible for human resource and administration of the Group	Non-Executive Independent Director
Job title	Executive Chairman and Chief Executive Officer	Executive Director	Independent Director
Professional qualifications	Diploma in Foreign Economic Law from Shenzhen Teaching Institute	Bachelor's Degree in Accountancy from Shenzhen Radio and TV University Qualified as an intermediate accountant by the Ministry of Finance (PRC)	Bachelor Degree in Food Engineering from Tianjin University of Science & Technology
Working experience and occupation(s) during the past 10 years	Founder and Chief Executive Officer of the Group since 2007	Chief Financial Officer of the Group since 2005 and re-designated to Executive Director subsequent to the appointment of Mr Goh Cze Khiang as CFO of the Company	Senior Engineer and Professor of China National Research Institute of Food & Fermentation Industries

Name of Director	Huang Yupeng	Huang Yushan	Gong Shuli
Shareholding interest in the listed issuer and its subsidiaries	Mr Huang holds 352,124,087 shares in the Company	Ms Huang holds 5,833,162 options of the Company.	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Huang is the brother of Ms Huang Yushan, the Executive Director of the Company.	Ms Huang is the sister of Mr Huang Yupeng, the Chairman, Chief Executive Officer and Substantial Shareholder of the Company.	None
Conflict of interest (including any competing business)	None	None	None
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720(1))	Yes	Yes	Yes
Other Principal Commitments Including Directorships	**Other Principal Commitment:** ● Nil **Present Directorship:** ● Nil **Past Directorship (for the past 5 years):** ● Nil	**Other Principal Commitment:** ● Nil **Present Directorship:** ● Nil **Past Directorship (for the past 5 years):** ● Nil	**Other Principal Commitment:** ● Nil **Present Directorship:** ● Nil **Past Directorship (for the past 5 years):** ● Nil

The general disclosures of the directors are as follows:

Question		Huang Yupeng	Huang Yushan	Gong Shuli
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

Question		Huang Yupeng	Huang Yushan	Gong Shuli
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

Question		Huang Yupeng	Huang Yushan	Gong Shuli
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

CORPORATE GOVERNANCE REPORT

Question			Huang Yupeng	Huang Yushan	Gong Shuli
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-				
	(i)	any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
	(ii)	any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
	(iii)	any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
	(iv)	any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		No	No	No

Question		Huang Yupeng	Huang Yushan	Gong Shuli
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
	Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	No
	If yes, please provide details of prior experience.	Executive Chairman and Chief Executive Officer of the Company since Company's listed on SGX-ST	Executive Director of the Company since 29 August 2008	N.A.
	If no, please state if the director has attended or will be attending training on the roles and responsibilities of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	Mr Gong Shuli will be briefed on his role and obligations as a director under listing rules as well as the relevant laws and regulations of a director of a public listed company in Singapore. Mr Gong will also be briefed to familiarize with the various businesses and operations of the Group. The Company will arrange training as and when necessary
	Please provide details of relevant experience and the NC's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.

CORPORATE GOVERNANCE REPORT

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.

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 Chairman 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 as at the date of this report are:

Soh Beng Keng (Chairman)
Lai Jingwei
Gong Shuli

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

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

In structuring and reviewing the remuneration packages, the RC seeks to align interests of Directors with those of shareholders and link rewards to corporate and individual performance as well as roles and responsibilities of each Director. The Directors' fee to be paid to Directors are subject to shareholders' approval at the forthcoming AGM on 8 August 2019.

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.

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 pages 47 and 48.

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.

CORPORATE GOVERNANCE REPORT

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 FY2018 are as follows:

Remuneration Band	Number of Directors 2018	2017
Executive Directors		
S$1,500,000 and above	1	1
S$250,000 to below S$1,500,000	–	–
Below S$250,000	2	3
Total	3	4
Key Management Personnel		
Below S$250,000	5	5
Total	5	5

A breakdown of each individual Director's and key management personnel's remuneration, in percentage terms showing the level and mix for FY2018, is as follows:

	Fees S$'000	Salary S$'000	Bonus S$'000	Share Options Exercised S$'000	Others S$'000	Total S$'000
Directors						
S$1,500,000 and above						
Huang Yupeng	–	652	1,358	0	–	2,010
Below S$250,000						
Huang Yushan	–	18	–	0	–	18
Zhu Jun	–	62	–	0	–	62
Soh Beng Keng	55	–	–	0	–	55
Wong Chee Meng, Lawrence	50	–	–	0	–	50
Lai Jingwei(1)	15	–	–	0	–	15
Zhang Jinze(2)	8	–	–	0	–	8
Chalermchai Mahagitsiri	20	–	–	0	–	20

	Fees %	Salary %	Bonus %	Share Options Exercised %	Others %	Total %
Key Management Personnel						
Below S$250,000						
Goh Cze Khiang	–	92	8	0	–	100
Lu Yunqiu	–	100	–	0	–	100
Zhang Jianan	–	100	–	0	–	100
Lin Yongfeng	–	100	–	0	–	100
Guo Xiaolin	–	100	–	0	–	100

(1) Lai Jingwei was appointed on 2 April 2018

(2) Zhang Jinze was appointed on 18 May 2018

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 FY2018 is approximately S$277,764.

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 FY2018.

Other than Huang Yushan, an Executive Director of the Company, who is the sister of Huang Yupeng, the Executive Chairman, CEO and substantial shareholder of the Company, 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 FY2018.

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.

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 FY2018, 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 two members, all of whom are Independent Directors. The members of the AC as at the date of this report are:

Soh Beng Keng (Chairman)
Lai Jingwei
Gong Shuli

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.

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 ("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 2018.

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 2018.

The Audit Committee has reviewed the key audit matters disclosed in the independent external auditors' 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.

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

The Company has accrued the following aggregate amount of fees to Foo Kon Tan LLP, the external auditors, for services rendered for FY2018:-

Services	Amount (S$)
Audit service	434,000
Non-audit fees	
–Tax fee and non-assurance engagements	107,000

The AC has direct access to the internal and external auditors and has met with them without the presence of Management for FY2018.

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

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

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

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

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

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, conducted a review and concluded that the internal audit function is adequacy and effectiveness and independent for FY2018, In assessing the engagement of Baker Tilly TFW for the internal audit function, the AC ensured that the internal audit function is staffed with the qualification and experiences of internal audit team assigned 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.

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.

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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

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.

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 2018.

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 45 to 177.

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 2018, 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$1.65 million (equivalent to approximately RMB 7.55 million)	Nil
Soleado Holdings Pte. Ltd.	S$4.21 million (equivalent to approximately RMB18.81 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 2018, the Group had utilised the net proceeds from the Rights Issue 2017 as follows:-

Use of net proceeds	Allocation (%)	Amount allocated (RMB'000)	Accumulated amount 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		127,800	127,800	–
- Distribution network expansion		100,000	100,000	–
- Bank loan repayment	40	24,800	24,800	–
- Operating expenses		3,000	3,000	–
Total	**100**	**319,500**	**314,550**	**4,950**

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

CORPORATE GOVERNANCE REPORT

The Board refers to the issuance of 85,000,000 shares by the Company in June 2019 ("Placement 2019 (1)"). As at 30 June 2019, the Group had utilised the net proceeds from the Placement 2019 (1) as follows:-

Use of net proceeds		Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilized (RMB'000)	Balance (RMB'000)
(a)	Repayment of outstanding sums due to Soleado	60	10,050	10,050	–
(b)	General working capital	40	6,700	3,500	3,200
	- Operating expenses		6,700	3,500	3,200
Total		**100**	**16,750**	**13,550**	**3,200**

The Company will make further announcements on the use of net proceeds from the Placement 2019 (1) 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.

CORPORATE SOCIAL RESPONSIBILITY

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 2018

The directors are pleased to submit this annual report to the members of the Company together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the accompanying statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

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

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

Directors

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

Huang Yupeng (Chairman and Chief Executive Officer)
Huang Yushan (Executive director)
Zhu Jun (Executive director)
Soh Beng Keng (Lead independent director)
Lai Jingwei (appointed on 2 April 2018)
Zhang Jinze (appointed on 18 May 2018)
Gong Shuli (appointed on 5 July 2019)
Liu Ling (Independent director) (retired on 30 April 2018)
Chalermchai Mahagitsiri (Non-executive director) (resigned on 31 January 2019)
Wong Chee Meng, Lawrence (Independent director) (resigned on 25 February 2019)

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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 1.1.2018	**As at 31.12.2018**	As at 1.1.2018	**As at 31.12.2018**
The Company - Sino Grandness Food Industry Group Limited				
Huang Yupeng	350,024,087	**352,124,087**	–	**–**
Chalermchai Mahagitsiri#	–	**–**	130,488,508	**130,488,508**

\# *Except that Chalermchai Mahagitsiri who resigned on 31 January 2019, the directors' interest in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.*

By virtue of the provisions of Section 7 of the Singapore Companies Act, Cap. 50, Huang Yupeng is deemed to have interests in all of the subsidiaries of the Company at the beginning and at the end of the financial year.

Share option scheme

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

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

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

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

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

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

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

Share option scheme (Cont'd)

The scheme is administered by a Remuneration Committee comprising Soh Beng Keng (Chairman) and Lai Jingwei, and duly authorised and appointed by the Board of Directors of the Company.

On 25 October 2018, the Company made an SGX announcement relating to adjustments made to the exercise prices and number of outstanding share options which were granted in 2015 and 2016 ("Adjustments"). The Adjustments have been made in accordance to Rule 10 of the ESOS Scheme.

The exercise prices and the share options have been adjusted as follows:

Grant date of share options	No. of outstanding options granted before Adjustments	Exercise price before Adjustments	No. of outstanding options granted after Adjustments	Exercise price after Adjustments
		SGD per share		SGD per share
9 April 2015	7,150,000	0.33	7,857,509	0.30
9 April 2015	9,750,000	0.26	10,714,785	0.24
20 May 2016	14,513,750	0.49	15,949,919	0.45
	31,413,750		34,522,213	

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.

On 25 May 2018, the Company has:

(1) granted options to subscribe 12,198,750 ordinary shares of the Company at exercise price of SGD 0.22 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 0.22 per share, exercisable any time after the second anniversary of the date of grant up to 10th anniversary thereon.

Share options granted (Cont'd)

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 31.12.2018	Aggregate options granted since commencement of ESOS Scheme to 31.12.2018	Aggregate options exercised since commencement of ESOS Scheme to 31.12.2018	Aggregate options renounced since commencement of ESOS Scheme to 31.12.2018	Aggregate options arising from Adjustments 31.12.2018	Aggregate options forfeited since commencement of ESOS Scheme to 31.12.2018	Aggregate options outstanding as at 31.12.2018
<u>Name of directors</u>							
Zhu Jun	800,000	4,700,000	–	(800,000)	227,588	–	4,127,588
Soh Beng Keng	200,000	1,200,000	–	(200,000)	59,370	–	1,059,370
Wong Chee Meng, Lawrence *	200,000	1,000,000	–	(100,000)	49,475	–	949,475
Other employees (Other than directors)	10,998,750	53,997,500	–	(6,050,000)	2,445,117	(7,056,752)	43,335,865
	12,198,750	**60,897,500**	**–**	**(7,150,000)**	**2,781,550**	**(7,056,752)**	**49,472,298**
<u>Name of director and associate of a controlling shareholder of the Company</u>							
Huang Yushan	1,101,250	14,316,250	–	(8,810,000)	326,913	–	5,833,163
	13,300,000	**75,213,750**	**–**	**(15,960,000)**	**3,108,463**	**(7,056,752)**	**55,305,461**

* *Resigned on 25 February 2019*

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

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

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

Audit committee

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

Soh Beng Keng (Chairman)
Lai Jingwei (appointed on 2 April 2018)
Gong Shuli (appointed on 5 July 2019)
Liu Ling (retired on 30 April 2018)
Wong Chee Meng, Lawrence (resigned on 25 February 2019)

Audit committee (Cont'd)

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

The Audit Committee performs the functions set out in Section 201B (5) of the Singapore Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

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

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

(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 2018 as well as the independent auditor's report thereon;

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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 2018.

Interested person transactions

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

On behalf of the Directors

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HUANG YUPENG

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HUANG YUSHAN

Dated: 15 July 2019

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 2018, 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, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ["SFRS(I)"] so as to give a true and fair view of the financial positions of the Group and the Company as at 31 December 2018 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.

Material Uncertainty Related to Going Concern

We draw attention to:

- Note 2(a) and Note 21 to the financial statements which indicate that the Company's current liabilities have exceeded current assets by RMB 264.0 million as at 31 December 2018 and has defaulted on the repayment of debt owing to a related party, Soleado Holdings Pte. Ltd. of US$ 21.2 million (RMB 145.5 million) with interest thereon which was due on 6 January 2019. The initial due date was 16 May 2018, the Company has been served letters of demand on 8 January 2019 and 23 January 2019;

- Note 2(a) and Note 20 to the financial statements which state that a subsidiary has defaulted on the second instalment repayment to a financial institution, Deutsche Investitions und Entwicklungsgesellschaft mbH ("DEG") of US$ 2.5 million (RMB 17.2 million) which was due on 15 October 2018. Arising from the default, DEG is entitled to demand immediate repayment of the entire outstanding loan of US$22.9 million (RMB 157.2 million) and accrued interest thereof. DEG has issued an Acceleration Notice dated 20 December 2018 to the borrower, Garden Fresh (Hubei) Fruit & Vegetable Beverage Co., Limited ("GF Hubei") and the Company. The financial institution also called upon payment guarantees from the Company on 22 January 2019 and two subsidiaries, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited on 21 January 2019 and Garden Fresh Group Holding Co., Ltd on 21 January 2019. The said loan has been registered with the State Administration of Foreign Exchange ("SAFE") regulator when the loan was disbursed by DEG to GF Hubei; and

- As at the date of this report, the application with SAFE in respect of the repatriation of dividend to be used for the aforesaid loans is still pending approval for which the outcome is still uncertain.

Material Uncertainty Related to Going Concern (Cont'd)

These conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. Notwithstanding the aforesaid paragraphs, the financial statements have been prepared on a going concern basis, the validity of which is premised on:

- the Company's and the Group's ability to fulfil the conditions as set out in the investment agreement referred in Note 2(a) to the financial statements for the subscription of shares in a wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited, for an aggregate consideration of US$30 million (equivalent to RMB 200.0 million);

- the successful completion of the issue and allotment of the remaining placement shares of 85,000,000 of the Company for an aggregate proceeds of S$3,350,000; and

- funds expected to be received from pre-IPO investors in the region of US$ 30.0 million by end 2019.

If for any reason the above assumptions do not materialise, which may result in the Company and the Group not being able to continue as a going concern, it could have an impact on the classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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 23 to the accompanying financial statements. We have also assessed and validated the adequacy and appropriateness of the disclosures and presentation made in the financial statements.

<u>Our Responses and Work Performed</u>

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;

Key Audit Matters (Cont'd)

Revenue recognition (Cont'd)

Our Responses and Work Performed (Cont'd)

- 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 volume rebates, promotional and sales incentives 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 and canned fruits production to confirm our understanding of the production order and distribution flow process;

- we circularised confirmations on a sample basis directly to selected customers, including transactions for the year which we circularised notarised confirmations through our PRC legal counsel;

- we obtained the database of the address of customer from the Group's finance department and the Group's sales department and checked against the address reflected on the sales invoices and the address provided to us for the confirmation circularised;

- we corroborated revenue against transport costs and verified corporate income taxes and value added taxes payments and filings via 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 tested selected revenue transactions by assessing and evaluating the following steps:

  Step 1 - Identify the Contract(s) with a Customer
  Step 2 - Identify the Performance Obligations in the Contract
  Step 3 - Determine the Transaction Price
  Step 4 - Identifying Performance Obligations
  Step 5 - Recognise Revenue when (or as) the Entity Satisfies a Performance Obligation

- 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.

Key Audit Matters (Cont'd)

Risk of material misstatement in cash and bank balances

Risk

Cash being a liquid asset is susceptible to risk of accounting irregularities. As part of our risk assessment procedures and considering certain significant developments of the Group during the financial year ended 31 December 2018 such as:

- the default of DEG loan [Note 20(e)] despite the Group having cash and cash equivalents of RMB 621.8 million as at 31 December 2018; and

- the extended due date of the convertible loan owing to Soleado Holdings Pte. Ltd. from 16 May 2018 to 6 January 2019 (Note 21) despite the Group having cash and cash equivalents of RMB 422.6 million as reported in the half year announcement (1H2018) of the Company on 14 August 2018,

we have identified the existence of cash and bank balances as a Key Audit Matter.

Please refer to Notes 2(c) and 14 to the accompanying financial statements. We have also assessed and validated the adequacy and appropriateness of the disclosures and presentation 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 2018 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;

- 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;

- we performed in-person visits to the People's Bank of China and requested for the bank account listing (已开立银行结算账户清单) to be printed from the People's Bank of China's Management System ("PBOC System") where permissible;

- we circularised bank confirmations at various odd dates for PRC banks on a sample basis;

- we verified bank balances through electronic bank statements via internet bank portal, where applicable; and

- we assessed the risk level of the bank balances held with the banks by reference to approved credit rating agencies.

Key Audit Matters (Cont'd)

Valuation of exchangeable bonds

Risk

As reported in the 2017 Annual Report and as described in Note 22 to the financial statements, the exchangeable bonds ("EB") issued by a subsidiary, Garden Fresh (HK) Fruit and Vegetable Co., Limited ("the Original Issuer"), 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 but did not materialise.

As at 31 December 2018, the EB and SB2 are treated to be repayable within the next 12 months and is approximately RMB 484.8 million and RMB 234.2 million respectively.

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.

