

Revised financial statements

**Sino Grandness Food Industry Group Limited
and its subsidiaries**

For the year ended 31 December 2017

Company information

Company registration number	200706801H
Registered office	Six Battery Road, #10-01 Singapore 049909
Honorary Chairman	Prayudh Mahagitsiri (resigned on 31 January 2019)
Directors	Huang Yupeng Huang Yushan Zhu Jun Ling Chung Yee, Roy (appointed on 24 December 2019) Lai Jingwei (appointed on 2 April 2018) Zhang Jinze (appointed on 18 May 2018 and retired on 8 August 2019) Gong Shuli (appointed on 5 July 2019) Liu Ling (retired on 30 April 2018) Chalermchai Mahagitsiri (resigned on 31 January 2019) Wong Chee Meng, Lawrence (resigned on 25 February 2019) Soh Beng Keng (resigned on 25 December 2019)
Audit committee	Ling Chung Yee, Roy (Chairman) (appointed on 24 December 2019) 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) Soh Beng Keng (Chairman) (resigned on 25 December 2019)
Nominating committee	Lai Jingwei (Chairman) (appointed on 2 April 2018) Ling Chung Yee, Roy (appointed on 24 December 2019) Gong Shuli (appointed on 5 July 2019) Liu Ling (retired on 30 April 2018) Wong Chee Meng, Lawrence (Chairman) (resigned on 25 February 2019) Zhang Jinze (appointed on 18 May 2018 and retired on 8 August 2019) Soh Beng Keng (resigned on 25 December 2019)
Remuneration committee	Ling Chung Yee, Roy (Chairman) (appointed on 24 December 2019) 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) Soh Beng Keng (Chairman) (resigned on 25 December 2019)
Secretary	Chew Kok Liang
Registrar	Tricor Barbinder Share Registration Services 80 Robinson Road #02-00 Singapore 068898
Bankers	DBS Bank Ltd Bank of Communications Limited CTBC Bank Co., Ltd.
Solicitor	Harry Elias Partnership LLP 4 Shenton Way #17-01 SGX Centre 2 Singapore 068807
Independent auditor	Foo Kon Tan LLP Public Accountants and Chartered Accountants 24 Raffles Place, #07-03 Clifford Centre, Singapore 048621 Partner-in-charge: Yeo Boon Chye (appointed since financial year ended 31 December 2017)

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Directors' statement for the financial year ended 31 December 2017

The directors present their statement to the members, together with the audited revised balance sheet of the Company as at 31 December 2017 and the audited revised consolidated financial statements of the Group for the financial year ended 31 December 2017.

This new directors' statement replaces the original directors' statement signed on 29 March 2018. This new directors' statement and the revised financial statements have been prepared in accordance with Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations").

The bases for revisions are explained in Note 34 to the revised financial statements. This new directors' statement is taken as having been prepared on the date of the original directors' statement and accordingly, does not consider those events occurring between 30 March 2018 and 14 February 2020.

In the opinion of the directors,

- (a) the revised balance sheet of the Company and the revised 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 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) as at the date of the original directors' statement (29 March 2018), there were reasonable grounds to believe that the Company would be able to pay its debts as and when they fell due.

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

Directors

Directors in office at 29 March 2018	Movements during the period from 30 March 2018 to 14 February 2020			Directors in office at 14 February 2020
	Appointment	Retirement	Resignation	
Huang Yupeng	-	-	-	Huang Yupeng
Huang Yushan	-	-	-	Huang Yushan
Zhu Jun	-	-	-	Zhu Jun
-	Lai Jingwei (appointed on 2.4.2018)	-	-	Lai Jingwei
-	Zhang Jingze (appointed on 18.5.2018)	Zhang Jingze (retired on 8.8.2019)	-	-
-	Ling Chung Yee, Roy (appointed on 24.12.2019)	-	-	Ling Chung Yee, Roy
-	Gong Shuli (appointed on 5.7.2019)	-	-	Gong Shuli
Chalermchai Mahagitsiri	-	-	Chalermchai Mahagitsiri (resigned on 31.01.2019)	-
Soh Beng Keng	-	-	Soh Beng Keng (resigned on 25.12.2019)	-
Liu Ling	-	Liu Ling (retired on 30.4.2018)	-	-
Wong Chee Meng, Lawrence	-	-	Wong Chee Meng, Lawrence (resigned on 25.02.2019)	-

Directors' statement for the financial year ended 31 December 2017

Directors' interests

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50, particulars of interests of the directors who held office at the end of the financial year in the shares or debentures of the Company and its related corporations are as follows:

	<u>Number of ordinary shares</u>			
	<u>Holdings registered in the name of director</u>	<u>As at 31.12.2017 and 21.1.2018[#]</u>		<u>Holdings in which director is deemed to have an interest</u>
	<u>As at 1.1.2017</u>		<u>As at 1.1.2017</u>	<u>As at 31.12.2017 and 21.1.2018[#]</u>
The Company - <u>Sino Grandness Food Industry Group Limited</u>				
Huang Yupeng	239,266,560	350,024,087	-	-
Chalemchai Mahagitsiri	-	-	93,674,700	130,488,508

[#] There are no changes to the above shareholdings as at 21 January 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.

Except as disclosed under the "Share options granted" section of this statement, neither the Company nor its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other body corporate during and at the end of the financial year.

Share option scheme

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

- (a) written justification has been provided to shareholders for their participation at the introduction of the ESOS Scheme or prior to the first grant of options to them and each such participation has been specifically approved by independent shareholders in separate resolutions in a general meeting for such controlling shareholders or their associates;
- (b) the actual number and terms of any options to be granted to them have been specifically approved by independent shareholders in a general meeting in separate resolutions for each such controlling shareholders in a general meeting in separate resolutions for each such controlling shareholder or their associates;
- (c) all conditions for their participation in the scheme as may be required by the regulation of the SGX-ST from time to time are satisfied;
- (d) the aggregate of number of shares comprised in options granted to the controlling shareholders and their associates shall not exceed 25% of the total number of shares which may be granted under the ESOS Scheme; and

Directors' statement for the financial year ended 31 December 2017

Share option scheme (Cont'd)

- (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.

As at the date of the original directors' statement (28 March 2018), the scheme is administered by a Remuneration Committee comprising Soh Beng Keng (Chairman), Wong Chee Ming, Lawrence and Liu Ling, and duly authorised and appointed by the Board of Directors of the Company.

As at 14 February 2020, the scheme is administered by the Remuneration Committee currently comprising Ling Chung Yee Roy, Lai Jingwei and Gong Shuli.

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 24 May 2017, the Company has:

- (1) granted options to subscribe 11,398,750 ordinary shares of the Company at exercise price of SGD 0.18 per share to its directors, employees and its subsidiaries' employees. The options are exercisable any time after the second anniversary of the date of grant up to 10th anniversary thereon; and
- (2) granted one of its directors, Huang Yushan, aggregate options of 1,101,250 ordinary shares at exercise price of SGD 0.18 per share, exercisable any time after the second anniversary of the date of grant up to 10th anniversary thereon.

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

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

Directors' statement for the financial year ended 31 December 2017

Share options granted (Cont'd)

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 as at the date of the original directors' statement (29 August 2018) comprised the following members:

Soh Beng Keng (Chairman) (resigned on 25 December 2019)
Wong Chee Meng, Lawrence (resigned on 25 February 2019)
Liu Ling (retired on 30 April 2018)

The Audit Committee as at the date of this directors' statement comprises the following members:

Ling Chung Yee, Roy (Chairman) (appointed on 24 December 2019)
Lai Jingwei (appointed on 2 April 2018)
Gong Shuli (appointed on 5 July 2019)

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

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

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 as well as the independent auditor's report thereon;
- (iv) effectiveness of the Company's material internal controls, including financial, operational, information technology and compliance controls and risk management systems via reviews carried out by the internal auditors;

Audit committee (Cont'd)

- (v) met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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

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

Full details regarding the Audit Committee are provided in the Corporate Governance Report.

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

Independent auditor

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

Directors' statement for the financial year ended 31 December 2017

Other information required by the SGX-ST

Material information


Apart from the Service Agreement between a director and the Company, there is no material contract to which the Company or any of its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year ended 31 December 2017.

Interested person transactions

There was no interested person transaction as defined in Chapter 9 of the SGX-ST Listing Manual conducted during the financial year except as disclosed under "Interested Person Transactions" in the "Corporate Governance Report" section of the annual report and on Note 27 to the revised financial statements.