Please refer to Note 2(c) to the financial statements for disclosure of the related critical accounting estimates, assumptions and judgements used by the management, Note 3 for disclosure of the related accounting policies, and Note 22 for the movement and reconciliation of exchangeable bonds disclosures.

Our Responses and Work Performed

In assessing the valuation of the EB,

- we evaluated the competence, capabilities and objectivity of management expert;
- we obtained an understanding of the work of management expert and evaluated the appropriateness of that management expert's work by involving our own valuation expert as audit evidence for the relevant assertion;
- we evaluated whether our own valuation expert has the necessary competence, capabilities and objectivity for our purpose; and
- we have 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 Cash Flow method.

Impairment assessment on property, plant and equipment and land use rights

Risk

The Group has property, plant and equipment and land use rights with aggregate carrying values of RMB 1,460.3 million as at 31 December 2018 and accounts for 31.6% of the Group's total assets.

There are certain subsidiaries of the Group with material property, plant and equipment balances which were in loss-making positions for the financial year ended 31 December 2018 or hold machinery and equipment that were not in use due to cessation of production and business activities. For these property, plant and equipment with indicators of impairment, the management has carried out impairment assessment to the carrying values of these identified property, plant and equipment.

Key Audit Matters (Cont'd)

Impairment assessment on property, plant and equipment and land use rights (Cont'd)

Risk (Cont'd)

During the financial year ended 31 December 2018, an impairment provision of RMB 107.2 million has been recorded to reduce the carrying values of certain property, plant and equipment to their estimated recoverable values, which is the higher of fair value less costs of disposal and value-in-use.

A write off of property, plant and equipment totalling RMB 71.7 million has been made on two subsidiaries, Shanxi Yongji Huaxin Food Co., Ltd. ("SXYJ") and Grandness (Shanxian) Food Co., Ltd. ("Grandness Shanxian") arising from cessation of production activities.

We have identified the impairment assessment of property, plant and equipment as a Key Audit Matter as it involves significant judgements and estimates made by management and external valuers.

Please refer to Note 2(c) to the financial statements for disclosure of the related critical accounting estimates, assumptions and judgements used by the management, Note 3 land use rights and for disclosure of the related accounting policies, and Note 4 and Note 5 for the movement and reconciliation of land use rights and property, plant and equipment disclosures.

Our Responses and Work Performed

- we have reviewed management's assessment of impairment of property, plant and equipment;
- we obtained the valuation reports of identified assets with indicators of impairment and we assessed the appropriateness of the management's expert work by evaluating the competence, capabilities and objectivity of expert (i.e. the valuers);
- we obtained an understanding of the work of expert and evaluate the appropriateness of expert's work;
- we assessed the valuation method and assumptions used by management's expert by involving our own valuation expert;
- we assessed the impact on the urban development where the existing land and buildings are expected to be acquired by the local government;
- we assessed management's estimate on the scrap value of the production machinery which has ceased operations; and
- we also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

Impairment assessment on trade receivables

Risk

Trade receivable balances were significant to the Group as they represented 34.3% of the Group's total assets as at 31 December 2018. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management.

The Group applies the simplified approach permitted by the SFRS(I) 9, which required expected lifetime losses to be recognised from initial recognition of the receivables as set out in accounting policy stated in Note 2(c) to the financial statements.

Key Audit Matters (Cont'd)

Impairment assessment on trade receivables (Cont'd)

Risk (Cont'd)

A provision matrix was used to measure the lifetime expected credit loss. In estimating the expected credit loss, management considered the historical loss rates over the expected life of the trade receivables, and adjusted to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

We have identified impairment of trade receivables as a Key Audit Matter as the estimation of the expected credit loss required significant management judgement in assessing the impairment of outstanding trade receivables.

Please refer to Note 2(c) to the financial statements for disclosure of the related critical accounting estimates, assumptions and judgements used by the management, and Note 3 for disclosure of the related accounting policies. We have also assessed and validated the adequacy and appropriateness of the disclosures and presentation made in Note 12 to the financial statements.

Our Responses and Work Performed

- we obtained an understanding of the Group's process for estimating the expected credit loss and evaluated management's measurement of the lifetime expected credit losses;

- we also assessed management's judgement on whether these historical credit loss rates used by management were reflective of current market conditions and considered the impact of forward-looking information on expected credit losses;

- for forward-looking assumptions used by the Group, we held discussion with management and corroborated the expected credit loss rates using both internal and publicly available information; and

- we verified the mathematical accuracy of the historical credit loss rates, calculated for the respective ageing brackets of trade receivables based on days past due, in assessing the adequacy of impairment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Sino Grandness Food Industry Group Limited

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 SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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.

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, 15 July 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	The Company 31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	The Group 31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
ASSETS							
Non-Current Assets							
Land use rights	4	**–**	–	–	**106,988**	108,797	110,296
Property, plant and equipment	5	**21**	14	18	**1,353,360**	1,350,757	1,078,120
Joint venture	6	**–**	–	–	**–**	–	–
Subsidiaries	7	**329,604**	100,032	85,987	**–**	–	–
Amount owing by subsidiaries	8	**542,592**	769,086	548,203	**–**	–	–
Deferred tax assets	9(a)	**–**	–	–	**5,832**	–	–
Deposits paid for non-current assets	10	**–**	–	–	**577,300**	510,935	787,802
		872,217	869,132	634,208	**2,043,480**	1,970,489	1,976,218
Current Assets							
Inventories	11	**–**	–	–	**24,323**	38,282	44,504
Trade receivables	12	**–**	–	–	**1,584,684**	1,345,669	1,153,722
Other receivables	13	**158**	172	135	**340,650**	399,389	481,057
Bank balances, deposits and cash	14	**8,199**	4,802	46,904	**621,793**	693,625	297,749
		8,357	4,974	47,039	**2,571,450**	2,476,965	1,977,032
Total assets		**880,574**	874,106	681,247	**4,614,930**	4,447,454	3,953,250
EQUITY							
Capital and Reserves							
Share capital	15	**755,344**	755,344	440,948	**755,344**	755,344	440,948
(Accumulated losses)/retained profits		**(245,821)**	(197,354)	(121,142)	**2,217,486**	2,077,139	1,728,917
Other reserves	16	**78,496**	66,087	49,847	**280,108**	253,851	229,870
		588,019	624,077	369,653	**3,252,938**	3,086,334	2,399,735
Non-controlling interests		**–**	–	–	**1,598**	2,031	2,168
Total equity		**588,019**	624,077	369,653	**3,254,536**	3,088,365	2,401,903
LIABILITIES							
Non-Current Liabilities							
Obligations under finance leases	19	**–**	–	–	**2,321**	5,719	–
Bank borrowings	20	**–**	–	–	**–**	130,240	173,425
Deferred tax liabilities	9(b)	**20,241**	20,241	20,241	**27,741**	20,241	20,241
		20,241	20,241	20,241	**30,062**	156,200	193,666
Current Liabilities							
Trade payables	17	**21,115**	11,035	3,570	**102,729**	106,488	41,285
Other payables	18	**35,842**	26,385	139,088	**114,312**	94,116	187,327
Obligations under finance leases	19	**–**	–	–	**3,405**	5,026	–
Current tax payable		**–**	–	–	**45,133**	43,625	9,622
Bank borrowings	20	**–**	–	–	**200,897**	77,560	263,708
Loan from a related party	21(b)	**144,819**	–	–	**144,819**	–	–
Convertible loan	21(a)	**–**	141,867	134,660	**–**	141,867	134,660
Straight bonds	22	**–**	–	–	**234,245**	212,758	193,416
Amount owing to a subsidiary	8	**70,538**	50,501	14,035	**–**	–	–
Exchangeable bonds	22	**–**	–	–	**484,792**	521,449	527,663
		272,314	229,788	291,353	**1,330,332**	1,202,889	1,357,681
Total liabilities		**292,555**	250,029	311,594	**1,360,394**	1,359,089	1,551,347
Total equity and liabilities		**880,574**	874,106	681,247	**4,614,930**	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 2018

The Group	Note	**Year ended 31 December 2018 RMB'000**	Year ended 31 December 2017 RMB'000
Revenue	23	**3,531,113**	3,470,539
Cost of sales		**(2,318,762)**	(2,303,943)
Gross profit		**1,212,351**	1,166,596
Other operating income	24(a)	**38,164**	14,267
Distribution costs	24(b)	**(495,648)**	(464,948)
Administrative expenses	24(c)	**(146,972)**	(132,571)
Cessation of internal production			
- Property, plant and equipment written off	5	**(71,714)**	–
- Impairment loss on property, plant and equipment	5	**(105,132)**	–
- Depreciation of property, plant and equipment	5(a)	**(34,836)**	–
- VAT receivables written off		**(13,676)**	–
- Inventories written off	11	**(1,983)**	–
		(227,341)	–
Other operating expenses	24(f)	**(48,671)**	(15)
Finance costs	24(d)	**(57,237)**	(56,547)
Profit before income tax, gain on extinguishment of debt and changes in fair values of the derivative in relation to convertible loan, and exchangeable bonds including derivatives		**274,646**	526,782
Gain on extinguishment of debt	21(a)	**55,017**	–
Fair value loss on derivative on convertible loan	21(a), 21(b)	**(44,105)**	(11,095)
Changes in fair value of exchangeable bonds	22	**36,657**	6,214
Profit before taxation	24(g)	**322,215**	521,901
Taxation	25	**(168,453)**	(166,075)
Profit for the year and representing total comprehensive income		**153,762**	355,826
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**154,195**	355,963
Non-controlling interests		**(433)**	(137)
		153,762	355,826
		Cents RMB	Cents RMB
Earnings per share:	26		
- Basic		**15.74**	38.0
- Diluted		**15.73**	38.0

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

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 2017		440,948	1,728,917	49,847	(31,413)	211,436	2,399,735	2,168	2,401,903
Total comprehensive income for the year:									
Profit for the year, representing total comprehensive income for the year		–	355,963	–	–	–	355,963	(137)	355,826
Contributions by and distributions to owners:									
Share-based payment expense under ESOS Scheme	16	–	–	16,240	–	–	16,240	–	16,240
Issue of shares	15	204,982	–	–	–	–	204,982	–	204,982
Share issue expenses	15	(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	18	–	–	–	–	–	–	111,334	111,334
Transfer of non-controlling interests into share capital on completion of rights issue on 13 March 2017	15,18	111,334	–	–	–	–	111,334	(111,334)	–
Transfer to statutory reserve	16	–	(7,741)	–	–	7,741	–	–	–
		314,396	(7,741)	16,240	–	7,741	330,636	–	330,636
At 31 December 2017		**755,344**	**2,077,139**	**66,087**	**(31,413)**	**219,177**	**3,086,334**	**2,031**	**3,088,365**
Total comprehensive income for the year:									
Profit for the year, representing total comprehensive income for the year		**–**	**154,195**	**–**	**–**	**–**	**154,195**	**(433)**	**153,762**
Contributions by and distributions to owners:									
Share-based payment expense under ESOS Scheme	16	**–**	**–**	**12,409**	**–**	**–**	**12,409**	**–**	**12,409**
Transfer to statutory reserve	16	**–**	**(13,848)**	**–**	**–**	**13,848**	**–**	**–**	**–**
		–	**(13,848)**	**12,409**	**–**	**13,848**	**12,409**	**–**	**12,409**
At 31 December 2018		**755,344**	**2,217,486**	**78,496**	**(31,413)**	**233,025**	**3,252,938**	**1,598**	**3,254,536**

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 2018

	Note	**Year ended 31 December 2018 RMB'000**	Year ended 31 December 2017 RMB'000
Cash Flows from Operating Activities			
Profit before taxation		**322,215**	521,901
Adjustments for:			
Changes in fair value of exchangeable bonds	22	**(36,657)**	(6,214)
Fair value loss on derivative on convertible loan	21(a), 21(b)	**44,105**	11,095
Gain on extinguishment of debt	21(a)	**(55,017)**	–
Depreciation of property, plant and equipment	5	**139,744**	85,360
Property, plant and equipment written off	5	**71,714**	–
Impairment loss on property, plant and equipment	5, 24(f)	**107,200**	–
Amortisation of land use rights	4	**1,809**	1,499
Share-based payment expense under ESOS Scheme	16	**12,409**	16,240
Loss on disposal of property, plant and equipment	24(g)	**9**	134
VAT receivable written off		**13,676**	–
Inventories written off	11	**1,983**	–
Advances to acquire patents written off	24(f)	**16,200**	–
Trade debts written off	12, 24(f)	**12,981**	–
Interest expense	24(d)	**57,237**	56,547
Interest income	24(a)	**(2,412)**	(3,226)
Exchange loss/(gain)		**14,201**	(18,370)
Operating cash flows before working capital changes		**721,397**	664,966
Decrease in deposits pledged with banks		**28,113**	130,437
Increase in restricted bank balance		**(197)**	–
Decrease in inventories		**11,976**	6,222
Increase in operating receivables		**(202,673)**	(70,066)
(Decrease)/increase in operating payables		**(3,925)**	51,651
Cash generated from operations		**554,691**	783,210
Income tax paid		**(165,277)**	(132,072)
Interest paid		**(68)**	(16,961)
Net cash generated from operating activities		**389,346**	634,177
Cash Flows from Investing Activities			
Acquisition of plant and equipment (Note A)		**(172,648)**	(28,332)
Proceeds from disposal of plant and equipment		**207**	36
Deposits paid for non-current assets (Note A)		**(215,293)**	(48,430)
Interest received		**2,412**	3,226
Net cash used in investing activities		**(385,322)**	(73,500)
Cash Flows from Financing Activities			
Proceeds from share issue	15	**–**	204,982
Share issue costs	15	**–**	(1,920)
Repayment of finance leases liabilities		**(5,616)**	(2,331)
Bank loans obtained		**53,670**	177,000
Bank loans repaid		**(83,075)**	(395,708)
Interest paid		**(12,919)**	(16,387)
Net cash used in financing activities		**(47,940)**	(34,364)
Net (decrease)/increase in cash and cash equivalents		**(43,916)**	526,313
Cash and cash equivalents at beginning of year		**658,181**	131,868
Cash and cash equivalents at end of year	14	**614,265**	658,181

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 2018

Reconciliation of liabilities arising from financing activities

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

	Finance leases	Bank borrowings	Convertible loan	Loan from a related party	Straight bonds	Exchangeable bonds
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	–	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
Cash flow						
Additions	**–**	**53,670**	**–**	**–**	**–**	**–**
Repayments of principal/ interest	**(5,616)**	**(83,075)**	**(7,687)**	**(5,232)**	**–**	**–**
Gain on extinguishment of debt	**–**	**–**	**(55,017)**	**–**	**–**	**–**
Non-cash changes						
Fair value loss on derivative on convertible loan	**–**	**–**	**44,105**	**–**	**–**	**–**
Changes in fair value of exchangeable bonds	**–**	**–**	**–**	**–**	**–**	**(36,657)**
Accrued interest	**597**	**14,978**	**7,524**	**12,583**	**21,487**	**–**
Exchange translation	**–**	**7,524**	**(2,321)**	**8,997**	**–**	**–**
Convertible loan reclassified to loan from a related party	**–**	**–**	**(128,471)**	**128,471**	**–**	**–**
At 31 December 2018	**5,726**	**200,897**	**–**	**144,819**	**234,245**	**484,792**

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

Note A:

Property, plant and equipment

During the financial year ended 31 December 2018, the Group acquired property, plant and equipment with an aggregate cost of RMB 321,477,000 (2017 - RMB 358,167,000), of which RMB 128,468,000 (2017 - RMB 285,084,000) was transferred from deposits paid for non-current assets and RMB Nil (2017 - RMB 13,076,000) was acquired by means of finance leases. Cash payments of RMB 172,648,000 (2017 - RMB 28,332,000) were made to purchase property, plant and equipment. As at 31 December 2018, the amount owing to contractors and suppliers of property, plant and equipment recorded under “Other payables” totalled RMB 20,361,000 (2017 - RMB 31,675,000) (Note 18).

Deposits paid for non-current assets

At 31 December 2018, the Group recorded RMB 577,300,000 (2017 - RMB 510,935,000) as deposits paid for non-current assets. During the financial year ended 31 December 2018, cash payments of RMB 215,293,000 (2017 - RMB 48,430,000) were made. A transfer for a sum of RMB 128,468,000 (2017 - RMB 285,084,000) was made upon completion to property, plant and equipment during the financial year ended 31 December 2018. This excludes a sum RMB 20,460,000 (2017 - RMB 40,213,000) relating to VAT.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2018 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 was located at 56th Floor Tower A, Union Plaza, No. 5022, Binhe Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China ("PRC").

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

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

2(a) Going concern basis

As at 31 December 2018, the Company's current liabilities exceeded its current assets by RMB 264.0 million (2017 - RMB 224.8 million) and the Group reported net current assets of RMB 1,241.1 million (2017 - RMB 1,274.1 million) and has net positive operating cash flows of RMB 389.3 million (2017 - RMB 634.2 million).

However, the Company has defaulted on the repayment of debt owing to a related party, Soleado Holdings Pte. Ltd. ("Soleado") of US$ 21.2 million (RMB 145.5 million) which was due on 6 January 2019. The initial due date was 16 May 2018.

In addition, a subsidiary, Garden Fresh (Hubei) Fruit & Vegetable Beverage Co., Limited ("GF Hubei"), has defaulted on the repayment of the principal sum for the second instalment of US$ 2.5 million (RMB 17.2 million) owing to a financial institution, Deutsche Investitions und Entwicklungsgesellschaft mbH ("DEG") which was due on 15 October 2018 but not paid. The said loan has been registered with the State Administration of Foreign Exchange ("SAFE") regulator when the loan was disbursed by DEG to GF Hubei.