On behalf of the Directors


.....
HUANG YUPENG


.....
HUANG YUSHAN

Dated: 14 February 2020

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited

Report on the Audit of the Revised Financial Statements

Opinion

We have audited the accompanying revised financial statements of Sino Grandness Food Industry Group Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the revised financial statements, including a summary of significant accounting policies. The revised financial statements replace the original financial statements approved by the directors on 29 March 2018.

In our opinion, the accompanying revised financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act (the "Act") as they have effect under the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-sheet) Regulations 2018 (the "Regulations") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view, seen as at the date of the original financial statements, of the financial positions of the Group and the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Revised 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 revised 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.

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

Other Matter - Revisions Made Under the Regulations

We draw attention to Notes 2(a) and 34 to these revised financial statements which describes the reasons and the impacts arising from the revision to the original financial statements.

The original financial statements were approved by the former board of directors on 29 March 2018 and we dated our original auditor's report on the original financial statements on that date. The revised financial statements have been prepared in accordance with the Regulations and accordingly do not deal with events which have taken place after the date on which the original financial statements were approved. Consequently, our procedures on subsequent events are restricted solely to the revisions described in Note 34 to these revised financial statements and we have not performed procedures in relation to events occurring between the date of our original auditor's report and the date of this report.

Key Audit Matters

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

Key Audit Matter Revenue recognition

Risk

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

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

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

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

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

Our Responses and Work Performed

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

- we performed walkthrough of the revenue process and tested the design and operating effectiveness of the control procedures over revenue;
- we performed test of details on selected revenue transactions against underlying documentation including shipping documents, sales invoices, customer acknowledgement and receipts;
- we tested the completeness of the revenue recorded in the revised financial statements by performing detailed cut-off procedures on sales;
- we obtained the Group's policies, procedures and controls over the selection and renewal of distributors and rebates and incentives paid to distributors. We sought to identify and tested the relationship of revenue and its associated rebates, promotion and incentive expense transactions with distributors against underlying documentation and via reasonableness testing;
- we performed visits to selected distributors to confirm our understanding of the distributorship terms, ascertained the existence of any related party transactions, amount and timing of revenue recognition;
- we performed visits to selected subcontractors for beverage production to confirm our understanding of the production order and distribution flow process;
- we circularised confirmations on a sample basis directly to customers;
- we corroborated revenue against transport costs and verified corporate income taxes and value added taxes payments to online government submission portal for selected subsidiaries of the Group;
- we also corroborated the delivery of goods for the revenue derived from distributors and in-house production to the logistic returns and the frequency of the sales ordering patterns;
- we performed revenue analytical procedures including applying data-analytics on revenue from distributors, beverage production channels (in-house production and by external subcontractors) and detailed analysis of product and customer trends;
- we performed additional test of details by selecting additional samples of revenue transactions and tested it against underlying documentation; and
- we sought to identify and understand the relationship of the seasonality of the Group's production and sales of canned products and beverages with the various relevant products harvesting seasons through inquiries and performing procedures such as walkthrough of the business activities and key processes for the Group's manufacturing and sales activities. We corroborated our understanding based on our previous experience and by performing data analytics and observing the trend of production and sales patterns against the seasonality factors.

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

Key Audit Matter

Refinancing of exchangeable bonds

Risk

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

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

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

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

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

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

(1) Accounting for the Modification of the EB

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

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

Our Responses and Work Performed

- we inspected the restructuring agreement to confirm our understanding of the terms and conditions of the refinancing;
- we evaluated the appropriateness of management's accounting treatment against the relevant accounting standards; and
- we have reviewed management's assessment, including the qualitative factors, on the substantial modification of the terms of the original financial liability and concluded that the accounting for the modification of the EB has been made in accordance with the requirements of FRS 39.

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

Key Audit Matter (Cont'd) Refinancing of EB (Cont'd)

Risk

(2) Valuation of EB

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

Our Responses and Work Performed

- in assessing the valuation of the EB, we evaluated the competence, capabilities and objectivity of management expert, obtained an understanding of the work of that management expert and evaluated the appropriateness of that management expert's work as audit evidence for the relevant assertion;
- we evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity; and
- we have evaluated the sensitivity analysis performed by management and assessed the adequacy of the Group's disclosures relating to the assumptions and key estimates used in determining the fair value of the EB using the Discounted Cashflows Method.

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

Risk

(3) Liquidity or Funding of the Group

The aggregate maximum redemption amounts for the SB2 and EB are approximately RMB 752.5 million at maturity (assumed to be 31 March 2018) and convertible loan of RMB 141.9 million, plus interest payable up to and due on 16 May 2018. The Group's cash and bank balances as at 31 December 2017 stood at RMB 693.6 million. As of the date of the original auditors' report (29 March 2018), the Company is in discussions with bondholders for the extended repayment date up till 31 March 2018. In this regard, management has reviewed its sources of funding and working capital requirements and prepared a cash flow forecast for the 12 months after the year end taking into account the settlement of the SB2, EB and convertible loan, in the event it is required to do so, including assessing the Group's ability to raise new funds and generate cash flows from operations.

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

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

Key Audit Matter (Cont'd) Refinancing of EB (Cont'd)

Our Responses and Work Performed

- we circularised and obtained confirmations from a majority of the SB2 and the EB holders on the principal and redemption amounts and terms and conditions of the SB2 and the EB as at 31 December 2017;
- we discussed with management and a majority of the SB2 and EB holders on the redemption status of the SB2 and the EB, and understood that negotiations by both parties to restructure and/or settle the EB and SB are still on-going as of the date of our original auditor's report (29 March 2018);
- we tested the Group's collections from its customers as at 28 February 2018 against supporting documentation such as bank credit advices;
- we tested the Group's cash and bank balances as at 28 February 2018 against supporting documentation such as bank statements and examined the unutilised bank credit facilities as at 28 February 2018;
- we reviewed the cash flow requirements of the Group over the next 12 months based on budgets and forecast, challenging the key assumptions used in the cash flow forecasts with reference to historical financial performance and our understanding of the Group's business operations, evaluated the liquidity requirements against the Group's banking facilities terms and conditions and future repayment schedules, understood what forecast capital expenditure is committed and what could be considered discretionary, re-performed the calculations and performed a sensitivity analysis over the inputs to the cash flow forecast.

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

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

Risk

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

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

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

Key Audit Matter (Cont'd)

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

Our Responses and Work Performed

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

- we performed all bank confirmations for bank balances (including in-person visits to banks in the PRC);
- we performed walkthrough and performed control tests on receipts and payments cycle during the financial year;
- using data analytics, we tested the completeness of the journal population on bank account transactions during the year;
- we tested interbank transfers against underlying supporting documentation on a sample basis;
- we reviewed the year end bank reconciliations and tested the accuracy of the monthly brought forward and closing bank balances;
- we physically counted the cash on hand balances; and
- we circularised bank confirmations at various odd dates for PRC banks on a sample basis.

Other Information

Management is responsible for the other information. The other information comprises the new "Directors' Statement" on pages 1 to 6.

Our opinion on the revised 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 revised financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised 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.

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

Responsibilities of Management and Directors for the Revised Financial Statements

Management is responsible for the preparation of revised financial statements that give a true and fair view in accordance with the provisions of the Act as they have effect under the Regulations and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair revised financial statements and to maintain accountability of assets.

In preparing the revised financial statements, management is responsible for assessing the Group's ability to continue as a going concern, as made up to the date of the original financial statements, 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 Revised Financial Statements

Our objectives are to obtain reasonable assurance about whether the revised 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 revised 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 revised 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.

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

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

- 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 revised 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 original 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 revised financial statements, including the disclosures, and whether the revised 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 revised consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Obtain sufficient appropriate audit evidence about whether the revisions made under the Regulations are appropriately reflected in these revised financial statements.

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

Independent auditor's report to the members of Sino Grandness Food Industry Group Limited (Cont'd)

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, 14 February 2020

Statements of financial position as at 31 December 2017

		The Company		The Group	
		31 December	31 December	1 January	31 December
		2017	2016	2016	2017
	Note	RMB'000	RMB'000	RMB'000	RMB'000
		(Revised)^	(Revised)^	(Revised)^	
ASSETS					
Non-Current Assets					
Land use rights	4	-	-	-	108,797
Property, plant and equipment	5	14	18	11	1,350,757
Subsidiaries	6	100,032	85,987	61,094	-
Amount owing by subsidiaries	7	769,086	548,203	311,040	-
Deferred tax assets	8(a)	-	-	-	-
Deposits paid for non-current assets	9	-	-	-	510,935
		869,132	634,208	372,145	1,970,489
Current Assets					
Inventories	10	-	-	-	38,282
Trade receivables	11	-	-	-	1,345,669
Other receivables	12	172	135	114	399,389
Cash and bank balances	13	4,802	46,904	4,245	693,625
		4,974	47,039	4,359	2,476,965
Total assets		874,106	681,247	376,504	4,447,454
EQUITY					
Capital and Reserves					
Share capital	14	755,344	440,948	440,948	755,344
(Accumulated losses)/retained profits		(178,113)	(101,901)	(112,525)	2,077,139
Other reserves	15	66,087	49,847	22,673	253,851
		643,318	388,894	351,096	3,086,334
Non-controlling interests		-	-	-	2,031
Total equity		643,318	388,894	351,096	3,088,365
LIABILITIES					
Non-Current Liabilities					
Obligations under finance leases	18	-	-	-	5,719
Bank borrowings	19	-	-	-	130,240
Deferred tax liabilities	8(b)	1,000	1,000	1,000	20,241
		1,000	1,000	1,000	156,200
Current Liabilities					
Trade payables	16	11,035	3,570	1,394	106,488
Other payables	17	26,385	139,088	23,014	94,116
Obligations under finance leases	18	-	-	-	5,026
Current tax payable		-	-	-	43,625
Bank borrowings	19	-	-	-	77,560
Convertible loan	20	141,867	134,660	-	141,867
Straight bonds	21	-	-	-	212,758
Amount owing to a subsidiary	7	50,501	14,035	-	-
Exchangeable bonds	21	-	-	-	521,449
		229,788	291,353	24,408	1,202,889
Total liabilities		230,788	292,353	25,408	1,359,089
Total equity and liabilities		874,106	681,247	376,504	4,447,454

^ See Note 34 to the revised financial statements.

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

Consolidated statement of profit or loss and other comprehensive income

for the financial year ended 31 December 2017

The Group	Note	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	22	3,717,734	3,509,605
Cost of sales		(2,303,943)	(2,051,897)
Gross profit		1,413,791	1,457,708
Other operating income	23(a)	14,267	118,926
Distribution costs	23(b)	(712,143)	(760,699)
Administrative expenses	23(c)	(132,571)	(167,385)
Other operating expenses		(15)	(110)
Finance costs	23(d)	(56,547)	(43,876)
Profit before income tax and changes in fair values of the derivative in relation to convertible loan, and exchangeable bonds including derivatives		526,782	604,564
Fair value loss on derivative on convertible loan	20	(11,095)	-
Changes in fair value of exchangeable bonds and option derivatives in relation to convertible bonds	21	6,214	133,285
Profit before taxation	23(f)	521,901	737,849
Taxation	24	(166,075)	(160,774)
Profit for the year and representing total comprehensive income		355,826	577,075
Profit and total comprehensive income attributable to:			
Equity holders of the Company		355,963	577,551
Non-controlling interests		(137)	(476)
		355,826	577,075
		Cents RMB (Revised)^	Cents RMB (Revised)^
Earnings per share:	25		
- Basic		38.0	77.3
- Diluted		33.5	43.3

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

^ See Note 34 to the revised financial statements.

Consolidated statement of changes in equity for the financial year ended 31 December 2017

The Group	Note	Share capital RMB'000	Retained profits RMB'000	Share option reserve RMB'000	Merger reserve RMB'000	Statutory common reserve RMB'000	Total attributable to equity holders of the parent RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016									
Share-based payment expense under ESOS Scheme									
Profit for the year, representing total comprehensive income for the year	15	440,948	1,203,901	22,673	(31,413)	171,101	1,807,210	2,644	1,809,854
Dividend paid during the year		-	-	27,174	-	-	27,174	-	27,174
Transfer to statutory reserve	28	-	577,551 (12,200) (40,335)	-	-	-	577,551 (12,200)	(476)	577,075 (12,200)
At 31 December 2016									
Share-based payment expense under ESOS Scheme									
Profit for the year, representing total comprehensive income for the year	15	440,948	1,728,917	49,847	(31,413)	211,436	2,399,735	2,168	2,401,903
Issue of shares				16,240	-	-	16,240	-	16,240
Share issue expenses	14	-	355,963	-	-	-	355,963	(137)	355,826
Reclassification of an amount previously classified under other payables to "Director of the Company"	14	204,982 (1,920)	-	-	-	-	204,982 (1,920)	-	204,982 (1,920)
used to subscribe in the rights issue of the Company									
Transfer of non-controlling interests into share capital on completion of rights issue on 13 March 2017	17	-	-	-	-	-	-	111,334	111,334
Transfer to statutory reserve	14, 17	111,334	-	-	-	-	111,334	(111,334)	-
At 31 December 2017		755,344	2,077,139	66,087	(31,413)	219,177	3,086,334	2,031	3,088,365

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

Consolidated statement of cash flows

for the financial year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000 (Revised)^	Year ended 31 December 2016 RMB'000 (Revised)^
Cash Flows from Operating Activities			
Profit before taxation		521,901	737,849
Adjustments for:			
Changes in fair value of convertible bonds and option derivatives in relation to convertible bonds	21	-	(175,496)
Changes in fair value of exchangeable bonds	21	(6,214)	42,211
Gain on restructuring of convertible bond	21	-	(91,618)
Fair value gain on convertible loan at inception	20	-	(7,847)
Fair value loss on derivative on convertible loan	20	11,095	-
Depreciation of property, plant and equipment	5	85,360	72,609
Amortisation of land use rights	4	1,499	2,392
Share-based payment expense under ESOS Scheme	15	16,240	27,174
Loss on disposal of property, plant and equipment (net)	23(f)	134	94
Interest expense	23(d)	56,547	43,876
Interest income	23(a)	(3,226)	(1,795)
Exchange (gain)/loss		(18,370)	18,458
Operating cash flows before working capital changes		664,966	667,907
Decrease in inventories		6,222	10,184
Increase in operating receivables		(70,066)	(305,418)
Increase/(decrease) in operating payables		51,651	(36,247)
Cash generated from operations		652,773	336,426
Income tax paid		(132,072)	(191,298)
Interest paid		(16,961)	(16,870)
Net cash generated from operating activities		503,740	128,258
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment (Note A)		(28,332)	(177,145)
Proceeds from disposal of property, plant and equipment		36	50
Deposits paid for non-current assets (Note A)		(48,430)	(285,101)
Refund of deposits paid for non-current assets	9	-	70,544
Interest received		3,226	1,795
Net cash used in investing activities		(73,500)	(389,857)
Cash Flows from Financing Activities			
Decrease/(increase) in deposits pledged with banks	13	130,437	(135,234)
Proceeds from share issue	14	204,982	-
Share issue costs	14	(1,920)	-
Repayment of finance leases liabilities		(2,331)	-
Bank loans obtained		177,000	326,394
Bank loans repaid		(395,708)	(195,000)
Interest paid	20	(16,387)	(8,327)
Advanced subscription received from a director	17	-	111,334
Repayment of SB1		-	(101,802)
Long term loan proceeds		-	166,785
Convertible loan proceeds		-	129,178
Dividend paid	28	-	(12,200)
Net cash generated from financing activities		96,073	281,128
Net increase in cash and cash equivalents		526,313	19,529
Cash and cash equivalents at beginning of year		131,868	112,339
Cash and cash equivalents at end of year (Note 13)		658,181	131,868

^ See Note 34 to the revised financial statements.

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

Consolidated statement of cash flows (Cont'd)

for the financial year ended 31 December 2017

Reconciliation of liabilities arising from financing activities

With effective from 1 January 2017, the Amendments to FRS 7 *Statements of Cash Flow* comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	Finance leases RMB'000	Bank borrowings RMB'000	Convertible loan RMB'000	Straight bonds RMB'000	Pledged deposits RMB'000 (Revised)^	Exchangeable bonds RMB'000
At 31 December 2016	-	437,133	134,660	193,416	165,881	527,663
<u>Cash flow</u>						
Additions	-	177,000	-	-	-	-
Repayments of principal/interest	(2,331)	(395,708)	(16,387)	-	-	-
Discharge of deposits pledged with banks	-	-	-	-	(130,437)	-
<u>Non-cash changes</u>						
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	35,444	521,449

^ See Note 34 to the revised financial statements.