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

(a) The Company has been served with a letter of demand dated 7 January 2019 by Soleado for the principal sum of US$ 20.0 million (equivalent to RMB 137.3 million) and interest under the Repayment Framework Agreement dated 20 July 2018 to the loan agreement dated 13 April 2016. As of 7 January 2019, the interest reported to be owing by the Company to Soleado was US$ 1.2 million (equivalent to RMB 8.2 million) and other charges of S$ 30,000 being costs and expenses for legal and professional fees. The second letter of demand was served on 23 January 2019. As at the date of this report, a sum of S$2.0 million (US$1.5 million; RMB 10.0 million) has been repaid on 19 June 2019 and remaining balance of US$ 19.7 million and interest thereon remains outstanding.

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

(b) The second principal instalment of US$ 2.5 million (RMB 17.2 million) due to DEG together with interest thereon was due on 15 October 2018. Only the interest on the DEG loan was repaid in October 2018 by the borrower, GF Hubei. Under the terms of the DEG loan agreement, the failure to repay any amounts due constitutes an event of default whereby DEG is entitled to demand immediate repayment of all the loans and any accrued interest due by the Group and to terminate the loan agreement with immediate effect. DEG has issued an Acceleration Notice dated 20 December 2018 to GF Hubei and the Company for the immediate repayment of US$ 22.9 million (RMB 157.2 million) together with the default interest.

DEG has also issued letters of payment guarantees to the Company on 22 January 2019 whereas Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited and Garden Fresh Group Holding Co., Ltd have been issued on 21 January 2019 for the immediate repayment of the sum of US$ 22.9 million (RMB 157.2 million). As at the date of this report, a sum of US$ 0.5 million was repaid on 28 June 2019 and the remaining balance of US$ 22.4 million and interest thereon remains outstanding.

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

In so far as exchangeable bonds are concerned, based on the RRA, all these exchangeable bonds are to be converted into preference shares upon full redemption of straight bonds. There are two features identified in relation to the exchangeable bonds:

i. The redemption to the sum in aggregate of RMB 50,312,500 for the 2011 SB2 Bonds and RMB 128,250,000 for the 2012 SB2 Bonds together with the interest thereon where the bonds are repayable on the completion date (13 January 2020) or early redemption on certain circumstances; and

ii. The circumstances are spelt out under the convertible bond instruments for the 2012 Bonds and 2011 Bonds dated 1 March 2016. Amongst others are,

- where there is a breach of any terms or obligations under the bond instrument; and
- where there is a cross-default which would refer to any non-payment of any financial indebtedness being due and repayable.

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

To the best of the knowledge of the directors of the Company, there is no communication from the bondholders whether, in writing or otherwise, that there is any action taken to claim or to enforce the obligations in respect of the aforesaid bonds. The completion date or the redemption date is assumed to be 13 January 2020, the latest date. The early redemption period if happened can be any time from the date of this report.

As at 31 December 2018, the liabilities owing to the bondholders is RMB 719.0 million.

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

Notwithstanding the above, the directors of the Company are of the opinion that the preparation of the financial statements of the Company and of the Group on a going concern basis remains appropriate given that certain measures have been taken by the Company and certain subsidiaries to mitigate the existence of material uncertainties on going concern and to meet its obligations falling due within the next twelve (12) months from the date of the financial statements.

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

- the Group is preparing to repatriate funds of RMB 150.0 million back from the People's Republic of China by way of dividend which require the relevant approval from the People's Republic of China's regulatory bodies. The letter of application to the SAFE regulator was dated 26 February 2019. The approval is still pending at the date of this financial statements;

- on 25 March 2019, the Company announced that it has entered into a placement agreement with JW Capital Group Limited on 22 March 2019 where the Company agrees to allot and issue and JW Capital Group Limited agrees to subscribe for 170,000,000 new shares ("Placement shares") at an issue price of S$0.04 per share at an aggregate consideration of S$6,800,000. 60% of the proceeds shall be used to repay loan owing to Soleado Holdings Pte. Ltd. and the remaining 40% of the proceeds shall be applied to the Group's general working capital use. The proposed placement is subject to certain conditions, including amongst others, the in-principle approval to be obtained from the SGX-ST. On 3 May 2019, the Company announced that the SGX-ST has on that day, granted the in-principle approval for the listing and quotation of 170,000,000 Placement shares.

  As at the date of this financial statements, the Company has partially completed the issue and allotment of 85,000,000 Placement shares ("Tranche 1") for an aggregate proceeds of S$3,350,000 (net of estimated placement expenses of approximately S$50,000) on 13 June 2019. As at the date of this report, a sum of S$2.0 million (US$ 1.5 million; RMB 10.0 million) has been used to pay the loan in part to Soleado and another sum of US$ 0.5 million has been used to pay the loan interest to DEG;

- the management of the Company reiterates that the wholly-owned subsidiary, Garden Fresh Group Holding Co., Ltd. ("GF Cayman") is continuing efforts to seek listing in the New York Stock Exchange ("NYSE"). The proposed listing is in progress as at the date of the financial statements. As announced by the Company on 25 June 2019, an investment agreement has been entered into by and amongst others, the Company, Garden Fresh (HK) Fruit & Vegetable Beverage Co. Limited ("GF Hong Kong"), and the Investor, Baoao Equity Investment Partnership (LLP) (广东宝傲股权投资合伙企业(有限合伙)) on that day for the subscription of 4.65% of the enlarged share capital in GF Hong Kong by the Investor for an aggregate consideration of US$ 30.0 million (equivalent to approximately RMB 200.0 million), subject to the fulfillment of certain conditions by 30 July 2019 as set out in the said announcement. As at the date of this financial statements, the directors of the Company are not aware of any conditions as stipulated in the said investment agreement that have not been complied with. The final date is set to be 30 July 2019 and the fund is expected to be remitted to GF Hong Kong within 45 days from the final date;

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

- similarly, regarding the repayment of loan to Soleado, the Company has received a letter dated 9 July 2019 from Soleado where the lender agreed to a standstill and shall forebear from taking any actions to claim or enforce the obligations of the Company or guarantors to repay the amount due and payable to Soleado for a period up to and including 31 December 2019, subject to the following conditions;

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

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

- funds of approximately S$3,400,000 relating to the remaining 85,000,000 Placement shares of the Company to be received from JW Capital Group Limited and be deposited into the bank account of the Company by 12 July 2019; and

- payment of S$2.0 million (equivalent to approximately US$1.5 million) to Soleado by 31 August 2019.

The Company has received the full sum of S$3,400,000 from JW Capital Group Limited on 10 July 2019.

- the Company has prepared a twelve-month projected cashflows forecast from the date of this report to review the appropriateness of the going concern;

    - there is sufficient monthly working capital for the Group to continue the operating business for the next twelve months and that the Group is able to continue to obtain support from its existing customers and suppliers;

    - funds expected to be received from pre-IPO investors in the region of US$ 30.0 million by end 2019; and

    - the circumstances leading to the event of realisation of assets are very unlikely and remote.

The management is confident that the successful conclusion of the events mentioned above would enable the Company and the Group to continue operations for the foreseeable future. Accordingly, the management considers that the use of going concern basis of preparing financial statements remains appropriate.

2(b) Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(i) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

2(b) Adoption of SFRS(I) (Cont'd)

(i) Optional exemptions applied (Cont'd)

(a) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(b) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the practical expedient provided under SFRS(I) 15 where the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue for the financial year ended 31 December 2017.

(ii) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

		Year ended 31 December 2017					
		Reported under SFRS	Effects of applying SFRS(I) 1	Effects of applying SFRS(I) 15	Reported under SFRS(I)	Effects of applying SFRS(I) 9	Reported under SFRS(I)
The Group	**Note**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue	B	3,717,734	–	(247,195)	3,470,539	–	3,470,539
Cost of sales		(2,303,943)	–	–	(2,303,943)	–	(2,303,943)
Gross profit		1,413,791	–	(247,195)	1,166,596	–	1,166,596
Other operating income		14,267	–	–	14,267	–	14,267
Distribution costs	B	(712,143)	–	247,195	(464,948)	–	(464,948)
Administrative expenses		(132,571)	–	–	(132,571)	–	(132,571)
Other operating expenses		(15)	–	–	(15)	–	(15)
Finance costs		(56,547)	–	–	(56,547)	–	(56,547)
Profit before income tax and changes in fair value of the derivative in relation to convertible loan, and exchangeable bonds including derivatives		526,782	–	–	526,782	–	526,782
Fair value loss on derivative on convertible loan		(11,095)	–	–	(11,095)	–	(11,095)
Changes in fair value of exchangeable bonds		6,214	–	–	6,214	–	6,214
Profit before taxation		521,901	–	–	521,901	–	521,901
Taxation		(166,075)	–	–	(166,075)	–	(166,075)
Profit for the year and representing total comprehensive income		355,826	–	–	355,826	–	355,826

(iii) There were no material adjustments to the Group's equity and statement of cash flows arising from the transition from SFRS to SFRS(I).

2(b) Adoption of SFRS(I) (Cont'd)

Explanatory notes to reconciliations:

The effect of transition to SFRS(I) mainly arises from the adoption of SFRS(I) 9 Financial Instruments and SFRS(I) 15 *Revenue from Contracts with Customers* which are as follows:

A. Adoption of SFRS (I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new "expected credit loss" ("ECL") model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

As disclosed in Note 2(b)(i)(a) to the financial statements, the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 3 to the financial statements.

Classification and measurement of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous SFRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. There is no reclassifications resulting from management's assessment.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table presents original measurement categories under SFRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

The Company and the Group	**Original classification under SFRS 39 (Up to financial year ended 31 December 2017)**	**New classification under SFRS(I) 9 (Effective from 1 January 2018)**
Financial assets		
Trade and other receivables	Loan and receivables	Amortised cost
Cash and bank balances	Loan and receivables	Amortised cost

2(b) Adoption of SFRS(I) (Cont'd)

A. Adoption of SFRS (I) 9 (Cont'd)

Classification and measurement of financial assets and financial liabilities (Cont'd)

The Company	Original classification under SFRS 39 (Up to financial year ended 31 December 2017)	New classification under SFRS(I) 9 (Effective from 1 January 2018)
Financial assets		
Amount owing by subsidiaries	Loan and receivables	Amortised cost

Impairment of financial assets

The Group and the Company have the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- Trade receivables recognised under SFRS(I) 15; and
- Advances to subsidiaries at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Notes 2(c), 8 and 12 to the financial statements.

For trade and other receivables, the Group applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive outstanding contractual amounts in full amount before taking into account any credit enhancements held by the Group.

Due to the strong creditworthiness of the Group's debtors, there is no impairment loss allowance under SFRS(I) 9 as at 1 January 2018.

B. Adoption of SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2(b)(i)(b) to the financial statements, the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

2(b) Adoption of SFRS(I) (Cont'd)

B. Adoption of SFRS(I) 15 (Cont'd)

B1. Accounting for contracts with separate performance obligations

Under SFRS(I) 15, each contract for sales of goods was assessed to be one contract with revenue recognised at a point in time when the control of the goods were transferred to the buyer and when the amount of the costs of the transactions can be measured reliably.

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

The Group has assessed each contract under the requirements of SFRS(I) 15 and concluded that there are two distinct performance obligations which are satisfied at different timings. This is applicable to the Group's overseas trading businesses where shipping services are provided mainly under Cost and Freight ("CFR") international commercial term ("incoterm"), which is considered as a distinct service and, therefore, a separate performance obligation to which a proportion of the transaction price should be allocated and recognised over time as the shipping services are provided.

The extent of the shipping costs under CFR incoterm is regarded trivial.

B2. Variable considerations

The Group gives volume rebates to customers as a form of promotional and sales incentive. Customers typically pay full price for goods or services at contract inception and then receive a rebate in the future. Such rebates are either at a fixed percentage at 7% or 3% of total purchases by customers or at volume rebates ranging from 0.5% to 2.0% tied to an aggregate level of purchases by the customers. With the adoption of SFRS(I) 15, the consideration of revenue transactions is variable because it is based on the volume of eligible transactions.

Management estimates the expected rebates based on the actual volume of sales to determine the transaction price and the revenue to be recognised. Amounts in the transaction price for arrangements with rebates are included only if it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur if estimates of rebates change.

Promotional and sales incentives totalling RMB 247,195,000 previously recognised under distribution costs for the financial year ended 31 December 2017 have been reclassified and netted off against revenue.

2(c) Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

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

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

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

Significant judgements and accounting estimates

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

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

Significant judgements in applying accounting policies

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

<u>Determining Cash Generating Units ("CGU")</u>

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

- all entities in the manufacturing and sale of canned vegetables and canned fruits as a single CGU;

- all entities in the sale of fruit juices as a single CGU; and

- entity in the sale of vegetable and fruits snacks as a CGU.

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

- pricing is controlled and set centrally by the head office across all products by category (canned vegetable and fruits and fruit beverages); and

- prices of products purchased from manufacturing entities take into account of the subsequent sale to external distributors.

<u>Determination of functional currency</u>

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.

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

Significant judgements in applying accounting policies (Cont'd)

Impairment of property, plant and equipment (Note 5)

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

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

Joint venture (Note 6)

The Group holds 51% ownership interest of a joint venture recognised in the consolidated accounts using the equity method in accordance with the percentage owned. Management has assessed that the holding is a joint arrangement as there is a contractual arrangement with the other party resulting in the Group having joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. As the joint arrangement provide the Group with rights to the net assets of the arrangements, the arrangement is a joint venture to the Group. Further details are disclosed in Note 6 to the financial statements.

Income taxes (Notes 9 and 25)

The Group has exposure to income taxes in the jurisdictions in which it operates. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The extent of deferred taxation provided on the undistributed profits of the Company's PRC subsidiaries is disclosed in Note 9(b) to the financial statements.

Critical accounting estimates and key sources of estimation uncertainty

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

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 2018 is RMB 107.0 million (2017 - RMB 108.8 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 201,000 (2017 - RMB 167,000) lower and RMB 165,000 (2017 - RMB 136,000) higher.

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

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

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 2018 are RMB 21,000 (2017 - RMB 14,000) and RMB 1,353.4 million (2017 - RMB 1,350.8 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 15.5 million (2017 - RMB 9.5 million) lower and RMB 12.7 million (2017 - RMB 7.8 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 10.7 million (2017 - RMB 6.3 million) lower and RMB 8.8 million (2017 - RMB 5.2 million) higher.

Allowance for inventory obsolescence (Note 11)

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

If the net realisable value of the inventories decrease by 10% from management's estimates, the Group's results may decrease by RMB 2.4 million (2017 - RMB 3.8 million).

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

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

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

Notwithstanding the above, the Group evaluates the ECL on customers in financial difficulties, if any, separately.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 12 to the financial statements.

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

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

Fair value measurements and valuation processes

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

In relation to the valuation of the exchangeable bonds which were restructured on 28 June 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 Flow method (2017 - Discounted Cash Flow method), 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 Flow 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 32.6 to the financial statements.

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 amount as at 31 December 2018 and redemption amount at 14 January 2019 of the exchangeable bonds is approximately RMB 484.8 million and RMB 486.5 million respectively.

- Derivative on convertible loan

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

The fair value of derivative on convertible loan was measured for the period up till 16 May 2018 using the Discounted Cash Flow method (2017 - Monte Carlo Simulation method) that incorporated certain unobservable market data, uncertainties in estimates and assumptions used by the directors of the Company. The said method required input of highly subjective assumptions in deriving inputs such as volatility rate and liquidity premium. Changes in subjective input assumptions could materially affect the fair value estimates.

Details of the assumptions used are disclosed in Note 32.6 to the financial statements.

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

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

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

Modification of the Exchangeable Bonds ("EB") (Note 22)

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 2017.

Management has made the presumption that the terms and conditions of the Exchangeable Bonds continued as of 28 June 2017 as the Company was in the process of negotiating the restructuring of the EB with the bondholders then.

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

2(d) SFRS(I) issued but not yet effective

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-19	Plan Amendment: Curtailment or Settlement	1 January 2019
Amendments to:		
SFRS(I) 9	Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 3	Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	Definition of Material	1 January 2020

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:

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.

2(d) SFRS(I) issued but not yet effective (Cont'd)

SFRS(I) 16 Leases (Cont'd)

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.

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.

3 Significant accounting policies (Cont'd)

Consolidation (Cont'd)

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.

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

<u>Acquisitions</u>

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

3 Significant accounting policies (Cont'd)

Consolidation (Cont'd)

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

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

Transactions with non-controlling interest

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

Land use rights

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

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.

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.

Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

3 Significant accounting policies (Cont'd)

Joint arrangements (Cont'd)

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

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

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

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

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

Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

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.

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.

3 Significant accounting policies (Cont'd)

Financial assets (Cont'd)

The accounting for financial assets before 1 January 2018 are as follows (Cont'd):

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.

As at 31 December 2017, the Group carries loans and receivables on the statements of financial position. The Group does not have financial assets at fair value through profit or loss, held for maturity investments or available-for-sale financial assets at 31 December 2017.

The accounting for financial assets from 1 January 2018 are as follows:

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 and other receivables and cash and cash equivalents. 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.

Classification and measurement

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

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

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

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

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

3 Significant accounting policies (Cont'd)

Financial assets (Cont'd)

The accounting for financial assets from 1 January 2018 are as follows (Cont'd):

Other than debt instruments at amortised cost, the Group has not designated any financial assets at fair value through profit or loss and fair value through other comprehensive income.

At initial recognition

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

At subsequent measurement

Debt instruments

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

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

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 32.3 details how the Group determines whether there has been a significant increase in credit risk.

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

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

Recognition and derecognition

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

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

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

3 Significant accounting policies (Cont'd)

Derivative financial instruments

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

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

Inventories

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

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

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

Cash and cash equivalents

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

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

Financial liabilities

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

<u>Initial recognition and measurement</u>

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

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

3 Significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Subsequent measurement

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

De-recognition

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

Trade and other payables

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

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

Borrowings

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

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

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

Borrowing costs

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

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 loan

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

<u>Conversion option</u>

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

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

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

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

Exchangeable bonds

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

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

3 Significant accounting policies (Cont'd)

Exchangeable bonds (Cont'd)

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 in the year when changes arises.

Derivative financial instruments - Put and call options

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

Financial guarantees

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

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

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

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

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Significant accounting policies (Cont'd)

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.

Where the Group is the lessor,

Operating leases

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

Income taxes

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

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

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

3 Significant accounting policies (Cont'd)

Income taxes (Cont'd)

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

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

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

Deferred income tax is measured:

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

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

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

Value-added tax

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

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

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

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

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

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.

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

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

Key management personnel

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

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.

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.

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

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

The accounting for revenue recognition from 1 January 2018 is as follows:

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

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

3 Significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

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

a) Sale of goods

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

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

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

b) Rendering of services

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

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

c) Interest income

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

d) Rental income

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

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.

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 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Cost				
Balance at beginning and end of year		**119,977**	119,977	119,977
Accumulated amortisation				
Balance at beginning of year		**11,180**	9,681	7,289
Amortisation for the year	24(c) & 24(g)	**1,809**	1,499	2,392
Balance at end of year		**12,989**	11,180	9,681
Net book value		**106,988**	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 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Net book value	20(a) & 20(e)	**39,603**	40,528	51,542

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 2018	Net book value 31 December 2017	Net book value 1 January 2017
Grandness (Sichuan) Foods Co., Ltd.						
#1 Land at Qiongxin Road side, Linqiong Town, Qionglai City The People's Republic of China (邛崃市临邛镇邛新路侧)	邛崃市人民政府	50 years (expiring on 2 March 2055)	80,834.47	**2,914**	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	**6,669**	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	**39,604**	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	**57,801**	58,437	58,754
				106,988	108,797	110,296

5 Property, plant and equipment

The Company	Office equipment RMB'000
Cost	
At 1 January 2017 and 31 December 2017	**61**
Additions	**12**
At 31 December 2018	**73**
Accumulated depreciation	
At 1 January 2017	43
Depreciation for the year	4
At 31 December 2017	**47**
Depreciation for the year	**5**
At 31 December 2018	**52**
Net book value	
At 31 December 2018	**21**
At 31 December 2017	14
At 1 January 2017	18

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 2017	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**
Additions	**104,798**	**–**	**200,112**	**12**	**113**	**16,442**	**321,477**
Reclassifications	**49,090**	**–**	**31,986**	**–**	**–**	**(81,076)**	**–**
Disposals	**–**	**–**	**(672)**	**(19)**	**(31)**	**–**	**(722)**
Written off	**(44,559)**	**(1,381)**	**(95,182)**	**(238)**	**(610)**	**(1,229)**	**(143,199)**
At 31 December 2018	**866,844**	**2,140**	**993,437**	**3,339**	**2,142**	**478**	**1,868,380**
Accumulated depreciation and impairment loss							
At 1 January 2017	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**
Depreciation for the year	**42,657**	**–**	**96,555**	**326**	**206**	**–**	**139,744**
Disposals	**–**	**–**	**(473)**	**(5)**	**(28)**	**–**	**(506)**
Impairment loss	**36,788**	**–**	**70,412**	**–**	**–**	**–**	**107,200**
Written off	**(18,455)**	**(1,381)**	**(50,933)**	**(196)**	**(520)**	**–**	**(71,485)**
At 31 December 2018	**174,751**	**2,140**	**334,129**	**2,378**	**1,622**	**–**	**515,020**
Comprising:							
- Accumulated depreciation	**137,963**	**2,140**	**263,717**	**2,378**	**1,622**	**–**	**407,820**
- Accumulated impairment loss	**36,788**	**–**	**70,412**	**–**	**–**	**–**	**107,200**
At 31 December 2018	**174,751**	**2,140**	**334,129**	**2,378**	**1,622**	**–**	**515,020**
Net book value							
At 31 December 2018	**692,093**	**–**	**659,308**	**961**	**520**	**478**	**1,353,360**
At 31 December 2017	643,754	–	638,625	1,331	706	66,341	1,350,757
At 1 January 2017	669,280	130	356,385	1,457	529	50,339	1,078,120

5 Property, plant and equipment (Cont'd)

(a) Depreciation is charged to:

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Cost of sales		**62,957**	43,091	40,440
Distribution costs	24(b)	**1,240**	10,652	3,701
Administration expenses	24(c)	**40,711**	31,617	28,468
Cessation of internal production		**34,836**	–	–
		76,787	42,269	32,169
		139,744	85,360	72,609

(b) Factory and warehouse premises are located at:

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
<u>At cost</u>			
Factory and warehouse premises			
- #1 (see Note 4)	**104,087**	66,157	66,157
- #2 (see Note 4)	**212,496**	120,656	120,586
- #3 (see Note 4)	**278,522**	254,478	253,790
- #4 (see Note 4)	**271,739**	271,665	271,544
- #5 *	**–**	44,559	44,559
	866,844	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	44,200.22	永济市蒲州镇镇西文学村村民委员会	20 November 2015	19 November 2025

(c) As at the end of the reporting period, the carrying amount of property, plant and equipment of the Group which have been pledged to financial institutions to secure bank facilities amounting to RMB 388.8 million (2017 - RMB 490.2 million) was as follows:

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
At net book value,				
- Factory and warehouse premises	20(e)	**214,893**	204,351	215,115
- Plant and machinery	20(e)	**173,915**	285,885	169,674
		388,808	490,236	384,789

(d) As at 31 December 2018, the net book value of plant and machinery under finance leases of the Group amounted to RMB 14.4 million (2017 - RMB 16.0 million).

5 Property, plant and equipment (Cont'd)

(e) The construction-in-progress relate to the construction of waste purification system on the existing land at Land at Jing Xiu Jiang Nan East side, Guangzhou Road, Dang Yang City (当阳市广州路(锦绣江南东侧)) which is expected to be completed by end of 2019.

Impairment loss of property, plant and equipment

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

- RMB 105.1 million (2017 - Nil) has been provided on factory and warehouse premise and plant and machinery belonging to Grandness (Shanxian) Food Co., Ltd. ("Grandness Shanxian") as the production has ceased due to the lack of material supply. The said amount is as disclosed under "Cessation of internal production" in the consolidated statement of profit or loss; and

- RMB 2.1 million (2017 - Nil) has been provided on factory and warehouse premise belonging to Grandness (Sichuan) Foods Co., Ltd. ("Grandness Sichuan").

<u>- Factory and warehouse premise</u>

Towards the end of the financial year, the assets belonging to Grandness Sichuan has been affected by the urbanisation programme in 园艺街道办 district where existing industrial area is to be converted into residential district. Management has assessed the extent of the relocation compensation which can be either in kind (in exchange of partial of land in other district) or in cash. The consideration can also be both in kind and in cash pending on the negotiation. Based on available information, the management has estimated an impairment loss which is an approximation to the type of the building structure using a market reference indicator. The extent of compensation varies from each plot of industrial land. The book value of factory and warehouse premise after impairment loss is RMB 141.2 million. The recoverable amount is based on fair value hierarchy level 3.

<u>- Plant and machinery</u>

Management has assessed the grade and weight of production machinery belonging to Grandness Sichuan and estimated the scrap value based on market reference price at scrap. The book value of plant and machinery after impairment loss is RMB 3.3 million. The recoverable amount is based on fair value hierarchy level 3.

<u>Significant unobservable inputs</u>

Type	Valuation technique / Basis	Significant unobservable inputs	Inter-relationship between key unobservable inputs
Factory and warehouse premise			
- Grandness Shanxian	Relocation compensation price list	• RMB2,800/square meter for brick-concrete structure houses • Discount factor of 25%	The recoverable amount would increase/(decrease) if the relocation compensation price and the discount factor is higher/(lower).

5 Property, plant and equipment (Cont'd)

Significant unobservable inputs (Cont'd)

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

Property, plant and equipment written-off

During the financial year ended 31 December 2018, included in property, plant and equipment written off of RMB 71.7 million (2017 - Nil) is an amount totalling RMB 70.7 million made on the property, plant and equipment belonging to Shanxi Yongji on the basis that the production has ceased due to lack of material supply.

6 Joint venture

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Unquoted equity investment, at cost	**–**	–	–
Share of post-acquisition loss	**–**	–	–
	–	–	–

As announced by the Company on 2 August 2018, pursuant to the Joint Venture Agreement dated 26 July 2018, the Group has 51% (2017 - Nil) interest in the ownership and voting rights in a joint venture, Pinle Shenzhen Industrial Company Limited ("Pinle") with a registered capital of RMB 50.0 million, that is held through a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited ("Garden Fresh Shenzhen").

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

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

As at 31 December 2018, no capital contribution has been made by Garden Fresh Shenzhen [Note 30(iv)]. As a result, the Group did not recognise its share of losses of RMB 19,000 in the joint venture for the financial period ended 31 December 2018.

Aggregate information of joint venture that is not individually material

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Revenue	**–**	–	–
Loss for the financial period, representing total comprehensive loss for the financial period	**(38)**	–	–
Share of loss after taxation and total comprehensive loss for the period	**(19)**	–	–
Unrecognised share of loss of joint venture	**(19)**	–	–

7 Subsidiaries

The Company	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Unquoted equity investments, at cost	**42,021**	42,021	42,021
Fair value of share options granted	**68,810**	58,011	43,966
	110,831	100,032	85,987
Amount owing by a subsidiary (non-trade)	**218,773**	–	–
	329,604	100,032	85,987

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

The non-trade amount owing by a subsidiary, Grandness (HK) Industry Co., Limited of RMB 218.8 million (31 December 2017 - Nil; 1 January 2017 - Nil) is regarded as an extension of the Company's net investment in the said subsidiary as the amount owing is neither planned nor likely to be settled in the foreseeable future. The amount owing represents a net investment with indeterminable repayments. The non-trade amount owing is unsecured and interest-free.

Incorporation of entities

On 30 September 2018, the Group incorporated Garden Fresh (Shenzhen) Technology Co., Limited (深圳市鲜绿园智能科技有限责任公司) with a registered capital of RMB 50 million that is held through a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited ("Garden Fresh Shenzhen"). The Group has a shareholding interest of 51% for the purpose of e-commerce business which has yet to commence operations. As at 31 December 2018, no capital contribution has been made by Garden Fresh Shenzhen [Note 30(iv)].

On 8 October 2018, the Group incorporated Anhui Hao Tian Yuan Foods Co., Ltd. (安徽好田园食品有限公司) with a registered capital of RMB 10 million as its wholly-owned subsidiary that is held through a subsidiary, Hao Tian Yuan Industry (Shenzhen) Co. Ltd. ("HTY") for the purpose of processing, packaging and sales of snack which has yet to commence operations. As at 31 December 2018, no capital contribution has been made by HTY [Note 30(iv)].

On 8 December 2017, the Group incorporated Grandness (Shenzhen) Foods Co., Ltd. (深圳市振鹏达食品有限公司) with a registered capital of RMB 50 million as its wholly-owned subsidiary that is held through a subsidiary, Garden Fresh Shenzhen for the purpose of wholesale of pre-packaged food which has yet to commence operations. As at 31 December 2018, no capital contribution has been made by Garden Fresh Shenzhen [Note 30(iv)].

7 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
		31 Dec 2018	31 Dec 2017	1 Jan 2017	**31 Dec 2018**	31 Dec 2017	1 Jan 2017	
		RMB'000	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	1,848	**100**	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	40,173	**100**	100	100	Inactive
Held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)								
Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司)[3]	PRC	**46,853**	39,569	30,636	**58.3**	58.3	58.3	Sale of canned vegetables and canned fruits
Grandness Group Co., Limited (振鹏达集团股份有限公司)[1]	Hong Kong	**–**	–	–	**100**	100	100	Investment holding
Grandness (Anhui) Foods Co., Ltd (振鹏达(安徽)食品有限公司)[7]	PRC	**–**	–	–	**100**	100	100	Production and sale of fruits and vegetable juices
Garden Fresh Group Holding Co., Ltd (鲜绿园集团控股有限公司)[8]	Cayman Islands	**–**	–	–	**100**	100	100	Investment holding
Balance carried forward		**88,874**	81,590	72,657				

7 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
		31 Dec 2018	31 Dec 2017	1 Jan 2017	**31 Dec 2018**	31 Dec 2017	1 Jan 2017	
		RMB'000	RMB'000	RMB'000	**%**	%	%	
Balance brought forward		**88,874**	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	100	Investment holding
Held by Garden Fresh Beverage Group Co., Limited (鲜绿园饮料集团有限公司)								
Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (鲜绿园(香港)果蔬饮料有限公司)[1]	Hong Kong	**–**	–	–	**100**	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	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#	20.77#	Inactive
Balance carried forward		**88,874**	81,590	72,657				

7 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
		31 Dec 2018	31 Dec 2017	1 Jan 2017	**31 Dec 2018**	31 Dec 2017	1 Jan 2017	
		RMB'000	RMB'000	RMB'000	**%**	%	%	
Balance brought forward		**88,874**	81,590	72,657				
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#	51#	Inactive
Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司)[4]	PRC	**–**	–	–	**100**	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	100	Production and sale of canned vegetables and canned fruits (Ceased production since April 2018)
Grandness (Hubei) Foods Co., Ltd (湖北振鹏达食品有限公司)[6]	PRC	**–**	–	–	**100**	100	100	Production and sale of canned vegetables and canned fruits
Hao Tian Yuan Industry (Shenzhen) Co. Ltd. (好田园实业(深圳)有限公司)	PRC	**–**	–	–	**100**	100	100	Sale and distribution of food and related products
Balance carried forward		**88,874**	81,590	72,657				

7 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
		31 Dec 2018	31 Dec 2017	1 Jan 2017	**31 Dec 2018**	31 Dec 2017	1 Jan 2017	
		RMB'000	RMB'000	RMB'000	**%**	%	%	
Balance brought forward		**88,874**	81,590	72,657				
Held by Hao Tian Yuan Industry (Shenzhen) Co. Ltd. (好田园实业(深圳)有限公司)								
Anhui Hao Tian Yuan Foods Co., Ltd. (安徽好田园食品有限公司)[7]	PRC	**–**	–	–	**100**	–	–	Processing, distribution and sale of snacks (Yet to commence operations)
Grandness (Shenzhen) Foods Co., Ltd. (深圳市振鹏达食品有限公司)[7]	PRC	**–**	–	–	**100**	100	–	Whole sale of pre-packaged food (Yet to commence operations)
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#	4.78#	Inactive
Held by Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司)								
Grandness (Sichuan) Foods Co., Ltd. # (四川振鹏达食品有限公司)[4]	PRC	**–**	–	–	**4.78#**	4.78#	4.78#	Inactive
Balance carried forward		**88,874**	81,590	72,657				

7 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
		31 Dec 2018	31 Dec 2017	1 Jan 2017	**31 Dec 2018**	31 Dec 2017	1 Jan 2017	
		RMB'000	RMB'000	RMB'000	**%**	%	%	
Balance brought forward		**88,874**	81,590	72,657				
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	**21,957**	18,442	13,330	**100**	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	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**	100	–	Production and sale of fruits and vegetable juices
Garden Fresh (Shenzhen) Technology Co., Limited (深圳市鲜绿园智能科技有限责任公司) [7]	PRC	**–**	–	–	**51**	–	–	E-commerce (Yet to commence operations)
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited (四川鲜绿园果蔬饮料有限公司)[4]	PRC	**–**	–	–	**99.52**[9]	90	90	Production and sale of fruits and vegetable juices
Balance carried forward		**110,831**	100,032	85,987				

7 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
		31 Dec 2018	31 Dec 2017	1 Jan 2017	**31 Dec 2018**	31 Dec 2017	1 Jan 2017	
		RMB'000	RMB'000	RMB'000	**%**	%	%	
Balance brought forward		**110,831**	100,032	85,987				
Held by Garden Fresh (Hubei) Food & Beverage Co., Limited (鲜绿园(湖北)食品饮料有限公司)								
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited (四川鲜绿园果蔬饮料有限公司)[4]	PRC	**–**	–	–	**0.48**[9]	10	10	Production and sale of fruits and vegetable juices
		110,831	100,032	85,987				

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

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

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 local statutory audit/subsidiaries have yet to commence any business activities.

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

9. Changes due to Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited issued additional share capital amounted to RMB 20.0 million to Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited during the financial year ended 31 December 2018.

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

8 Amount owing by/(to) subsidiaries

The Company	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Amount owing by subsidiaries			
Non-current and non-trade			
Grandness (HK) Industry Co., Limited	**542,592**	738,086	517,203
Shanxi Yongji Huaxin Food Co., Ltd.	**–**	31,000	31,000
	542,592	769,086	548,203
Amount owing to a subsidiary			
Non-current and non-trade			
Shenzhen Grandness Industry Groups Co., Ltd.	**(70,538)**	(50,501)	(14,035)

During the financial year ended 31 December 2018, the entire amount due from Shanxi Yongji Huaxin Food Co., Ltd. of RMB 31.0 million was written off (31 December 2017 - Nil; 1 January 2017 - Nil) as the management is of the view that there is no reasonable expectation of recovery as the said subsidiary has ceased operations.

Included in the amount owing to a subsidiary of RMB 70,538,000 (31 December 2017 - RMB 50,501,000; 1 January 2017 - RMB 14,035,000) 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.