Note A

Property, plant and equipment

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

Deposits paid for non-current assets

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

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 2017

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

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

The registered office of the Company is located at Six Battery Road, #10-01, Singapore 049909. The principal place of business of the Group is located at 56th Floor Tower A, Union Plaza, No. 5022, Binhe Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China (the "PRC").

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

2(a) Basis of preparation

These revised financial statements were prepared in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations"), as the directors have voluntarily revised these financial statements in accordance with section 202A of the Companies Act.

These revised financial statements replace the original financial statements that were approved by the former board of directors on 29 March 2018. These revised financial statements were approved by the directors on 14 February 2020.

These revised financial statements are taken as having been prepared on the date of the original financial statements on 29 March 2018 and accordingly, do not consider any events which occurred between 30 March 2018 and 14 February 2020.

These revised financial statements have been revised to reflect the changes made in response to the 4 queries raised by the Accounting and Corporate Regulatory Authority in their letter dated 9 January 2020 as described in Note 34. The impacts of the revision are disclosed in Note 34 to the revised financial statements.

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

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

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

Significant judgements and accounting estimates

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

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

Significant judgements in applying accounting policies

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

Going concern

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

Determining Cash Generating Units ("CGU")

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

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

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

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

Determination of functional currency

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

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

Significant judgements in applying accounting policies (Cont'd)

Income taxes (Notes 8 and 24)

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

Liquidity or funding of the Group

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

As at 31 December 2017, the Group has bank balances and cash on hand of RMB 693.6 million (2016 - RMB 297.7 million). As of that date, it has SB2 of RMB 212.8 million (2016 - RMB 193.4 million) and EB of RMB 521.4 million (2016 - RMB 527.7 million) which have matured on 28 September 2017. The Group has recorded a net profit of RMB 355.8 million (2016 - RMB 577.1 million) and generated cash from operating activities of RMB 503.7 million (2016 - RMB 128.3 million) for the financial year ended 31 December 2017.

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

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

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

- as at 28 February 2018, the Group has cash and liquidity resources totalling RMB 1,004 million consisting of cash and bank balances of RMB 887.1 million and untapped bank credit facilities of RMB 116.9 million, which is sufficient to repay the SB2 and EB of RMB 752.5 million and convertible loan of RMB 141.9 million plus interest accrued thereon, in the event it is required to;
- the Group is actively monitoring the collection from its customers. As at 31 December 2017, the Group's trade receivables balance was approximately RMB 1,345.7 million (2016 - RMB 1,153.7 million). As at 28 February 2018, approximately RMB 676.4 million has been received from customers;
- the Group has net current assets of RMB 1,274.1 million (2016 - RMB 619.4 million) as at 31 December 2017;

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

Significant judgements in applying accounting policies (Cont'd)

Liquidity or funding of the Group (Cont'd)

- while continuing to move ahead with its plan on the Proposed Listing, management will also actively monitor and manage its cash flow positions, banking facilities, trade receivables and capital investment plans. If required, the management shall reduce investment sums or postpone its capital investment plans in order to further strengthen its cash flow position;
- management has prepared a cash flow forecast for the 12 months after the year end which indicates that sufficient cash resources will be available to meet the working capital needs of the Group including the repayment of the SB2 and the EB (taking into account the Group's banking facilities terms and conditions and future repayment plans, including any discretionary capital expenditure payments for capital committed) when due; and
- as of the date of the original financial statements, the bondholders have not demanded repayment from the Group and discussions are still ongoing between the management and bondholders to further discuss the grant of extending the repayment date to 31 March 2018.

Critical accounting estimates and key sources of estimation uncertainty

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

Amortisation of land use rights (Note 4)

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

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

Depreciation of property, plant and equipment (Note 5)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 40 years. The carrying amounts of the Company's and the Group's property, plant and equipment as at 31 December 2017 are RMB 14,000 (2016 - RMB 18,000) and RMB 1,350.8 million (2016 - RMB 1,078.1 million) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the Group's property, plant and equipment differ by 10% from the management's estimates, the carrying amount of the Group's property, plant and equipment will be approximately RMB 9.5 million (2016 - RMB 8.1 million) lower and RMB 7.8 million (2016 - RMB 6.6 million) higher.

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

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

Useful lives of plant and machinery (Note 5)

Plant and machinery are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these assets to be 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the end of the reporting period is disclosed in Note 5 to the financial statements.

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

Allowance for inventory obsolescence (Note 10)

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

If the net realisable value of the inventories decrease by 10% from management's estimates, the Group's results may decrease by RMB 3.8 million (2016 - RMB 4.5 million).

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

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

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

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

Details of the assumptions used are disclosed in Note 31.6.

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

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

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

Fair value measurements and valuation processes (Cont'd)

- Derivative on convertible loan

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

Details of the assumptions used are disclosed in Note 31.6.

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

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

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

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

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

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

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

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

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

Amendments to FRS 7 *Statement of Cash Flows*

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

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

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

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

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

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

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

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

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

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

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

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

- (i) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- (ii) Share-based payment transactions with a net settlement feature for withholding tax obligations
- (iii) A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

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

SFRS(I) 9 *Financial Instruments*

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

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

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

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

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

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

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

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

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

SFRS(I) 15 *Revenue Contracts with Customers*

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

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

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

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

SFRS(I) 15 Revenue Contracts with Customers (Cont'd)

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

The standard clarifies how to:

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

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

SFRS(I) 16 Leases

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

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

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.

3 Significant accounting policies (Cont'd)

Consolidation (Cont'd)

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

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

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

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

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

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

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

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

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

Acquisitions

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

Transactions with non-controlling interest

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

Business combination

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

The Group measures goodwill at the date of acquisition as:

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

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

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

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

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

3 Significant accounting policies (Cont'd)

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.

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.

3 Significant accounting policies (Cont'd)

Financial assets

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

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

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

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

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

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

Loans and receivables

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

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

Derivative financial instruments

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

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

3 Significant accounting policies (Cont'd)

Inventories

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits net of pledged deposits.

Financial liabilities

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

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

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

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

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

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

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

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

3 Significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

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

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

Fair value estimation of financial assets and liabilities

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

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

Convertible bonds

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

Conversion option

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

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

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

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

3 Significant accounting policies (Cont'd)

Exchangeable bonds

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

- The designation eliminates or significantly reduces a measurement or recognition inconsistency.
- The liabilities are part of a group of financial liabilities or financial assets and liabilities that are managed and whose performance is evaluated on a fair value basis.
- The liabilities are hybrid financial instruments containing at least one embedded derivative that would otherwise be separated from the host contract and recognized separately.

The Group has classified and measured the exchangeable bonds as a hybrid instrument with an embedded derivative at fair value through profit or loss upon its inception on 28 June 2017 following the restructuring of the exchangeable bonds and straight bonds. Changes in the fair value of the exchangeable bonds are recognised in profit or loss during the year.

Financial guarantees

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

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

Share capital

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

Dividends

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

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

Borrowing costs

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

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.

Income taxes

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

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

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

3 Significant accounting policies (Cont'd)

Income taxes (Cont'd)

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

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (b) based on the tax consequence that will follow from the manner in which the Company and the Group expect, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

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

Value-added tax

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

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

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

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

3 Significant accounting policies (Cont'd)

Employee benefits

Defined contribution schemes

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

Employee leave entitlements

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

Employee share option scheme ("ESOS Scheme")

The Company has an employee share option plan for the granting of non-transferable options.

The Company issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Company revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

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

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

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.

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.

3 Significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

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

Revenue recognition

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

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

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

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

Functional currency

Functional and presentation currency

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

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.