9 Deferred taxation

9(a) Deferred tax assets

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Balance at beginning of year		**–**	–	1,654
Movement during the year				
- current year	25	**1,624**	–	(1,654)
- underprovision in respect of prior year	25	**4,208**	–	–
		5,832	–	–
Balance at end of year		**5,832**	–	–

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

9 Deferred taxation (Cont'd)

9(b) Deferred tax liabilities

		The Company			The Group		
		31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	Note	**RMB'000**	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Balance at beginning of year		**20,241**	20,241	20,241	**20,241**	20,241	20,241
Movement during the year							
- current year	25	**–**	–	–	**7,500**	–	–
Balance at end of year		**20,241**	20,241	20,241	**27,741**	20,241	20,241
The balance comprises tax on							
- undistributed earnings of subsidiaries		**19,241**	19,241	19,241	**26,741**	19,241	19,241
- unremitted income		**1,000**	1,000	1,000	**1,000**	1,000	1,000
To be settled after one year		**20,241**	20,241	20,241	**27,741**	20,241	20,241

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.

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

Deferred tax liabilities of RMB 177.4 million (2017 - RMB 107.1 million) have not been recognised for withholding and other taxes that will be payable on the undistributed profits in accordance with the Group's accounting policies on income and deferred taxes of overseas subsidiaries.

10 Deposits paid for non-current assets

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Advances to contractor for construction of workshop			
Balance at beginning of year	**97,694**	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**	97,694	90,789
Advances to suppliers for purchases of plant and machinery			
Balance at beginning of year	**413,241**	697,013	573,245
Additions	**215,293**	41,525	194,312
Refund *	**–**	–	(70,544)
Transfer to property, plant and equipment on completion	**(148,928)**	(325,297)	–
Balance at end of year	**479,606**	413,241	697,013
Grand total	**577,300**	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.

Included in advances to suppliers for the construction of plant and machinery of RMB 479.6 million as at 31 December 2018 (31 December 2017 - RMB 413.2 million; 1 January 2017 - RMB 697.0 million) is a sum of RMB 38.9 million (31 December 2017 - RMB 38.9 million; 1 January 2017 - RMB 118.0 million) [Note 20(e)] pledged for DEG loan granted to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited.

As at 31 December 2018, the advances of RMB 97.7 million (2017 - RMB 97.7 million; 1 January 2017 - RMB 90.8 million) paid to contractor for construction of workshop related to the construction of factory and warehouse on the existing land at Jing Yi Road East Side and Chen Zhuang Road North Side, Guzhen County, Bengbu City, Anhui Province, The People's Republic of China (安徽省蚌埠市固镇县经济开发区经一路东侧, 陈庄路北侧). The construction relates to prefabricated factory building to be completed by end of 2019 or early 2020.

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

The advances of RMB 479.6 million (2017 - RMB 413.2 million; 1 January 2017 - RMB 697.0 million) made to suppliers for purchases of plant and machinery related to the planned acquisition of new production lines for both the canned vegetables and canned fruits and fruit juices segments for use by the following subsidiaries:

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Garden Fresh (Anhui) Food & Beverage Co., Limited	**154,800**	246,800	–
Shanxi Yongji Huaxin Food Co., Ltd.	**–**	–	83,000
Grandness (Anhui) Foods Co., Ltd.	**170,990**	81,390	153,230
Garden Fresh (Hubei) Food & Vegetable Beverage Co., Limited	**64,816**	85,051	213,983
Grandness (Hubei) Foods Co., Ltd.	**89,000**	–	–
Garden Fresh (Shenzhen) Food & Vegetable Beverage Co., Limited	**–**	–	246,800
	479,606	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.

11 Inventories

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
At cost,			
Finished goods	**16,289**	27,201	34,111
Packaging materials	**4,192**	6,189	6,765
Raw materials	**3,842**	4,892	3,628
	24,323	38,282	44,504
Included in cost of sales are inventories charged of:	**2,285,213**	2,281,878	2,013,908

During the financial year ended 31 December 2018, obsolete inventories of RMB 1,983,000 were written off.

12 Trade receivables

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Trade receivables				
- external parties		**1,601,255**	1,345,669	1,153,722
Less: Expected credit loss on trade receivables				
Balance at beginning of year		**–**	–	(154)
Allowance during the year	24(f)	**(16,571)**	–	–
Allowance utilised		**–**	–	154
Balance at end of year		**(16,571)**	–	–
Net trade receivables		**1,584,684**	1,345,669	1,153,722

Trade receivables are due within 120 days (2017 - 90 to 120 days; 1 January 2017 - 60 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Credit risks exposure

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

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 90 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 180 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss. During the financial year ended 31 December 2018, trade receivables written off amounted to RMB 13.0 million (2017 - Nil).

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

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

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

12 Trade receivables (Cont'd)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The trade receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

The Group's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

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

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Current - neither past due nor impaired	**1,218,487**	1,307,622	790,608

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

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Past due 0 to 3 months	**366,197**	38,047	363,114
Past due 3 to 6 months	**–**	–	–
Past due over 6 months	**–**	–	–
	366,197	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 records with the Group.

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

As at 31 May 2019, approximately RMB 1,367.7 million has been received from customers.

Further details of the Group's financial risk management of credit risk are disclosed in Note 32.3 to the financial statements.

13 Other receivables

	The Company			The Group		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Advances to						
- contractor	**–**	–	–	**–**	223	5,457
- employees	**112**	65	60	**773**	436	424
- third parties	**–**	–	–	**2,355**	2,394	2,978
- trade suppliers	**–**	–	–	**76,981**	121,072	108,860
- acquire new patents	**–**	–	–	**33,000**	49,200	49,200
Prepayments						
- prepaid operating expense	**–**	–	–	**7,288**	26,306	78,643
Amount owing by related parties	**–**	–	–	**1,289**	–	–
VAT receivable	**–**	–	–	**135,331**	97,153	109,258
Export tax refunds	**–**	–	–	**82,545**	101,112	99,220
Tax recoverable	**–**	–	–	**77**	145	25,812
Deposits	**13**	12	12	**775**	448	379
Guzhen (Anhui) Municipal Government (安徽固镇镇政府)	**–**	–	–	**–**	–	60
Others	**33**	95	63	**236**	900	766
	158	172	135	**340,650**	399,389	481,057

Other receivables (excluding prepayments and taxes) are neither past due nor impaired.

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

Prepaid operating expenses include prepaid advertisement expenses amounting to RMB 1.4 million (2017 - RMB 18.8 million; 1 January 2017 - RMB 70.6 million) and prepaid Initial Public Offering ("IPO") expenses amounting to RMB 3.1 million (2017 - RMB 6.3 million; 1 January 2017 - RMB 7.3 million) that relate solely to the equity offering.

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

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% (31 December 2017 - 15%; 1 January 2017 - 15%) on overseas sales.

14 Bank balances, deposits and cash

	The Company			The Group		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Bank balances	**1,176**	4,802	46,904	**607,350**	658,064	131,756
Fixed deposits (with maturity of less than three months)	**7,023**	–	–	**7,022**	–	–
Fixed deposits (pledged for bank borrowings)	**–**	–	–	**7,332**	35,444	165,881
Cash on hand	**–**	–	–	**89**	117	112
	8,199	4,802	46,904	**621,793**	693,625	297,749

The fixed deposits earn an effective interest rate of 1.69% to 2.30% (31 December 2017 - 0.3% to 2.03%; 1 January 2017 - 0.3% to 1.95%) per annum which mature on varying dates between the earliest date, 1 January 2019 (31 December 2017 - 14 March 2018; 1 January 2017 - 5 January 2017) and the latest date, 14 April 2019 (31 December 2017 - 22 August 2018; 1 January 2017 - 23 May 2017).

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 2018** **RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Bank balances, deposits and cash (per above)		**621,794**	693,625	297,749
Less:				
Restricted bank balances		**(197)**	–	–
Deposits placed in banks for bank borrowings	20	**(7,332)**	(35,444)	(165,881)
Cash and cash equivalents		**614,265**	658,181	131,868

Fixed deposits that mature less than three months are classified as part of cash and cash equivalents.

Restricted bank balances represents bank accounts being frozen arisings from legal suits. These amounts are excluded from cash and cash equivalents.

As at the date of this report, a sum of RMB 61,000 included in the restrictions placed on bank balances was discharged on 8 January 2019 upon final settlement of a legal suit and the remaining restricted balance of RMB 136,000 remains frozen due to an unresolved legal suit which is pending the court's final ruling [Note 35(b)].

15 Share capital

	Number of shares			Amount		
	31 December		1 January	**31 December**		1 January
	2018	2017	2017	**2018**	2017	2017
	'000	'000	'000	**RMB'000**	RMB'000	RMB'000
Issued and fully paid ordinary shares with no par value:						
Balance at beginning of year	**979,410**	673,344	673,344	**755,344**	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**	979,410	673,344	**755,344**	755,344	440,948

On 13 March 2017, the Company had 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 related 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 18).

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.

16 Other reserves

	The Company			The Group		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Statutory common reserve						
Balance at beginning of year	**–**	–	–	**219,177**	211,436	171,101
Movement during the year	**–**	–	–	**13,848**	7,741	40,335
Balance at end of year	**–**	–	–	**233,025**	219,177	211,436
ESOS Scheme reserve						
Balance at beginning of year	**66,087**	49,847	22,673	**66,087**	49,847	22,673
Movement during the year	**12,409**	16,240	27,174	**12,409**	16,240	27,174
Balance at end of year	**78,496**	66,087	49,847	**78,496**	66,087	49,847
Merger reserve						
Balance at beginning and end of year	**–**	–	–	**(31,413)**	(31,413)	(31,413)
Grand total	**78,496**	66,087	49,847	**280,108**	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 27). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Merger reserve

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

17 Trade payables

	The Company			The Group		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade payables	**2,733**	1,940	1,662	**66,173**	75,344	23,815
Accruals						
- promotional expense	**–**	–	–	**8,972**	13,859	7,478
- operating expenses	**18,382**	9,095	1,908	**27,584**	17,285	9,992
	21,115	11,035	3,570	**102,729**	106,488	41,285

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

18 Other payables

	The Company			The Group		
	31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Amount owing to						
- contractors	**–**	–	–	**19,717**	31,590	11,588
- suppliers of property, plant and equipment	**–**	–	–	**644**	85	105
- suppliers	**–**	–	–	**266**	88	54
- employees	**–**	–	–	**606**	650	635
- third parties	**559**	559	5,554	**2,167**	2,338	6,402
- a related party	**–**	–	–	**10,267**	–	–
Accrual of directors' fees	**672**	459	588	**672**	459	588
VAT and government tax payable	**–**	–	–	**24,627**	22,688	23,424
Withholding tax payable	**199**	199	199	**199**	199	898
Advances from customers	**–**	–	–	**292**	15	12
Deposits	**–**	–	–	**107**	133	147
Director of the Company	**34,382**	25,076	132,686	**53,268**	35,622	143,232
Others	**30**	92	61	**1,480**	249	242
	35,842	26,385	139,088	**114,312**	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.

18 Other payables (Cont'd)

The amount owing to a related party relates to money received from a registered shareholder of a wholly-owned subsidiary, Hao Tian Yuan Industry (Shenzhen) Co. Ltd. for partial subscription in the said entity for which there is uncalled capital contribution as at 31 December 2018 [Note 30(iv)].

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

During the financial year ended 31 December 2016, included in amount due to a director of the Company, Huang Yupeng, 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 15). The amount due to a director of the Company relates to amount due to Huang Yupeng, which is unsecured and interest-free.

19 Obligations under finance leases

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Minimum lease payment payable:			
Due not later than one year	**3,885**	5,647	–
Due later than one year and not later than five years	**2,496**	6,436	–
	6,381	12,083	–
Less: finance charges allocated to future periods	**(655)**	(1,338)	–
Present value of minimum lease payments	**5,726**	10,745	–
Present value of minimum lease payments:			
Due not later than one year	**3,405**	5,026	–
Due later than one year and not later than five years	**2,321**	5,719	–
	5,726	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)]. The carrying amount of the finance leases approximate their fair values.

The weighted average interest rate of finance lease liabilities as at 31 December 2018 is 9.42% (31 December 2017 - 9.42%; 1 January 2017 - Nil) per annum.

Further details to the Group's financial risk management of interest rate risk and liquidity risk exposures are set out in Note 32.2 and Note 32.4 to the financial statements.

20 Bank borrowings

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Notes payable (secured)				
- 上海浦东发展银行股份有限公司深圳华侨城支行	(a)	**30,000**	–	–
Bank loans (secured)				
- 星展银行(中国)有限公司深圳分行		**–**	–	20,000
- 上海浦东发展银行股份有限公司深圳华侨城支行		**–**	–	28,500
- 上海浦东发展银行股份有限公司深圳华侨城支行		**–**	–	30,000
- 上海浦东发展银行股份有限公司深圳华侨城支行	(b)	**–**	25,000	–
- 中信银行股份有限公司深圳分行		**–**	–	40,000
- 上海浦东发展银行股份有限公司深圳分行		**–**	–	30,000
- 上海浦东发展银行股份有限公司		**–**	–	65,208
- 渤海国际信托股份有限公司		**–**	–	50,000
- 中国信托商业银行股份有限公司广州分行	(c)	**5,600**	–	–
- 中国信托商业银行股份有限公司广州分行	(c)	**2,470**	–	–
- 中国信托商业银行股份有限公司广州分行	(c)	**5,600**	–	–
- 中国信托商业银行股份有限公司广州分行	(d)	**–**	20,000	–
- Deutsche Investitions und Entwicklungsgesellschaft mbH ("DEG")	(e)	**157,227**	162,800	173,425
		200,897	207,800	437,133
Amount repayable:				
Not later than one year		**200,897**	77,560	263,708
Later than one year and not later than five years		**–**	130,240	173,425
		200,897	207,800	437,133

(a) The notes payable of RMB 30.0 million are granted in two tranches of RMB 15.0 million each and are repayable on 4 March 2019. The notes payable are secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng; and
- the land use right belonging to a subsidiary, GF (Hubei) with a carrying amount of RMB 39.6 million (31 December 2017 - RMB 40.5 million; 1 January 2017 - RMB 51.5 million) (Note 4).

Interest is charged at 5.00% per annum.

As at the date of this report, the notes payable of RMB 30.0 million were fully repaid on the said due date.

20 Bank borrowings (Cont'd)

(b) The bank loan of RMB 25.0 million was repaid on 22 August 2018. The loan was secured by a pledge of cash and bank balances of US$ 4.2 million (RMB 27.4 million) (Note 14) of a wholly-owned subsidiary, Grandness (HK) Industry Co., Limited.

Interest was charged at 4.35% per annum.

(c) The term loans of RMB 5.6 million, RMB 2.47 million and RMB 5.6 million is repayable on 28 March 2019, 29 March 2019 and 22 April 2019 respectively. These loans are secured by, inter-alia:

- a personal guarantee by a director of the Company, Huang Yupeng;
- a corporate guarantee provided by a wholly-owned subsidiary, Sino Grandness Food Industry Group Limited; and
- a pledge of bank balances of RMB 7.3 million (Note 14) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

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

As at the date of this report, these term loans were fully repaid on the said due date.

(d) The bank loan of RMB 20.0 million was repaid on 11 April 2018. The loan was 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 14) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest was charged at 5.87% per annum.

(e) On 8 January 2016, the term loan of US$ 25.0 million (RMB 171.6 million) (31 December 2017 - RMB 162.8 million; 1 January 2017 - RMB 173.4 million) was granted to a wholly-owned subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited ["GF (Hubei)"] by DEG and the loan was disbursed on 21 July 2016. The term loan is repayable over 10 instalments semi-annually commencing from 15 April 2018 with a fixed principal payment of US$ 2.5 million plus any applicable interest.

20 Bank borrowings (Cont'd)

The loan is secured by, inter-alia:

- first ranking mortgage in the amount of US$ 25.0 million (RMB 157.2 million) (31 December 2017 - RMB 162.8 million; 1 January 2017 - RMB 173.4 million) on the land use rights, factory and warehouse premises belonging to a subsidiary, GF (Hubei) with the carrying amount of RMB 39.6 million (31 December 2017 - RMB 40.5 million; 1 January 2017 - RMB 51.5 million) (Note 4) and RMB 214.9 million (31 December 2017 - RMB 204.4 million; 1 January 2017 - RMB 215.1 million) [Note 5(c)] respectively;

- a pledge of deposit of non-current asset with a carrying amount of RMB 38.9 million (31 December 2017 - RMB 38.9 million; 1 January 2017 - RMB 118.0 million) (Note 10) belonging to a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited;

- a pledge of plant and machinery with a carrying amount of RMB 173.9 million (31 December 2017 - RMB 285.9 million; 1 January 2017 - RMB 169.7 million) [Note 5(c)] belonging to a subsidiary, GF (Hubei);

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

- a corporate guarantee provided by the Company.

Interest is charged at 6-month London Inter-Bank Offer Rate ("LIBOR") plus 3.80% per annum. As at the end of the reporting period, the applicable floating interest rate stood at 3.80% (2017 - 3.80%; 1 January 2017 - 3.80%) per annum over the applicable 6-month LIBOR.

The effective interest rate of the term loan ranges from 5.00% to 6.00% (2017- 5.14% to 5.57%; 1 January 2017 - 4.50% to 5.06%) per annum.

Default of loan repayment

GF (Hubei) had defaulted on the repayment of the principal sum for the second instalment of US$ 2.5 million (RMB 17.2 million) owing to DEG which was due on 15 October 2018 but not paid.

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

DEG has issued letters of payment guarantees to the Company on 22 January 2019, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited on 21 January 2019 and Garden Fresh Group Holding Co., Ltd on 21 January 2019 for the immediate repayment of the sum of US$ 22.9 million (equivalent to RMB 157.2 million). Arising from the default of the loan repayment, the entire said loan is classified as current liabilities as at 31 December 2018.