Notes to the financial statements for the financial year ended 31 December 2017

4 Land use rights

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

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

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

Land use rights relate to the following parcel of lands:

<u>Location</u>	<u>Acquired from</u>	<u>Period</u>	<u>Land area</u> (square metres) ["sq m"]	<u>Net book value</u>	
				31 December 2017 RMB'000	2016 RMB'000
<u>Grandness (Sichuan) Foods Co., Ltd.</u>					
#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	2,995	3,082
<u>Grandness (Shanxian) Food Co., Ltd.:</u>					
#2 West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County The People's Republic of China (单县开发区园艺路南段路西)	单县人民政府	50 years (expiring on 29 December 2058)	70,895.00	6,837	7,006
<u>Garden Fresh (Hubei) Food & Beverage Co., Limited</u>					
#3 Land at Jing Xiu Jiang Nan East Side, Guang Dong Road, Dang Yang City The People's Republic of China (当阳市广州路(锦绣江南东侧))	当阳市人民政府	50 years (expiring on 30 September 2061)	101,720.20	40,528	41,454
<u>Grandness (Anhui) Foods Co., Ltd.</u>					
#4 Land at East Side, Jing Yi Road Jing Ji Kai Fa District Gu Zhen Town, Beng Bu City An Hui Province The People's Republic of China (安徽省蚌埠市固镇县经济开发区经一 路东侧)	固镇县人民政府	50 years (expiring on 20 April 2064)	133,333.33	58,437	58,754
				108,797	110,296

5 Property, plant and equipment

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

Notes to the financial statements for the financial year ended 31 December 2017

5 Property, plant and equipment (Cont'd)

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

Notes to the financial statements for the financial year ended 31 December 2017

5 Property, plant and equipment (Cont'd)

(a) Depreciation is charged to:

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

(b) Factory and warehouse premises are located at:

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

* Relates to the following land under lease:

<u>Location</u>	<u>Land area (sq m)</u>	<u>Ownership</u>	<u>Effective date</u>	<u>Expiry date</u>
山西省永济市蒲州 老城内部	38,686.86	永济市蒲州镇镇西 文学村村民委员会	20 November 2015	19 November 2025

(c) As at the end of the reporting period, the carrying amount of property, plant and equipment of the Group which have been pledged to financial institutions to secure bank facilities amounting to RMB 490.2 million (2016 - RMB 521.5 million) was as follows:

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

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

5 Property, plant and equipment (Cont'd)

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

		Estimated date of completion
(i)	the construction of factory and hostel on the existing land at West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, The People's Republic of China (单县开发区园艺路南段)	September 2018
(ii)	the administration building on the existing land at West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, The People's Republic of China (单县开发区园艺路南段路西)	September 2018
(iii)	the construction of production line on the existing land at East Side, Jing Yi Road, Jing Ji Kai Fa District, Gu Zhen Town, Beng Bu City, An Hui Province, The People's Republic of China (安徽省蚌埠市固镇县经济开发区一路西侧)	September 2018

Notes to the financial statements for the financial year ended 31 December 2017

6 Subsidiaries

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

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

The subsidiaries are:

the subsidiaries are:

Name	Country of incorporation / principal place of business	Cost of investments		Proportion of interests and voting rights held by the Group		Principal activities
		2017	2016	2017	2016	
		RMB'000	RMB'000	%	%	
<u>Held by the Company</u>						
Grandness (HK) Industry Co., Limited * (振鹏达(香港)实业有限公司) ¹	Hong Kong	1,848	1,848	100	100	Investment holding
Shanxi Yongji Huaxin Food Co., Ltd. * (山西永济华鑫食品有限公司) ²	The People's Republic of China ("PRC")	40,173	40,173	100	100	Production and sale of canned vegetables and canned fruits
<u>Held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)</u>						
Shenzhen Grandness Industry Groups Co., Ltd. * (深圳振鹏达实业集团有限公司) ³	PRC	39,569	30,636	58.3	58.3	Sale of canned vegetables and canned fruits
<u>Held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)</u>						
Grandness Group Co., Limited *. [@] (振鹏达集团股份有限公司) ¹	Hong Kong	-	-	100	100	Investment holding
Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited * (鲜绿园(香港)果蔬饮料有限公司) ¹	Hong Kong	-	-	-	- ⁸	Investment holding
Grandness (Anhui) Foods Co., Ltd. * (振鹏达(安徽)食品有限公司) ⁷	PRC	-	-	100	100	Production and sale of fruits and vegetable juices (on production trial run)
Garden Fresh Group Holding Co., Ltd * (鲜绿园集团控股有限公司) ⁸	Cayman Islands	-	-	100	100	Investment holding
Balance carried forward		81,590	72,657			

Notes to the financial statements for the financial year ended 31 December 2017

6 Subsidiaries (Cont'd)

Name	Country of incorporation / principal place of business	Cost of investments		Proportion of interests and voting rights held by the Group		Principal activities
		2017 RMB'000	2016 RMB'000	2017 %	2016 %	
Balance brought forward		81,590	72,657			
<u>Held by Garden Fresh Group Holding Co., Ltd</u> (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 ^a	100 ^a	Investment holding
Grandness Group Co., Limited * (振鹏达集团股份有限公司) ¹	Hong Kong	-	-	-	- [@]	Investment holding
<u>Held by Garden Fresh Beverage Group Co., Limited</u> (鲜绿园饮料集团有限公司)						
Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited* (鲜绿园(香港)果蔬饮料有限公司) ¹	Hong Kong	-	-	100	100	Investment holding
<u>Held by Shanxi Yongji Huaxin Food Co., Ltd.</u> (山西永济华鑫食品有限公司)						
Shenzhen Grandness Industry Groups Co., Ltd. * (深圳振鹏达实业集团有限公司) ³	PRC	-	-	41.7	41.7	Sale of canned vegetables and canned fruits
Grandness (Sichuan) Foods Co., Ltd. *, # (四川振鹏达食品有限公司) ⁴	PRC	-	-	20.77 [#]	20.77 [#]	Production and sale of canned vegetables and canned fruits
<u>Held by Shenzhen Grandness Industry Groups Co., Ltd.</u> (深圳振鹏达实业集团有限公司)						
Grandness (Sichuan) Foods Co., Ltd. *, # (四川振鹏达食品有限公司) ⁴	PRC	-	-	51 [#]	51 [#]	Production and sale of canned vegetables and canned fruits
Dongpeng (Chengdu) Agricultural Development Co., Ltd. * (成都东鹏农业发展有限公司) ⁴	PRC	-	-	100	100	Inactive
Grandness (Shanxian) Food Co., Ltd. * (山东单县振鹏达食品有限公司) ⁵	PRC	-	-	100	100	Production and sale of canned vegetables and canned fruits
Grandness (Hubei) Foods Co., Ltd * (湖北振鹏达食品有限公司) ⁶	PRC	-	-	100	100	Production and sale of canned vegetables and canned fruits
Balance carried forward		81,590	72,657			

Notes to the financial statements for the financial year ended 31 December 2017

6 Subsidiaries (Cont'd)

Name	Country of incorporation / principal place of business	Cost of investments		Proportion of interests and voting rights held by the Group		Principal activities
		2017 RMB'000	2016 RMB'000	2017 %	2016 %	
Balance brought forward		81,590	72,657			
<u>Held by Shenzhen Grandness Industry Groups Co., Ltd. (Cont'd)</u> (深圳振鹏达实业集团有限公司)						
Hao Tian Yuan Industry (Shenzhen) Co. Ltd. * (好田园实业(深圳)有限公司) ³	PRC	-	-	100	100	Sale and distribution of food and related products
<u>Held by Grandness (Shanxian) Food Co., Ltd.</u> (山东单县振鹏达食品有限公司)						
Grandness (Sichuan) Foods Co., Ltd. *, # (四川振鹏达食品有限公司) ⁴	PRC	-	-	4.78 [#]	4.78 [#]	Production and sale of canned vegetables and canned fruits
<u>Held by Dongpeng (Chengdu) Agricultural Development Co., Ltd.</u> (成都东鹏农业发展有限公司)						
Grandness (Sichuan) Foods Co., Ltd. *, # (四川振鹏达食品有限公司) ⁴	PRC	-	-	4.78 [#]	4.78 [#]	Production and sale of canned vegetables and canned fruits
<u>Held by Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited</u> (鲜绿园(香港)果蔬饮料有限公司)						
Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited * (鲜绿园(深圳)果蔬饮料有限公司) ³	PRC	18,442	13,330	100	100	Sale of fruits and vegetable juices
Garden Fresh (Hubei) Food & Beverage Co., Limited * (鲜绿园(湖北)食品饮料有限公司) ⁶	PRC	-	-	100	100	Production and sale of fruits and vegetable juices
<u>Held by Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited</u> (鲜绿园(深圳)果蔬饮料有限公司)						
Anhui Garden Fresh Fruit & Vegetable Beverage Co., Limited ^ (安徽鲜绿园果蔬饮料有限公司) ⁷	PRC	-	-	100	-	Production and sale of fruits and vegetable juices (yet to commence operations)
Balance carried forward		100,032	85,987			

6 Subsidiaries (Cont'd)

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

* Audited by Foo Kon Tan LLP for consolidation purposes.