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

The said loan has been registered with the SAFE.

21 Convertible loan / Loan from a related party

(a) Convertible loan

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

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

On 15 May 2017, the Company 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 15). Shareholders' approval was obtained in the extraordinary general meeting held on 8 June 2017. The convertible loan was not converted on or prior to the maturity date, 16 May 2018.

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

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

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

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

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

21 Convertible loan / Loan from a related party (Cont'd)

(a) Convertible loan (Cont'd)

The Company and The Group	Note	31 December 2017 RMB'000	1 January 2017 RMB'000
At beginning of year		134,660	–
Transaction value		–	129,178
Adjusted for:			
Fair value gain on convertible loan at inception		–	(7,847)
Amortised interest cost	24(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	24(g)	11,095	–
At end of 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 Laselle 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.

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

The embedded derivative (effective upon Shareholders' approval obtained as mentioned above) was 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) was denominated in US$ but the underlying share of the Company is traded in S$. Therefore, it was not possible to separate the equity price risk from the foreign currency risk and value each component separately, because the two were interdependent. The management of the Company was of the view that they should be bundled together as a whole and to be treated as a single compound derivative.

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

21 Convertible loan / Loan from a related party (Cont'd)

(a) Convertible loan (Cont'd)

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

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

As at 16 May 2018, the fair value of the convertible loan (excluding option derivative), determined by an independent valuer, Jones Lang Laselle Corporate and Appraisal Advisory Limited, was calculated using cash flows discounted at an effective interest rate of 16.54% (31 December 2017 - 16.28%; 1 January 2017 - Nil) per annum. The derivative on convertible loan was derived using Binomial Option Pricing Model (31 December 2017 - Monte Carlo Simulation method at a discount rate of 14.11% per annum); 1 January 2017 - Nil). The significant input into the model is the exercise price of $0.16. The fair value is within Level 3 of the fair value hierarchy [Note 32.6(a)].

(b) Loan from a related party

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

The fair value of the loan at inception is determined by an independent valuer, Jones Lang Laselle Corporate and Appraisal Advisory Limited, discounted using an effective interest rate of 15.34%. The fair value is within Level 3 of the fair values hierarchy [Note 32.6(a)].

21 Convertible loan / Loan from a related party (Cont'd)

(b) Loan from a related party (Cont'd)

Default of loan repayment

Subsequent to the reporting period, the Company has been served with a letter of demand dated 8 January 2019 by Soleado for the principal sum of US$ 20 million (equivalent to RMB 137.3 million) and interest under the Repayment Framework Agreement dated 20 July 2018 to the loan agreement dated 13 April 2016. As of 8 January 2019, the interest reported to be owing by the Company to Soleado was US$ 1.2 million (equivalent to RMB 8.2 million) and other charges of S$30,000 being costs and expenses for legal and professional fees.

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

On 19 June 2019, the Company paid a sum of S$2.0 million (US$1.5 million; RMB 10.0 million) as part payment to Soleado. On 9 July 2019, the Company has received a letter from Soleado where the lender agreed to a standstill and shall forebear from taking any actions to claim or enforce the obligations of the Company or guarantors to repay the amount due and payable to Soleado for a period up to and including 31 December 2019, subject to the following conditions:

- funds of approximately S$3,400,000 relating to Tranche 2 placement of the Company to be received from JW Capital Group Limited and be deposited into the bank account of the Company by 12 July 2019; and
- payment of S$2.0 million (equivalent to approximately US$1.5 million) to Soleado by 31 August 2019.

As at the date of this financial statements, the Company has received the full sum of S$3,400,000 from JW Capital Limited on 10 July 2019.

As at the date of this report, the debt of US$ 19.7 million (RMB 135.2 million) remains outstanding.

22 Exchangeable bonds

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Exchangeable Bonds, at fair value	**484,792**	521,449	527,663

2016 Restructuring

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

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

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

22 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

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**).

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

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

					Carrying amount		
	Maturity date	Interest rate (per annum)	Principal amount RMB'000	Redemption price RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
SB2 Bonds							
2011 SB2 Bonds	28 September 2017	10%	50,312	72,802	**66,002**	59,948	54,498
2012 SB2 Bonds	28 September 2017	10%	128,250	185,577	**168,243**	152,810	138,918
Total			^178,562	258,379	**234,245**	212,758	193,416

22 **Exchangeable bonds (Cont'd)**

2017 Restructuring (Cont'd)

SECTION A - FULL REDEMPTION OF 2011 SB2 BONDS AND 2012 SB2 BONDS (CONT'D)

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

No repayment has been made on the said due date.

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 Group Holding Co., Ltd ("**Garden Fresh Cayman**") to:

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

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

22 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)

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 (Note 36.1) and (b) prior to the issuance of any new Garden Fresh Cayman Shares upon or following the listing of Garden Fresh Cayman Shares on the Main Board of the HKSE or on the A share market of the Shanghai Stock Exchange or the Shenzhen Stock Exchange (also *see section under Amended terms under RRA below as to the expanded listing of stock exchange*).

22 Exchangeable bonds (Cont'd)

<u>2017 Restructuring (Cont'd)</u>

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**").

See section under *Amended terms under RRA* below as to amended and extended Completion Date and 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 210,300,000 with respect to all of the New Investor Qualifying Shares.

The New Investor Qualifying Shares will be issued as one or more series of redeemable preference shares 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.

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

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

(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.

22 Exchangeable bonds (Cont'd)

<u>2017 Restructuring (Cont'd)</u>

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

<u>Terms and conditions of 2011 Preference Shares and 2012 Preference Shares (Cont'd)</u>

<u>Conversion</u>

(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 (*also see section under Amended terms under RRA below as to the expanded listing of stock exchange*).

22 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 (Cont'd)

(x) If:

(a) New Investor Qualifying Shares are issued; and

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

A x (100% - B) = C

Where:

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

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

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

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

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

22 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 ("**QLA**") prior to Initial Redemption Date; or

- starting from the 30th day after the date on which the QLA has been rejected, withdrawn or has lapsed (such redemption date and the Initial Redemption Date, "**Redemption Date**"), if (and only if) a QLA has been made prior to the Initial Redemption Date but has been rejected or withdrawn or has lapsed after the Initial Redemption Date,

in each case at a redemption price (calculated in RMB but paid in US$ at the prevailing US$-RMB exchange rate) which, after taking into account any dividends paid, represents an Internal Rate of Return of 7% per annum from 25 July 2012, being the date on which Goldman Sachs Investments Holdings (Asia) Limited made its initial investment in the Group in 2012 to the relevant redemption date. The redemption price shall be paid in US$ at the prevailing US$-RMB exchange rate.

Optional Redemption of the 2011 Preference Shares: Subject to the Statute and the Articles, the 2011 Preference Shares may be redeemed at the option of Garden Fresh Cayman in whole but not in part:

- on the date falling 30 months after the Issue Date (the "**Initial Redemption Date**"), if (and only if) Garden Fresh Cayman has not made a QLA prior to Initial Redemption Date; or

- on a day falling 30 days or more after the date on which the QLA has been rejected, withdrawn or has lapsed (such redemption date and the Initial Redemption Date, "**Redemption Date**"), if (and only if) a QLA has been made prior to the Initial Redemption Date but has been rejected or withdrawn or has lapsed after the Initial Redemption Date,

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

Variation of rights

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

SECTION C - PUT AND CALL OPTION DEED

Put option

The Company hereby irrevocably grants:

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

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

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

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

22 Exchangeable bonds (Cont'd)

<u>2017 Restructuring (Cont'd)</u>

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

<u>Call option</u>

Each Preference Shareholder hereby irrevocably grants to the Company:

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

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

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

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

As at 31 December 2017 and 31 December 2018, 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. As of those dates, the options were not considered to take effect yet as no preference shares in Garden Fresh Cayman (proposed listco) have been issued.

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

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

The 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. The terms and conditions of the exchangeable bonds continued as of 28 June 2017.

22 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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

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

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

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

  (ii) conversion occurring on the Qualifying IPO Date.

Accordingly, the embedded derivative is a financial derivative liability.

The management of the Company has designated the Exchangeable Bonds as a financial liability at fair value through profit or loss, and has measured it at its fair value, with changes in fair value recognised in profit or loss at each reporting date. The valuation of the Exchangeable Bonds was carried out by an independent third party valuer, Jones Lang LaSalle Corporate and Appraisal Advisory Limited using discounted cash flows model. The fair value measurement of the Exchangeable Bonds is classified under fair value hierarchy Level 3 as disclosed in Note 32.6(a) to the financial statements.

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)

22 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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	Valuation on 1 January 2017	Changes in fair value/ Gain on valuation
	RMB'000	RMB'000	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	Valuation on 30 June 2017	Changes in fair value/ Loss on valuation
	RMB'000	RMB'000	RMB'000
Exchangeable bonds	521,449	521,085	(364)

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

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

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

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

As at the date of this report, as fully explained in Note 2(a) to the financial statements regarding the going concern basis, neither the Company nor any of its subsidiaries within the Group has received any notice, whether in writing or otherwise, from any of the bondholders as regard to the triggering of cross-default which refer to non-payment of any financial indebtedness being claimed and payable.

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

22 Exchangeable bonds (Cont'd)

<u>2017 Restructuring (Cont'd)</u>

<u>Amended terms under RRA</u>

The salient terms amended under the RRA include the following:

(a) within 10 business days after the date of the RRA, Garden Fresh Cayman agrees to issue and allot to GS a first 2012 Preference Share which shall form a single series with the other 2012 Preference Shares to be issued (Note 36.1) on the New Completion Date (as defined below);

(b) the completion date shall be amended and extended to be the earlier of the following (the "**New Completion Date**"):

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

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

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

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

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

(a) the 2011 SB2 Bonds and 2012 SB2 Bonds shall be repaid and fully redeemed on the New Completion Date (which is 13 January 2020);

(b) the substitution of the 2011 bonds to 2011 preference shares and the 2012 bonds to 2012 preference shares on the New Completion Date; and

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

23 Revenue

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Sale of		
- canned asparagus	**280,190**	313,302
- canned long beans	**85,861**	95,428
- canned mushrooms	**131,797**	143,959
- canned fruits	**457,097**	452,653
- snacks	**21,908**	20,128
	976,853	1,025,470
Less: promotional expense for canned products	**(37,095)**	(26,570)
	939,758	998,900
Sale of beverages	**2,802,957**	2,711,582
Less:		
- volume rebates for beverages	**(19,047)**	(19,318)
- promotional and sales incentives for beverages	**(192,555)**	(220,625)
	2,591,355	2,471,639
	3,531,113	3,470,539

<u>Disaggregation of revenue from contracts with customers:</u>

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

	At a point in time RMB'000	Over time RMB'000	Total RMB'000
2018			
- The People's Republic of China	**3,033,686**	**–**	**3,033,686**
- Europe	**461,897**	**–**	**461,897**
- North America	**27,022**	**–**	**27,022**
- Others	**8,508**	**–**	**8,508**
	3,531,113	**–**	**3,531,113**
2017			
- The People's Republic of China	2,921,100	–	2,921,100
- Europe	498,822	–	498,822
- North America	40,979	–	40,979
- Others	9,638	–	9,638
	3,470,539	–	3,470,539

There is no unsatisfied performance obligation as at 31 December 2018, 31 December 2017 and 1 January 2017.

24(a) Other operating income

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Sales of scrap		**206**	–
Sales of raw materials and packaging materials		**19,332**	5,803
Cost of raw materials and packaging materials		**(7,909)**	(7,419)
		11,629	(1,616)
Government subsidy		**8**	21
Interest income - banks		**2,412**	3,226
Exchange gain	24(g)	**19,544**	11,584
Rental income		**1,918**	604
Miscellaneous income		**2,653**	448
		38,164	14,267

24(b) Distribution costs

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Depreciation of property, plant and equipment	5(a)	**1,240**	10,652
Employee benefit costs	24(e)	**10,021**	9,961
Freight charges		**197,950**	234,440
Entertainment		**216**	141
Travelling		**967**	1,250
Packaging		**4,978**	10,000
Advertising expenses	24(g)	**259,617**	182,697
Promotional salary expenses	24(g)	**19,660**	14,334
Rental expenses	24(g)	**385**	–
Others		**614**	1,473
		495,648	464,948

24(c) Administrative expenses

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Depreciation of property, plant and equipment	5(a)	**40,711**	31,617
Amortisation of land use rights	4 & 24(g)	**1,809**	1,499
Audit fees paid/payable to:			
- auditors of the Company	24(g)	**1,450**	1,310
- other auditors	24(g)	**260**	307
Other audit or review fees:			
- auditors of the Company	24(g)	**1,360**	879
- other auditors	24(g)	**118**	334
Bank charges		**1,966**	1,332
Consumable expenses		**112**	214
Directors' fees	24(g)	**727**	515
Employee benefit costs		**20,768**	20,543
Share-based payment expense under ESOS Scheme	24(e) & 24(g)	**12,409**	16,240
	24(e)	**33,177**	36,783
Entertainment		**669**	757
Exchange loss	24(g)	**23,051**	17,006
Loss on disposal of property, plant and equipment	24(g)	**9**	134
Government tax expenses		**3,469**	2,897
IPO expenses	24(g)	**6,428**	4,400
Motor vehicle expenses		**218**	184
Professional and legal fees		**18,723**	19,757
Rental expenses	24(g)	**2,770**	2,427
Repair and maintenance		**216**	205
Travelling expenses		**1,257**	1,133
Utilities		**1,202**	799
Others		**7,270**	8,082
		146,972	132,571

24(d) Finance costs

The Group	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Interest expenses:			
Bank borrowings		**15,643**	16,670
Straight bonds	22	**21,487**	19,342
Convertible loan - amortised cost	21	**7,524**	20,244
Loan from a related party	21	**12,583**	–
Others		**–**	291
		57,237	56,547
The effective interest rate per annum:			
- bank borrowings		**4.35% – 6.00%**	4.35% – 5.87%
- straight bonds		**9.44%**	10.21%
- convertible loan	21	**16.28%**	16.28%
- loan from a related party	21	**15.56%**	–
- obligations under finance leases	19	**9.42%**	9.42%

24(e) Employee benefit costs

The Group	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Directors' remuneration:			
- salaries and related costs		**10,418**	11,108
- defined contributions		**86**	92
Key management personnel (other than directors):			
- salaries and related costs		**792**	1,712
- defined contributions		**33**	90
Other than directors and key management personnel:			
- salaries and related costs		**26,830**	36,870
- defined contributions		**1,920**	2,183
Share-based payment expense under ESOS Scheme			
- Directors		**4,993**	4,472
- Key management personnel (other than directors)		**1,884**	1,485
- Other than directors and key management personnel		**5,532**	10,283
	24(c) & 24(g)	**12,409**	16,240
		52,488	68,295

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

Employee benefit costs are charged to:

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Cost of sales		**9,290**	21,551
Distribution costs	24(b)	**10,021**	9,961
Administrative expenses	24(c)	**33,177**	36,783
		52,488	68,295

24(f) Other operating expenses

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Advances to acquire patents written off		**16,200**	–
Trade debts written off	12	**12,981**	–
Provision for expected credit loss on trade receivables	12	**16,571**	–
Impairment loss on property, plant and equipment	5	**2,068**	–
Others		**851**	15
		48,671	15

24(g) Profit before taxation

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Profit before taxation has been arrived at after charging/ (crediting):			
Advertising expenses	24(b)	**259,617**	182,697
Amortisation of land use rights	4 & 24(c)	**1,809**	1,499
Audit fees paid/payable to:			
- auditors of the Company	24(c)	**1,450**	1,310
- other auditors	24(c)	**260**	307
Other audit or review fees:			
- auditors of the Company	24(c)	**1,360**	879
- other auditors	24(c)	**118**	334
Depreciation of property, plant and equipment	5(a)	**139,744**	85,360
Changes in fair value of exchangeable bonds	22	**(36,657)**	(6,214)
Fair value loss on derivative on convertible loan	21	**44,105**	11,095
Directors' fees	24(c)	**727**	515
Exchange loss (net)	24(a) & 24(c)	**3,507**	5,422
Loss on disposal of property, plant and equipment (net)	24(c)	**9**	134
IPO expenses	24(c)	**6,428**	4,400
Promotional salary expenses	24(b)	**19,660**	14,334
Rental expenses:			
- factory and warehouse	24(c)	**2,770**	2,427
- others	24(b)	**385**	–
		3,155	2,427
Share-based payment expense under ESOS Scheme	24(c) & 24(e)	**12,409**	16,240

25 Taxation

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Current taxation		**166,785**	166,075
Deferred taxation			
- current year		**5,876**	–
- in respect of prior year	9(a) & 9(b)	**(4,208)**	–
		1,668	–
		168,453	166,075

25 Taxation (Cont'd)

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 2018 RMB'000**	31 December 2017 RMB'000
Profit before taxation	**322,215**	521,901
Tax at statutory rate of 25%	**89,578**	158,096
Tax at statutory rate of 17%	**(15,069)**	(15,610)
Tax at statutory rate of 16.5%	**(290)**	(3,076)
Tax effect on non-taxable income	**(17,514)**	(3,055)
Tax effect on non-deductible expenses	**94,857**	17,776
Underprovision of deferred taxation in respect of prior years	**(4,208)**	–
Deferred tax assets not recognised	**17,838**	6,891
Deferred tax assets recognised on unabsorbed capital allowance	**(1,624)**	–
Deferred tax liabilities recognised on undistributed earnings of subsidiaries	**7,500**	–
Utilisation of deferred tax assets previously not recognised	**–**	(277)
Others	**(2,615)**	5,330
	168,453	166,075

Non-deductible expenses included in the tax reconciliation of the Group relate mainly to impairment loss on property, plant and equipment and trade receivables, write-off of trade debts, VAT receivable, advances to acquire patents, the amortised interest expenses and changes in fair values of option derivatives in relation to the convertible bonds and convertible loan which are not tax deductible.