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

^ The subsidiary was incorporated on 10 May 2017.

^^ The subsidiary was incorporated on 3 February 2016.

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

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

1. The local auditor is Procon CPA Limited (博爾會計師有限公司).

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

3. The local auditor is Shenzhen Yida Certified Public Accountants Co., Ltd (深圳市义达会计师事务所有限责任公司).

4. The local auditor is Sichuan Wan Bang Certified Public Accountants Co., Ltd (四川万邦会计师事务所).

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

6. The local auditor is Yichang Tiancheng Certified Public Accountants Co., Ltd (宜昌天成会计师事务所有限公司).

7. Exempted from statutory audit as these subsidiaries have yet to commence any business activities.

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

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

Notes to the financial statements for the financial year ended 31 December 2017

7 Amount owing by/(to) subsidiaries

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

Included in the amount owing to a subsidiary of RMB 14,035,000 as at 31 December 2016 is an amount of RMB 12,200,000 received from a subsidiary, Shenzhen Grandness Industry Groups Co., Ltd. arising from the dividend declared by the said subsidiary during the financial year ended 31 December 2015.

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

8 Deferred taxation

8(a) Deferred tax assets

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

8(b) Deferred tax liabilities

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

^ See Note 34 to the revised financial statements.

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

The deferred tax liabilities relate to the PRC withholding tax on the portion of the distributable profits to be derived from the Group's subsidiaries in the PRC which is expected to be distributed out as dividends to its shareholders. The Group has provided for withholding tax based on the dividends that would be required to be proposed or paid by certain subsidiaries under business conditions to meet its operational needs and shareholders' expectation.

Notes to the financial statements for the financial year ended 31 December 2017

8 Deferred taxation (Cont'd)

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

Deferred tax liabilities of RMB 107.1 million (2016 - RMB 80.6 million) have not been recognised for withholding and other taxes that will be payable on the undistributed profits in accordance with the Group's accounting policies on income and deferred taxes of overseas subsidiaries.

9 Deposits paid for non-current assets

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

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

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

During the financial year ended 31 December 2017, the advances of RMB 6.9 million (2016 - RMB 90.8 million) paid to contractor for construction of workshop relate to the construction of factory and warehouse on the existing land at Jing Yi Road East Side and Chen Zhuang Road North Side, Guzhen County, Bengbu City, Anhui Province, The People's Republic of China (安徽省蚌埠市固镇县经济开发区经一路东侧, 陈庄路北侧).

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

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

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

Notes to the financial statements for the financial year ended 31 December 2017

10 Inventories

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

11 Trade receivables

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

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

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

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

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

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

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

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

Notes to the financial statements for the financial year ended 31 December 2017

11 Trade receivables (Cont'd)

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

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

12 Other receivables

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

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

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

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

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

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

Notes to the financial statements for the financial year ended 31 December 2017

13 Cash and bank balances

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

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

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

14 Share capital

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

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

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

Total consideration received amounted to S\$64,273,875 (RMB 314,395,663) which is to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

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

Notes to the financial statements for the financial year ended 31 December 2017

15 Other reserves

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

Statutory common reserve

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

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

ESOS Scheme reserve

ESOS Scheme reserve represents the equity-settled share options granted to employees (Refer to Note 26). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Merger reserve

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

16 Trade payables

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

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

Notes to the financial statements for the financial year ended 31 December 2017

17 Other payables

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

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

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

- the amount owing to contractors relates to the road construction works and construction of existing factory; and
- the amount owing to employees relates to emoluments owed to former employees which have since been forfeited upon the employees' resignation.

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

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

18 Obligations under finance leases

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

A wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited, leases plant and machinery from a non-related party under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term. The obligations under finance leases are secured by the underlying assets [Note 5(d)].

Notes to the financial statements for the financial year ended 31 December 2017

19 Bank borrowings

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

- (a) The bank loan of RMB 20.0 million has been repaid on 1 April 2017. The loan was secured by, inter-alia:
- a personal guarantee by a director of the Company, Huang Yupeng;
 - a corporate guarantee provided by a wholly-owned subsidiary, Shanxi Yongji Huaxin Food Co., Limited; and
 - a pledge of bank balances of RMB 9.22 million (Note 13) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

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

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

Interest was charged at 4.35% per annum.

- (c) The bank loan of RMB 30.0 million has been repaid on 10 May 2017. The loan was secured by, inter-alia:
- a personal guarantee by a director of the Company, Huang Yupeng; and
 - the land use rights with a carrying amount of RMB 3.1 million (Note 4) and factory and warehouse premises with a carrying amount of RMB 42.0 million [Note 5(c)] belonging to a subsidiary, Grandness (Sichuan) Foods Co., Ltd.

Interest was charged at 4.35% per annum.

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

Interest is charged at 4.35% per annum.

19 Bank borrowings (Cont'd)

- (e) The bank loan of RMB 40.0 million has been repaid on 21 June 2017. The loan was secured by, inter-alia:
- a personal guarantee by a director of the Company, Huang Yupeng;
 - a corporate guarantee provided by a wholly-owned subsidiary, Grandness (Shanxian) Foods Co., Ltd;
 - the land use rights with a carrying amount of RMB 7.0 million (Note 4) and factory and warehouse premises with a carrying amount of RMB 100.4 million [Note 5(c)] belonging to a subsidiary, Grandness (Shanxian) Foods Co., Ltd; and
 - housing properties with an approximated fair value of RMB 60.2 million belonging to a director of the Company, Huang Yupeng.

Interest was charged at 5.66% per annum.

- (f) The bank loan of RMB 30.0 million has been repaid on 7 June 2017. The loan was secured by, inter-alia:
- a personal guarantee by a director of the Company, Huang Yupeng;
 - a corporate guarantee provided by a wholly-owned subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited; and
 - a pledge of cash and bank balances of RMB 6.0 million (Note 13) of a wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited.

Interest was charged at 5.66% per annum.

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

Interest was charged at 2.16% per annum.

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

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

- (i) The bank loan of RMB 20.0 million is repayable on 11 April 2018. The loan is secured by, inter-alia:
- a personal guarantee by a director of the Company, Huang Yupeng;
 - a corporate guarantee provided by the Company, Sino Grandness Food Industry Group Limited; and
 - a pledge of bank balances of RMB 8.0 million (Note 13) by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest is charged at 5.87% per annum.

19 Bank borrowings (Cont'd)

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

The loan is secured by, inter-alia:

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

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

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

20 Convertible loan

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

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

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

Notes to the financial statements for the financial year ended 31 December 2017

20 Convertible loan (Cont'd)

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

The fair value of the convertible loan (including derivative) at inception on 17 May 2016 was determined by an independent valuer, Jones Lang 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.

On 15 May 2017, the Company has received in-principle approval of SGX for the proposed allotment and issue up to 72,727,272 new ordinary shares in the capital of the Company at an adjusted maximum conversion price of S\$0.444 each new ordinary share (pursuant to rights issue as mentioned in Note 14). Shareholders' approval was obtained in the extraordinary general meeting held on 8 June 2017.

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

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

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

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

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

21 Exchangeable bonds

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

As stated in the 2015 annual report of the Company, the convertible bonds had been restructured on 1 March 2016. Please refer to pages 87 to 101 in Note 21 of the 2015 annual report ("FY2015") of the Company for full details of the nature and original and revised terms and conditions of the 2011 convertible bonds ("**2011 Convertible Bonds**"), the 2012 convertible bonds ("**2012 Convertible Bonds**"), collectively ("**Convertible Bonds**") and 2016 restructured bonds ("**2016 Exchangeable Bonds**").

2016 Restructuring

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

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

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

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

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

21 Exchangeable bonds (Cont'd)

2016 Restructuring (Cont'd)

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

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

Carrying amount

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

Represented by:

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

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

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

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

Notes to the financial statements for the financial year ended 31 December 2017

21 Exchangeable bonds (Cont'd)

2016 Restructuring (Cont'd)

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

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

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

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

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

2011 SB2 Bonds and 2012 SB2 Bonds

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

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

2017 Restructuring

During the financial year ended 31 December 2017, the Company has entered into a Restructuring Agreement on 28 June 2017 ("2017 Restructuring Agreement") with the Bondholders for a further restructuring in light of these bonds having matured on 28 February 2017 (the "2017 Restructuring"). Salient terms of the 2017 Restructuring are as announced by the Company on 28 June 2017 and are as follows:

- full redemption of the 2011 SB2 bonds and 2012 SB2 bonds (see **Section A**);
- substitution of the 2011 bonds to 2011 preference shares and the 2012 bonds to 2012 preference shares (See **Section B**); and
- 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**).

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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

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

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

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

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

Under the 2017 Restructuring Agreement, it was agreed that each of the 2011 Convertible Bondholders and the 2012 Convertible Bondholders agrees with Garden Fresh (HK) and Garden Fresh Cayman to:

- the substitution of 100% of the 2011 Convertible Bonds and the 2012 Convertible Bonds outstanding (including all principal, premium and interest accrued thereon up to the Completion Date) for the issuance of certain 2011 Preference Shares and certain 2012 Preference Shares by Garden Fresh Cayman, fully paid, on the Completion Date; and
- such substitution to occur by way of set-off of the amounts owed to the 2011 Convertible Bondholders and the 2012 Convertible Bondholders under the 2011 Convertible Bonds and 2012 Convertible Bonds by Garden Fresh HK against the nominal value of the 2011 Preference Shares and the 2012 Preference Shares issued by Garden Fresh Cayman to each of the 2011 Convertible Bondholders and the 2012 Convertible Bondholders on the Completion Date.

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

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

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

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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

- (i) the date falling 3 months after the date of the 2017 Restructuring Agreement (or, if such date is not a business day, the next business day following such date); and
- (ii) ten business days after the date on which the relevant company parties obtain the necessary People's Republic of China ("PRC") foreign exchange approvals for the remittance out of the PRC of funds for the payments to be made by such company parties pursuant to Section A above, or such other date or time as the parties may agree in writing (the "Completion Date").

Pursuant to the 2017 Restructuring Agreement, the long stop date shall be 15 months from the date of the 2017 Restructuring Agreement ("Long Stop Date").

New Investor Qualifying Shares - The Company and each of the 2012 Bondholders and 2011 Bondholders further agree that new investors may subscribe or purchase Garden Fresh Cayman's shares ("New Investor Qualifying Shares") in accordance with and subject to, inter alia, the New Investor Qualifying Conditions (as defined in the 2017 Restructuring Agreement).

The aggregate subscription price payable by the new investors in immediately available funds for the New Investor Qualifying Shares shall be an aggregate amount of not less than RMB 210,000,000 with respect to all of the New Investor Qualifying Shares.

The New Investor Qualifying Shares will be issued as one or more series of redeemable preference shares within 15 months from the date of the 2017 Restructuring Agreement. Following the issuance of the New Investor Qualifying Shares within 15 months from the date of the 2017 Restructuring Agreement, no further New Investor Qualifying Shares (whether as a separate series or consolidated and forming a single series with any outstanding New Investor Qualifying Shares) will be issued save with the approval from the holders of the 2011 Preference Shares and 2012 Preference Shares. Notwithstanding the foregoing, if the new investor(s) subscribes for the New Investor Qualifying Shares in the form of ordinary shares in Garden Fresh Cayman, then

- (i) Garden Fresh Cayman may issue the New Investor Qualifying Shares in the form of Garden Fresh Cayman Shares and the New Investor Qualifying Conditions shall apply *mutatis mutandis* to such subscription of the Garden Fresh Cayman Shares; and
- (ii) the parties to the 2017 Restructuring Agreement shall use their commercially best efforts to negotiate in good faith to amend the terms of the 2011 Preference Shares and 2012 Preference Shares and amend the related 2017 restructuring documents such that the rights and obligations of the parties to the 2017 Restructuring Agreement prior to the amendment would be extended to the ordinary shares in Garden Fresh Cayman, unless otherwise agreed by parties.

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

Terms and conditions of 2011 Preference Shares and 2012 Preference Shares

Form and transfer

- (i) The 2011 Preference Shares and 2012 Preference Shares are in registered form and have a par value of RMB100,000 each.
- (ii) The 2012 Preference Shares shall be denominated in RMB and all payments shall be settled in USD at the prevailing USD-RMB exchange rate and the 2011 Preference Shares shall be denominated in RMB and all payments shall be settled in RMB or, if agreed between Garden Fresh Cayman and the relevant 2011 Preference Shareholder, in USD at the prevailing USD-RMB exchange rate.
- (iii) The 2012 Preference Shares and the 2011 Preference Shares will initially carry a cumulative fixed rate dividend of zero % subject to any dividend stepup (or upward adjustment) following the issuance of New Investor Qualifying Shares. Dividends shall be payable semi-annually in arrears 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.

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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

Conversion

- (vii) 2011 Preference Shareholders and 2012 Preference Shareholders have the right to convert their Preference Shares (without further payment) into ordinary shares at any time such Preference Shares remain outstanding.
- (viii) Subject to condition (x) mentioned below, the number of ordinary shares a Preference Shareholder will receive upon conversion shall be such whole number of ordinary shares which is at least equal to the number of ordinary shares which, immediately following the conversion, reflects the relevant shareholder percentage set forth below (on an as converted and fully diluted basis but disregarding the issuance of any New Investor Qualifying Shares) (the “**Conversion Ratio**”), with any fractions of an ordinary share being rounded up to the nearest whole number:

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

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

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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

(x) If:

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

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

Where:

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

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

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

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

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

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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

Undertakings - Financial covenants

- (xii) So long as any 2011 Preference Share and 2012 Preference Share remains outstanding, the Company shall ensure that:
- the net gearing ratio of the Company shall not at any time exceed 1;
 - the ratio of total debt to the prior financial year's EBITDA of the Company shall not at any time exceed 2.00; and
 - the total equity of the Company shall not at any time fall below RMB1,500,000,000.

Redemption and purchase

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

Optional Redemption of the 2012 Preference Shares: Subject to the Statute and the Articles, the 2012 Preference Shares may be redeemed at the option of Garden Fresh Cayman in whole but not in part:

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

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

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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

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

- on the date falling 30 months after the Issue Date (the “**Initial Redemption Date**”), if (and only if) Garden Fresh Cayman has not made a qualified listing application prior to Initial Redemption Date; or
- on a day falling 30 days or more after the date on which the Qualified Listing Application has been rejected, withdrawn or has lapsed (such redemption date and the Initial Redemption Date, “**Redemption Date**”), if (and only if) a Qualified Listing Application has been made prior to the Initial Redemption Date but has been rejected or withdrawn or has lapsed after the Initial Redemption Date,

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

Variation of rights

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

SECTION C - PUT AND CALL OPTION DEED

Put option

The Company hereby irrevocably grants:

- (i) to each 2011 Preference Shareholder the option to require the Company to purchase, or procure the purchase of, all (but not part) of the 2011 Preference Shares owned by that 2011 Preference Shareholder (the “**2011 Preference Shares Put Option**”);
- (ii) to each 2012 Preference Shareholder the option to require the Company to purchase, or procure the purchase of, all (but not part) of the 2012 Preference Shares owned by that 2012 Preference Shareholder (the “**2012 Preference Shares Put Option**”).

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

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

Put option (Cont'd)

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

Call option

Each Preference Shareholder hereby irrevocably grants to the Company:

- (i) the option to require the 2011 Preference Shareholders to sell all (but not part) of the 2011 Preference Shares owned by that 2011 Preference Shareholder to the Company or any one of its subsidiaries (the “**2011 Preference Shares Call Option**”);
- (ii) the option to require the 2012 Preference Shareholders to sell all (but not part) of the 2012 Preference Shares owned by that 2012 Preference Shareholder to the Company or any one of its subsidiaries (the “**2012 Preference Shares Call Option**”).

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

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

As at 31 December 2017, the management is of the view that the preference shares instrument is considered to be a subject of an executory forward contract in view of the fact that the probability of the issuance of the preference shares is remote but may only occur in the future date when the contractual arrangement becomes more certain. The put and call option deed has a zero fair value at inception (ie, 28 June 2017, date of restructuring) and may become a net asset or liability in the future depending on the value of the underlying instrument, ie, the preference shares instrument.