Non-taxable income relates mainly to gain on extinguishment of debt and certain types of income exempted from tax.

The Group has unabsorbed tax losses of certain subsidiaries amounting to approximately RMB 310.8 million (2017 - RMB 49.5 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.

The unrecognised tax losses will expire as follows:

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Year 2018	**–**	3,534
Year 2019	**4,364**	4,364
Year 2020	**3,751**	3,751
Year 2021	**10,272**	10,272
Year 2022	**27,564**	27,564
Year 2023	**264,861**	–
Total	**310,812**	49,485

25 Taxation (Cont'd)

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB 77.7 million (2017 - RMB 12.4 million) arising from these unabsorbed tax losses from certain subsidiaries because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

26 Earnings per share

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Net profit attributable to equity holders of the Company	**154,195**	355,963

The Group	**31 December 2018**	31 December 2017
	No. of shares '000	
Weighted average number of ordinary shares outstanding for the purpose of basic earnings per share	**979,411**	936,365
Adjustment for the effect:		
- share options	**786**	1,556
Weighted average number of ordinary shares outstanding for the purpose of diluted earnings per share	**980,197**	937,921

The Group	**31 December 2018 RMB**	31 December 2017 RMB
Basic earnings per share (cents)	**15.74**	38.0
Diluted earnings per share (cents)	**15.73**	38.0

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 15) multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Company (for the purpose of diluted earnings per share) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

26 Earnings per share (Cont'd)

Diluted earnings per share (Cont'd)

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit or loss.

For the financial years ended 31 December 2017 and 31 December 2018, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible loan as it had an anti-dilutive effect on the earnings per share calculation.

In relation to the exchangeable bonds which are to be substituted into preference shares issued by Garden Fresh Cayman (the proposed listco) upon full redemption and completion of SB2 (Note 22), 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. The computation of diluted earnings per share does not assume the conversion of the said preference shares as it had an anti-dilutive effect on the earnings per share calculation.

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

	Weighted average exercise options 2018 '000	**Options price 2018 SGD**	Weighted average exercise options 2017 '000	Options price 2017 SGD
Outstanding at beginning of year	**43,304**	**0.32**	30,804	0.38
Granted	**13,300**	**0.22**	12,500	0.18
Forfeited	**(4,407)**	**0.39**	–	–
Adjustments*	**3,108**	**0.35**	–	–
Outstanding at end of year	**55,305**	**0.29**	43,304	0.32
Exercisable at year end	**12,543**	**0.45**	16,290	0.29

* On 25 October 2018, the Company made an SGX announcement relating to adjustments made to the exercise prices and number of outstanding share options which were granted in 2015 and 2016 ("Adjustments"). The Adjustments made to the outstanding share options have been made in accordance to Rule 10 of the ESOS Scheme. There is no adjustments made to the accounting for equity-settled share-based payments after vesting date as the incremental fair value is Nil.

27 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 2018 are shown below:

	2018	2017
Weighted average share price	**SGD 0.35**	SGD 0.39
Weighted average exercise price	**SGD 0.32**	SGD 0.32
Expected volatility	**53.48%**	53.30%
Expected option life	**6.5 years - 8.0 years**	6.5 - 8.0 years
Risk-free rate	**2.20%**	2.08%
Expected dividend yield	**0%**	0%
Fair value at measurement date	**SGD 0.243 (RMB 1.109)**	SGD 0.277 (RMB 1.360)

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Other than stated, no other features of the option grant were incorporated into the measurement of fair value.

28 Related party transactions

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

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Interest charged by a related party		
- convertible loan	**5,749**	18,435
- loan	**13,059**	–
Advisory fee payable/paid to a related party	**7,549**	7,188

The related party refers to the PM Group of companies under which the non-executive director, Chalermchai Mahagitsiri serves as a common director (resigned on 31 January 2019). As a shareholder of PM Group, which holds shares in the Company, Chalermchai Mahagitsiri meets the definition of a related party under SFRS(I) 1-24 Related Party Disclosures despite being a common director.

29 Dividends

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

30 Commitments

(i) Operating lease commitment (non-cancellable)

(A) Where Group is the lessee

At the end of the reporting period, the Group was committed to making the following lease rental payment under non-cancellable operating leases for factory, warehouse and office premises:

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Not later than one year	**838**	2,195
Later than one year and not later than five years	**991**	1,657
Later than five years	**365**	511

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

(B) Where Group is the lessor

At the end of reporting period, the Group had the following rental income under non-cancellable lease for factory and warehouse premises with a term of more than one year:

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Not later than one year	**50**	50
Later than one year and not later than five years	**42**	92
Later than five years	**–**	–

30 Commitments (Cont'd)

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

(B) Where Group is the lessor (Cont'd)

The current rent receivable on the lease 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	**2018 RMB'000**	2017 RMB'000
Expenditure contracted for the construction of:		
- production plant [a]	**10,982**	123,834
- factory plant	**19,695**	21,365
- equipment	**74,345**	81,141
Expenditure contracted for the acquisition of patents	**6,800**	10,800
	111,822	237,140

[a] In financial year 2013, the Group entered into a Cooperation Agreement with Guzhen (固镇) Municipal Government of Anhui Province, PRC whereby the Group principally agreed to invest RMB 600.0 million to construct a production plant to produce canned products and beverages. The aggregate cost incurred as at 31 December 2018 was RMB 596.27 million (2017 - RMB 476.17 million).

(iii) Corporate guarantees

The Company has provided corporate guarantees to certain banks for credit facilities totalling RMB 257.2 million (31 December 2017 - RMB 202.8 million; 1 January 2017 - RMB 173.4 million) granted to two subsidiaries for which the Company is exposed to liabilities which is capped at RMB 170.9 million (31 December 2017 - RMB 182.8 million; 1 January 2017 - RMB 173.4 million). As at the reporting date, the bank credit facilities utilised stood at RMB 170.9 million (2017 - RMB 182.8 million; 1 January 2017 - RMB 173.4 million) [Notes 20(c), 20(d) and 20(e)].

As at 31 December 2018, the fair value of the corporate guarantees determined based on the expected loss arising from the risk of default is insignificant.

30 Commitments (Cont'd)

(iv) Other commitment

Uncalled capital contribution

The Group	2018 RMB'000	2017 RMB'000
Subsidiary		
Hao Tian Yuan Industry (Shenzhen) Co., Ltd.	**50,000**	50,000
Joint venture		
Pinle Shenzhen Industrial Company Limited	**25,500**	–
Garden Fresh (Shenzhen) Technology Co., Limited	**25,500**	–
Grandness (Shenzhen) Foods Co., Ltd.	**50,000**	–
	151,000	50,000

31 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.

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.

31 Statement of operations by segments (Cont'd)

(a) Business segments

The Group	Canned vegetable and fruits		Fruit beverages		Total	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017	**31 December 2018**	31 December 2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
REVENUE						
Total sales*	**939,758**	998,900	**2,591,355**	2,471,639	**3,531,113**	3,470,539
RESULTS						
Segment result	**(134,098)**	61,638	**465,981**	521,691	**331,883**	583,329
Finance costs	**(22,752)**	(26,790)	**(34,485)**	(29,757)	**(57,237)**	(56,547)
Gain on extinguishment of debt	**55,017**	–	**–**	–	**55,017**	–
Fair value loss on derivative on convertible loan	**(44,105)**	(11,095)	**–**	–	**(44,105)**	(11,095)
Changes in fair value of exchangeable bonds	**–**	–	**36,657**	6,214	**36,657**	6,214
Profit before taxation	**(145,938)**	23,753	**468,153**	498,148	**322,215**	521,901
Taxation					**(168,453)**	(166,075)
Non-controlling interests	**433**	137	**–**	–	**433**	137
Net profit					**154,195**	355,963

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

31 Statement of operations by segments (Cont'd)

(a) Business segments (Cont'd)

	Canned vegetable and fruits		Fruit beverages		Total	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017	**31 December 2018**	31 December 2017
The Group	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
OTHER INFORMATION						
Segment assets (excluding taxation and deposits paid for non-current assets)	**1,246,432**	1,592,602	**2,567,413**	2,145,507	**3,813,845**	3,738,109
Segment liabilities (excluding taxation)	**286,632**	294,158	**976,062**	978,178	**1,262,694**	1,272,336
Capital expenditure						
- Property, plant and equipment	**44,347**	193,897	**277,131**	164,270	**321,477**	358,167
Amortisation of land use rights	**884**	574	**925**	925	**1,809**	1,499
Depreciation of property, plant and equipment	**31,800**	40,236	**73,108**	45,124	**104,908**	85,360
Impairment loss on property, plant and equipment	**2,068**	–	**–**	–	**2,068**	–
Cessation of internal production:						
- Property, plant and equipment written off	**71,714**	–	**–**	–	**71,714**	–
- Impairment loss on property, plant and equipment	**105,132**	–	**–**	–	**105,132**	–
- Depreciation of property, plant and equipment	**34,836**	–	**–**	–	**34,836**	–
- VAT receivables written off	**13,676**	–	**–**	–	**13,676**	–
- Inventories written off	**1,983**	–	**–**	–	**1,983**	–
	227,341	–	**–**	–	**227,341**	–
Advances to acquire patents written off	**–**	–	**16,200**	–	**16,200**	–
Trade debts written off	**–**	–	**12,981**	–	**12,981**	–
Provision for expected credit loss on trade receivables	**–**	–	**16,571**	–	**16,571**	–
Deposits paid for non-current assets	**357,684**	179,085	**219,616**	331,850	**577,300**	510,935

31 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	**2018 RMB'000**	2017 RMB'000
Revenue		
- The People's Republic of China	**3,033,686**	2,921,100
- Europe	**461,897**	498,822
- North America	**27,022**	40,979
- Others	**8,508**	9,638
	3,531,113	3,470,539

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 2018 RMB'000**	31 December 2017 RMB'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	**3,813,845**	3,738,109
Deferred tax asset	**5,832**	–
Deposits paid for non-current assets	**577,300**	510,935
VAT receivable	**135,331**	97,153
Export tax refunds	**82,545**	101,112
Tax recoverable	**77**	145
	4,614,930	4,447,454

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	**1,262,694**	1,272,336
Deferred tax liabilities	**27,741**	20,241
VAT and government tax payable	**24,627**	22,688
Withholding tax payable	**199**	199
Current tax payable	**45,133**	43,625
	1,360,394	1,359,089

32 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 2018 and 31 December 2017, the Group's financial instruments mainly consisted of cash and bank balances, financial assets and financial liabilities.

32.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group operates and sells its products in several countries other than PRC and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to Singapore Dollar and 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 2018						
Amount owing by subsidiaries	8	**349,015**	**193,577**	**–**	**–**	**542,592**
Other receivables	13	**–**	**–**	**17**	**141**	**158**
Bank balances, deposits and cash	14	**928**	**7,271**	**–**	**–**	**8,199**
		349,943	**200,848**	**17**	**141**	**550,949**
Trade payables	17	**2,733**	**18,382**	**–**	**–**	**21,115**
Other payables	18	**3,083**	**–**	**32,759**	**–**	**35,842**
Amount owing to a subsidiary	8	**–**	**53,169**	**17,369**	**–**	**70,538**
Loan from a related party	21	**–**	**144,819**	**–**	**–**	**144,819**
		5,816	**216,370**	**50,128**	**–**	**272,314**
Net exposure		**344,127**	**(15,522)**	**(50,111)**	**141**	**278,635**
31 December 2017						
Amount owing by subsidiaries	8	340,251	400,269	28,566	–	769,086
Other receivables	13	–	–	79	93	172
Bank balances, deposits and cash	14	4,472	330	–	–	4,802
		344,723	400,599	28,645	93	774,060
Trade payables	17	1,940	9,095	–	–	11,035
Other payables	18	418	–	25,967	–	26,385
Amount owing to a subsidiary	8	–	38,403	12,098	–	50,501
Convertible loan (excluding option derivative)	21	–	130,772	–	–	130,772
		2,358	178,270	38,065	–	218,693
Net exposure		342,365	222,329	(9,420)	93	555,367

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

32.1 Foreign currency risk (Cont'd)

The Company	Note	Singapore Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
1 January 2017						
Amount owing by subsidiaries	8	335,798	27,129	185,276	–	548,203
Other receivables	13	–	–	35	100	135
Bank balances, deposits and cash	14	46,895	9	–	–	46,904
		382,693	27,138	185,311	100	595,242
Trade payables	17	1,662	1,908	–	–	3,570
Other payables	18	108,908	9,219	20,961	–	139,088
Amount owing to a subsidiary	8	–	6,024	8,011	–	14,035
Convertible loan (excluding option derivative)	21	–	134,660	–	–	134,660
		110,570	151,811	28,972	–	291,353
Net exposure		272,123	(124,673)	156,339	100	303,889

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 2018						
Trade receivables	12	**–**	**81,886**	**1,502,798**	**–**	**1,584,684**
Other receivables	13	**–**	**3,133**	**337,374**	**143**	**340,650**
Bank balances, deposits and cash	14	**980**	**7,805**	**612,048**	**960**	**621,793**
		980	**92,824**	**2,452,220**	**1,103**	**2,547,127**
Trade payables	17	**2,733**	**18,382**	**81,614**	**–**	**102,729**
Other payables	18	**3,082**	**–**	**111,230**	**–**	**114,312**
Bank borrowings	20	**–**	**157,227**	**43,670**	**–**	**200,897**
Loan from a related party	21	**–**	**144,819**	**–**	**–**	**144,819**
		5,815	**320,428**	**236,514**	**–**	**562,757**
Net exposure		**(4,835)**	**(227,604)**	**2,215,706**	**1,103**	**1,984,370**

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

32.1 Foreign currency risk (Cont'd)

The Group	Note	Singapore Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
31 December 2017						
Trade receivables	12	–	95,272	1,250,397	–	1,345,669
Other receivables	13	–	5,725	393,145	519	399,389
Cash and bank balances	14	4,524	83,751	604,620	730	693,625
		4,524	184,748	2,248,162	1,249	2,438,683
Trade payables	17	1,940	9,095	95,453	–	106,488
Other payables	18	417	–	93,699	–	94,116
Bank borrowings	20	–	162,800	45,000	–	207,800
Convertible loan (excluding option derivative)	21	–	130,772	–	–	130,772
		2,357	302,667	234,152	–	539,176
Net exposure		2,167	(117,919)	2,014,010	1,249	1,899,507
1 January 2017						
Trade receivables	12	–	145,747	1,007,975	–	1,153,722
Other receivables	13	–	5,357	473,800	1,900	481,057
Bank balances, deposits and cash	14	46,941	70,121	178,859	1,828	297,749
		46,941	221,225	1,660,634	3,728	1,932,528
Trade payables	17	1,661	1,908	37,716	–	41,285
Other payables	18	108,908	9,219	69,200	–	187,327
Bank borrowings	20	–	238,633	198,500	–	437,133
Convertible loan (excluding option derivative)	21	–	134,660	–	–	134,660
		110,569	384,420	305,416	–	800,405
Net exposure		(63,628)	(163,195)	1,355,218	3,728	1,132,123

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

32.1 Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

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

		31 December 2018		31 December 2017		1 January 2017	
The Company		**RMB'000**		RMB'000		RMB'000	
		Profit net of tax	**Equity**	Profit net of tax	Equity	Profit net of tax	Equity
SGD	- strengthened 5%	**14,281**	**14,281**	14,208	14,208	11,293	11,293
	- weakened 5%	**(14,281)**	**(14,281)**	(14,208)	(14,208)	(11,293)	(11,293)
US$	- strengthened 5%	**582**	**582**	8,337	8,337	(4,675)	(4,675)
	- weakened 5%	**(582)**	**(582)**	(8,337)	(8,337)	4,675	4,675
The Group							
SGD	- strengthened 5%	**201**	**201**	90	90	(2,641)	(2,641)
	- weakened 5%	**(201)**	**(201)**	(90)	(90)	2,641	2,641
US$	- strengthened 5%	**(8,535)**	**(8,535)**	(4,422)	(4,422)	(6,120)	(6,120)
	- weakened 5%	**8,535**	**8,535**	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.

32.2 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, loan from a related party, convertible loan, straight bonds and exchangeable bonds.

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

32.2 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 2018					
Fixed rate					
Loan from related party	**144,819**	**–**	**–**	**–**	**144,819**
Floating rate					
Bank balances, deposits and cash	**8,199**	**–**	**–**	**–**	**8,199**
31 December 2017					
Fixed rate					
Convertible loan (excluding option derivative)	130,772	–	–	–	130,772
Floating rate					
Bank balances, deposits and cash	4,802	–	–	–	4,802
1 January 2017					
Fixed rate					
Convertible loan (excluding option derivative)	134,660	–	–	–	134,660
Floating rate					
Bank balances, deposits and cash	46,904	–	–	–	46,904

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

32.2 Interest rate risk (Cont'd)

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 2018					
Fixed rate					
Exchangeable bonds	**484,792**	**–**	**–**	**–**	**484,792**
Straight bonds	**234,245**	**–**	**–**	**–**	**234,245**
Loan from related party	**144,819**	**–**	**–**	**–**	**144,819**
Finance leases	**3,405**	**2,321**	**–**	**–**	**5,726**
Bank borrowings	**43,670**	**–**	**–**	**–**	**43,670**
Floating rate					
Bank borrowings	**157,227**	**–**	**–**	**–**	**157,227**
Bank balances, deposits and cash	**621,793**	**–**	**–**	**–**	**621,793**
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
Bank balances, deposits and cash	693,625	–	–	–	693,625
1 January 2017					
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
Bank balances, deposits and cash	297,749	–	–	–	297,749

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

32.2 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 2018		31 December 2017		1 January 2017	
The Company	**RMB'000**		RMB'000		RMB'000	
	Profit net of tax	**Equity**	Profit net of tax	Equity	Profit net of tax	Equity
Interest rate						
- decreased 1%	**(61)**	**(61)**	(36)	(36)	(351)	(351)
- increased 1%	**61**	**61**	36	36	351	351
The Group						
Interest rate						
- decreased 1%	**(3,484)**	**(3,484)**	(3,981)	(3,981)	670	670
- increased 1%	**3,484**	**3,484**	3,981	3,981	(670)	(670)

32.3 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 (31 December 2017 - five; 1 January 2017 - five) largest debtors accounted about 5.6% (31 December 2017 - 5.4%; 1 January 2017 - 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.

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

32.3 Credit risk (Cont'd)

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except as follows:

The Company and The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Intra-group corporate guarantees provided to banks on subsidiaries' credit facilities	30(iii)	**257,227**	202,800	–

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

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

Expected credit losses

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the China loan default loss rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

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

32.3 Credit risk (Cont'd)

Expected credit losses (Cont'd)

The movement for expected credit losses of trade receivables computed based on lifetime ECL under SFRS(I) 9 is as follows:

The Group	Note	**Trade receivables RMB'000**
Balance at 1 January 2018 under SFRS		**1,601,255**
Adoption of SFRS(I) 9	2(b)	**–**
Balance at 1 January 2018 under SFRS(I) 9		**1,601,255**
Loss allowance recognised in profit or loss during the year	12	**(16,571)**
Balance at 31 December 2018		**1,584,684**

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. Bank balances, deposits and cash, and other receivables are subject to immaterial credit loss.

Arising from debtors which have ceased to trade and struck off, trade receivables of RMB 13.0 million (2017 - Nil) were written off to the profit or loss during the financial year ended 31 December 2018.

The Company has non-trade amount owing by subsidiaries which represents advances to subsidiaries (Note 8) to meet their funding requirements. The management carries out impairment assessment on these balances, measured on a 12-month or lifetime expected loss basis.

Financial guarantee contract

The Company and the Group have issued financial guarantees to banks for credit facilities of certain subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company and the Group have assessed that the collateralised assets of the subsidiaries are able to meet the contractual cash flow obligations in the near future and hence, do not expect significant credit losses arising from these guarantees.

Significant concentration of credit risks

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total exposure. The Group determines concentrations of credit risk by monitoring the country and product sector profile of its trade receivables on an ongoing basis.

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

32.3 Credit risk (Cont'd)

Significant concentration of credit risks (Cont'd)

The credit risk concentration profile of the Group's trade receivables based on information provided to key management at the end of the reporting period is as follows:

The Group	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
By geographical areas			
The People's Republic of China	**1,502,798**	1,250,396	1,007,974
Europe	**74,833**	89,313	136,330
North America	**7,050**	4,999	7,068
Others	**3**	961	2,350
	1,584,684	1,345,669	1,153,722

The Group	**31 December 2018 RMB'000**	**% of total**	31 December 2017 RMB'000	% of total	1 January 2017 RMB'000	% of total
By product sectors						
Canned foods	**250,909**	**16%**	287,077	21%	335,294	29%
Beverages	**1,333,775**	**84%**	1,058,592	79%	818,428	71%
	1,584,684	**100%**	1,345,669	100%	1,153,722	100%

Previous accounting policy for impairment of trade and other receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 180 days overdue).

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 12 to the financial statements.

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

32.4 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.

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 2018			
Trade payables	**21,115**	–	**21,115**
Other payables (less VAT, government tax and withholding tax payable)	**35,643**	–	**35,643**
Loan from related party	**171,593**	–	**171,593**
Amount owing to a subsidiary	**70,538**	–	**70,538**
Financial guarantees	**170,897**	–	**170,897**
	469,786	–	**469,786**
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 (excluding option derivative)	138,756	–	138,756
Amount owing to a subsidiary	50,501	–	50,501
Financial guarantees	52,560	130,240	182,800
	279,038	130,240	409,278
As at 1 January 2017			
Trade payables	3,570	–	3,570
Other payables (less VAT, government tax and withholding tax payable)	138,889	–	138,889
Convertible loan (excluding option derivative)	21,923	142,881	164,804
Amount owing to a subsidiary	14,035	–	14,035
Financial guarantees	–	173,425	173,425
	178,417	316,306	494,723

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

32.4 Liquidity risk (Cont'd)

The Group	Less than 1 year RMB'000	Between 1 to 5 years RMB'000	Total RMB'000
As at 31 December 2018			
Finance leases	**3,885**	**2,496**	**6,381**
Bank borrowings	**209,743**	**–**	**209,743**
Trade payables	**102,729**	**–**	**102,729**
Other payables (less VAT, government tax and withholding tax payable)	**89,486**	**–**	**89,486**
Loan from related party	**171,593**	**–**	**171,593**
Straight bonds	**234,245**	**–**	**234,245**
Exchangeable bonds	**486,524**	**–**	**486,524**
	1,298,205	**2,496**	**1,300,701**
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 (excluding option derivative)	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 1 January 2017			
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

The unutilised bank credit facilities of the Group as at 31 December 2018 and 31 May 2019 are as follows:

The Group	**31 May 2019 RMB'000**	31 December 2018 RMB'000
Unutilised bank credit facilities	**156,924**	143,254

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

32.5 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.

32.6 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 21 and Note 22 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
31 December 2018				
Liabilities				
Exchangeable bonds	**–**	**–**	**484,792**	**484,792**
31 December 2017				
Liabilities				
Convertible loan	–	–	141,867	141,867
Exchangeable bonds	–	–	521,449	521,449
1 January 2017				
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.

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

32.6 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	Valuation techniques	Unobservable inputs	Range
	RMB'000			
31 December 2018				
Fair value measurement of loan from a related party at inception	**144,819**	Cashflow of the loan from a related party at its corresponding discount rate	Discount rate	15.34%
Recurring fair value measurement of exchangeable bonds	**484,792**	Cash flow of the exchangeable bonds at its corresponding discount rate	Revised redemption return Discount rate	20% - 25% 9.44%
	629,611			
31 December 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%
Effect of cashflow on amortised cost 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			
1 January 2017				
Fair value measurement of exchangeable bonds	527,663	Binomial Option Pricing Model	Revised redemption return Discount rate	20% - 25% 17.27%
			Expected volatility Dividend yield	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	16.43%
	662,323			

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

32.6 Fair value measurements (Cont'd)

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

Please refer to Notes 21 and 22 for the movement of loan from a related party/convertible loan and exchangeable bonds respectively.

(c) Valuation policies and procedures

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 SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

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.

33 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 2018 and 31 December 2017.

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

33 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, loan from a related party, amount owing to a subsidiary, straight bonds, convertible loan and exchangeable bonds less bank balances, deposits and cash.

		The Company			The Group		
		31 December		1 January	**31 December**		1 January
		2018	2017	2017	**2018**	2017	2017
	Note	**RMB'000**	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade payables	17	**21,115**	11,035	3,570	**102,729**	106,488	41,285
Other payables	18	**35,842**	26,385	139,088	**114,312**	94,116	187,327
Finance lease obligations	19	**–**	–	–	**5,726**	10,745	–
Bank borrowings	20	**–**	–	–	**200,897**	207,800	437,133
Loan from a related party	21	**144,819**	–	–	**144,819**	–	–
Convertible loan	21	**–**	141,867	134,660	**–**	141,867	134,660
Straight bonds	22	**–**	–	–	**234,245**	212,758	193,416
Amount owing to a subsidiary	8	**70,538**	50,501	14,035	**–**	–	–
Exchangeable bonds	22	**–**	–	–	**484,792**	521,449	527,663
		272,314	229,788	291,353	**1,287,520**	1,295,223	1,521,484
Less: Bank balances, deposits and cash	14	**(8,199)**	(4,802)	(46,904)	**(621,793)**	(693,625)	(297,749)
Net debt		**264,115**	224,986	244,449	**665,727**	601,598	1,223,735
Equity attributable to the equity holders of the Company		**588,019**	624,077	369,653	**3,252,938**	3,086,334	2,399,735
Capital and net debt		**852,134**	849,063	614,102	**3,918,665**	3,687,932	3,623,470
Gearing ratio		**31%**	26%	40%	**17%**	16%	34%

34 Financial instruments

34.1 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 loan from a related party/convertible loan and exchangeable bonds is disclosed in Note 21 and Note 22 respectively.

34 Financial instruments (Cont'd)

34.2 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 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Financial assets at amortised cost				
Amount owing by subsidiaries	8	**542,592**	769,086	548,203
Other receivables				
- Advances to employees	13	**112**	65	60
- Others	13	**33**	95	63
Bank balances, deposits and cash	14	**8,199**	4,802	46,904
		550,936	774,048	595,230

The Company	Note	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Financial liabilities at amortised cost				
Trade payables and accruals	17	**21,115**	11,035	3,570
Other payables				
- Amount owing to third parties	18	**559**	559	5,554
- Accrual of directors' fees	18	**672**	459	588
- Director of the Company	18	**34,382**	25,076	132,686
- Others	18	**30**	92	61
Convertible loan (excluding option derivative)	21	**–**	130,772	134,660
Loan from a related party	21	**144,819**	–	–
		201,577	167,993	277,119
Financial liabilities at fair value				
Derivative on convertible loan	21	**–**	11,095	–

The Group	Note	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Financial assets at amortised cost				
Trade receivables	12	**1,584,684**	1,345,669	1,153,722
Other receivables				
- Advances to employees	13	**773**	436	424
- Advances to third parties	13	**2,355**	2,394	2,978
- Amount owing by related parties	13	**1,289**	–	–
- Others	13	**236**	900	766
Bank balances, deposits and cash	14	**621,793**	693,625	297,749
		2,211,130	2,043,024	1,455,639

34 Financial instruments (Cont'd)

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

The Group	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Financial liabilities at amortised cost				
Trade payables and accruals	17	**102,729**	106,488	41,285
Other payables				
- Amount owing to contractors	18	**19,717**	31,590	11,588
- Amount owing to suppliers	18	**266**	88	54
- Amount owing to employees	18	**606**	650	635
- Amount owing to third parties	18	**2,167**	2,338	6,402
- Amount owing to a related party	18	**10,267**	–	–
- Accrual of directors' fees	18	**672**	459	588
- Advances from customers	18	**292**	15	12
- Deposits	18	**107**	133	147
- Director of the Company	18	**53,268**	35,622	143,232
- Others	18	**1,480**	249	242
Finance leases	19	**5,726**	10,745	–
Bank borrowings	20	**200,897**	207,800	437,133
Loan from a related party	21	**144,819**	–	–
Convertible loan (excluding option derivative)	21	**–**	130,772	134,660
Straight bonds at amortised cost	22	**234,245**	212,758	193,416
		777,258	739,707	969,394
Financial liabilities at fair value				
Derivative on convertible loan	21	**–**	11,095	–
Exchangeable bonds at fair value through profit or loss	22	**484,792**	521,449	527,663
		484,792	532,544	527,663

35 Other matters

(a) Financial support

The Company

The Company has given letters of financial support for the following subsidiaries with a total net deficit of approximately of RMB 784,194.4 million (2017 - RMB 708,128.3 million) to continue to operate as a going concern and to meet their respective obligations as and when they fall due:

1. Grandness (Hong Kong) Industry Co., Limited
2. Shanxi Yongji Huaxin Foods Co., Ltd.
3. Grandness (Shanxian) Foods Co., Ltd.
4. Grandness (Anhui) Foods Co., Ltd.
5. Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited
6. Garden Fresh Group Holding Co., Ltd
7. Anhui Garden Fresh Fruit & Vegetable Beverage Co., Limited
8. Garden Fresh (Shenzhen) Technology Co., Limited

The above subsidiaries have no bank borrowings as at the reporting date.

(b) On-going litigation

As at the date of this report, a subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited has an unresolved legal case relating to a contract dispute with a former contract manufacturer where the contract was terminated in October 2016.

Based on the local court's notice dated 4 July 2018, the subsidiary's bank account is to be frozen up to a sum of RMB 1.3 million and any shortfall from the bank balance will be enforced against securitisation of other assets. As at 31 December 2018, the said bank balance stood at approximately RMB 136,000.

The case is pending the local court's final ruling and is not possible to determine the likelihood or amount of any settlement, should the case against Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited be unfavourable.

36 Events after end of reporting period

36.1 Issuance of a preference share

Pursuant to the RRA, a subsidiary, Garden Fresh Cayman has issued and allotted to GS a first 2012 Preference Share which shall form a single series with the other 2012 Preference Shares to be issued on the New Completion Date as defined in Note 22 above.

36.2 Bank borrowings obtained

Subsequent to the year end, the Group obtained bank loans totalling RMB 47.2 million granted to certain subsidiaries with interest rate varying between 6.0% to 6.6% per annum which are repayable between 4 March 2020, being the earliest date to 3 September 2020, being the latest date.

STATISTICS OF SHAREHOLDINGS

As at 8 July 2019

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	1,064,410,658	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 8 JULY 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	33	1.53	1,527	0.00
100 - 1,000	58	2.69	31,487	0.00
1,001 - 10,000	479	22.19	3,216,920	0.30
10,001 - 1,000,000	1,524	70.59	146,606,091	13.78
1,000,001 and above	65	3.00	914,554,633	85.92
Total	**2,159**	**100.00**	**1,064,410,658**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 8 JULY 2019

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	149,182,350	14.02
2	UOB KAY HIAN PTE LTD	105,068,589	9.87
3	DBS NOMINEES PTE LTD	104,952,867	9.86
4	HUANG YUPENG	102,100,000	9.59
5	SOLEADO HOLDINGS PTE LTD	81,450,857	7.65
6	CITIBANK NOMINEES SINGAPORE PTE LTD	78,088,084	7.34
7	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	35,884,308	3.37
8	OCBC SECURITIES PRIVATE LTD	35,100,306	3.30
9	PHILLIP SECURITIES PTE LTD	18,933,571	1.78
10	MAYBANK KIM ENG SECURITIES PTE. LTD	18,173,949	1.71
11	SEAH KOK BENG	17,986,300	1.69
12	SOO WEE KIAT (SU WEIJIE)	13,530,550	1.27
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	12,872,215	1.21
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	12,036,970	1.13
15	LIM AND TAN SECURITIES PTE LTD	9,556,171	0.90
16	OCBC NOMINEES SINGAPORE PTE LTD	7,649,916	0.72
17	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	5,886,076	0.55
18	TAN CHENG GUAN	5,850,000	0.55
19	NG KHENG IMM MRS LEE SWEE KHIANG	5,188,000	0.49
20	CHIN YONG KOK	4,994,000	0.47
	Total	**824,485,079**	**77.47**

STATISTICS OF SHAREHOLDINGS

As at 8 July 2019

LIST OF SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Huang Yupeng	352,124,087	33.08	–	–
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
JW Capital Group Limited	85,000,000	7.99	–	–

Notes:

1 Deemed interest arises from shares held by Soleado Holdings Pte. Ltd. and PM Group Company Limited

2 Deemed interest arises from shares held by Soleado Holdings Pte. Ltd.

The percentage of shareholding above is computed based on the total issued shares of 1,064,410,658.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 8 July 2019, approximately 44.83% 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 Empress 4, Level 2 Carlton Hotel Singapore 76 Bras Basah Road Singapore 189558 on Wednesday, 8 August 2019 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 2018 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 Huang Yupeng	(Retiring under Regulation 91)	**(Resolution 2)**
Ms Huang Yushan	(Retiring under Regulation 91)	**(Resolution 3)**
Mr Gong Shuli	(Retiring under Regulation 97)	**(Resolution 4)**

Mr Zhang Jinze who is retiring pursuant to Regulation 97 of the Company's Constitution, is not seeking for re-election.

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees up to S$160,000 for the financial year ending 31 December 2019 to be paid half-yearly in arrears. (2018: S$160,000) **(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***")

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.

[See Explanatory Note (ii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

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.

   [See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore, 24 July 2019

Explanatory Notes:

(i) Mr Huang Yupeng will, upon re-election as a Director of the Company, remain as the Chairman and Chief Executive Officer of the Company. Please refer to Corporate Governance Report on pages 26 to 31 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

   Ms Huang Yushan will, upon re-election as a Director of the Company, remain as an Executive Director of the Company. Please refer to Corporate Governance Report on pages 26 to 31 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

   Mr Gong Shuli will, upon re-election as a Director of the Company, remain as an Independent Director, Member of Audit, Nominating and Remuneration Committees. Mr Gong Shuli will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Corporate Governance Report on pages 26 to 31 of the Annual Report for the detailed information required pursuant to Rule 720(6) 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.

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.

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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 Investor") (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 failing him/her* (delete as appropriate)

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

or failing him/her/them*, the Chairman of the meeting as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting (the "AGM") of the Company to be held at Empress 4, Level 2 Carlton Hotel Singapore 76 Bras Basah Road Singapore 189558 on Wednesday, 8 August 2019 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 AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* 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 2018		
2.	Re-election of Mr Huang Yupeng as a Director		
3.	Re-election of Ms Huang Yushan as a Director		
4.	Re-election of Mr Gong Shuli as a Director		
5.	Approval of Directors' fees up to S$160,000 for the financial year ending 31 December 2019 (2018: S$160,000)		
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		

Dated this ________ day of ________________ 2019

Total number of Shares held

____

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 of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing 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 Investor") (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 24 July 2019.

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SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

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