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

The management of the Company is of the view that the qualitative changes under the 2017 Restructuring Agreement indicate that the changes in the terms of the debt instrument are substantially different and has accordingly assessed the financial effect arising from the modification of the Exchangeable Bonds as of 30 June 2017.

As the new instrument does not meet the “fixed for fixed” requirement, the management of the Company has designated the Exchangeable Bonds as a financial liability at fair value through profit or loss, and has measured it at its fair value, with changes in fair value recognised in profit or loss at each reporting date.

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

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

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

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

21 Exchangeable bonds (Cont'd)

2017 Restructuring (Cont'd)

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

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

Maximum redemption amounts

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

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

Notes to the financial statements for the financial year ended 31 December 2017

22 Revenue

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

23(a) Other operating income

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

23(b) Distribution costs

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

Notes to the financial statements for the financial year ended 31 December 2017

23(c) Administrative expenses

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

23(d) Finance costs

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

Notes to the financial statements for the financial year ended 31 December 2017

23(e) Employee benefit costs

The Group	Note	31 December 2017 RMB'000 (Revised)^	31 December 2016 RMB'000 (Revised)^
Directors' remuneration:			
- salaries and related costs		11,108	11,111
- defined contributions		92	141
Key management personnel (other than directors):			
- salaries and related costs		1,712	2,832
- defined contributions		90	281
Other than directors and key management personnel:			
- salaries and related costs		36,870	36,708
- defined contributions		2,183	2,548
Share-based payment expense under ESOS Scheme	23(c) & 23(f)		
- Directors'		4,472	17,817
- Key management personnel (other than directors)		1,485	1,197
- Other than directors and key management personnel		10,283	8,160
		16,240	27,174
		68,295	80,795

Employee benefit costs are charged to:

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

^ See Note 34 to the revised financial statements.

23(f) Profit before taxation

The Group	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Profit before taxation has been arrived at after charging/(crediting):			
Advertising expenses	23(b)	182,698	260,134
Amortisation of land use rights	4 & 23(c)	1,499	2,392
Audit fees paid/payable to:			
- auditors of the Company	23(c)	1,310	1,822
- other auditors	23(c)	307	179
Other audit or review fees:			
- auditors of the Company	23(c)	879	-
- other auditors	23(c)	334	34
Depreciation of property, plant and equipment	5(a)	85,360	72,609
Changes in fair value of convertible bonds option derivatives	21	-	(175,496)
Changes in fair value of exchangeable bonds	21	(6,214)	42,211
		(6,214)	(133,285)
Fair value loss on derivative on convertible loan	20	11,095	-
Directors' fees	23(c)	515	600
Exchange loss (net)	23(a) & 23(c)	5,422	3,588

Notes to the financial statements for the financial year ended 31 December 2017

23(f) Profit before taxation (Cont'd)

The Group	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Profit before taxation has been arrived at after charging/(crediting):			
Loss on disposal of property, plant and equipment (net)	23(a) & 23(c)	134	94
Freight charges	23(b)	234,440	218,517
IPO expenses	23(c)	4,400	19,039
Promotional expenses	23(b)	261,529	256,061
Rental expenses:			
- factory and warehouse	23(c)	2,427	3,883
- others	23(b)	-	23
		2,427	3,906
Share-based payment expense under ESOS Scheme	23(c) & 23(e)	16,240	27,174

24 Taxation

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

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

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

Non-deductible expenses included in the tax reconciliation of the Group relate mainly to the amortised interest expenses and changes in fair values of option derivatives in relation to the convertible bonds and convertible loan which are not tax deductible.

Non-taxable income relates to certain types of income exempted from tax.

The Group has unabsorbed tax losses of certain subsidiaries amounting to approximately RMB 49.5 million (2016 - RMB 28.1 million), which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. These unabsorbed losses cannot be allowed to offset the taxable profits of other subsidiaries. All tax losses will expire after five years from the year of assessment they relate to.

24 Taxation (Cont'd)

The unrecognised tax losses will expire as follows:

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

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB 12.4 million (2016 - RMB 7.0 million) arising from these unabsorbed tax losses from certain subsidiaries because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

25 Earnings per share

(a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (for the purpose of basic earnings per share) by the weighted average number of ordinary shares outstanding during the financial year.

The weighted average number of ordinary shares outstanding for basic earnings per share during the financial period is the number of ordinary shares outstanding at the beginning of the period adjusted by the number of ordinary shares issued for rights issue of shares during the period (Note 14) multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

	31 December 2017	31 December 2016
The Group		
Net profit attributable to equity holders of the Company (RMB'000)	355,963	577,551
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	936,365	747,413
Basic earnings per share (RMB'cents)	38.0	77.3

Notes to the financial statements for the financial year ended 31 December 2017

25 Earnings per share (Cont'd)

(b) Diluted earnings per share

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

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.

The exchangeable bonds of a subsidiary, Garden Fresh (HK), are assumed to be converted into the shares of Garden Fresh Cayman, regardless of the probability of conversion, up to 16.876% shareholding in Garden Fresh Cayman for the financial years ended 31 December 2017 and 2016. The net profit is adjusted to eliminate the changes in fair value, interest expense and gain/loss on extinguishment (if any) of the exchangeable bonds.

	31 December 2017 RMB'000 (Revised)^	31 December 2016 RMB'000 (Revised)^
The Group		
Net profit attributable to equity holders of the Company	355,963	577,551
<u>Add/(less) back:</u>		
Changes in fair value of exchangeable bonds and option derivatives in relation to convertible bonds (Note 21)	(6,214)	(133,285)
Interest costs - exchangeable bonds (Note 23(d))	19,342	19,950
Fair value gain on restructuring of convertible bond (Note 23(a))	-	(91,618)
Subsidiaries' earnings attributable to bondholders	(55,263)	(45,496)
	(42,135)	(250,449)
	<u>313,828</u>	<u>327,102</u>

	31 December 2017 No. of shares '000	31 December 2016*
Weighted average number of ordinary shares outstanding for the purpose of basic earnings per share	936,365	747,413
Adjustment for the effect:		
- share options	1,556	8,362
Weighted average number of ordinary shares outstanding for the purpose of diluted earnings per share	<u>937,921</u>	<u>755,775</u>
 Diluted earnings per share (cents)	 <u>33.5</u>	 <u>43.3</u>

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

^ See Note 34 to the revised financial statements.

For the financial year ended 31 December 2017, 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.

26 Employee share option scheme (the “ESOS Scheme”)

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

Fair value of share options granted

The fair value of share options as at the date of grant, is estimated by an external valuer using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The inputs to the option pricing model used for the financial year ended 31 December 2017 are shown below:

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

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

27 Related party transactions

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

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

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

Notes to the financial statements for the financial year ended 31 December 2017

28 Dividends

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

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

29 Commitments

(i) Operating lease commitment (non-cancellable)

(A) Where Group is the lessee

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

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

The current rents payable on the leases on the Group's factory, warehouse and office premises per annum are as follows:

<u>Location</u>	<u>Land area (sq m)/Unit</u>	<u>Effective date</u>	<u>Expiry date</u>	<u>Rental per annum (RMB'000)</u>
<u>Factory and warehouse premises</u>				
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
<u>Office premises</u>				
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
深圳市鼎丰大厦	#1512	1 May 2017	30 April 2019	412

Notes to the financial statements for the financial year ended 31 December 2017

29 Commitments (Cont'd)

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

(B) Where Group is the lessor

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
The Group		
Not later than one year	50	50
Later than one year and not later than five years	92	150
Later than five years	-	-

The current rents receivable on the leases on the Group's factory and warehouse premises per annum are as follows:

<u>Location</u>	<u>Land area (sq m)/Unit</u>	<u>Effective date</u>	<u>Expiry date</u>	<u>Rental per annum (RMB'000)</u>
<u>Factory and warehouse premises</u>				
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:

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

^(a) In financial year 2013, the Group entered into a Cooperation Agreement with Guzhen (固镇) Municipal Government of Anhui Province, PRC whereby the Group principally agreed to invest RMB 600.0 million to construct a production plant to produce canned products and beverages. The investment cost would be executed in 3 phases with construction work commenced in 2014, and expected completion date being September 2018. The aggregate cost incurred as at 31 December 2017 was RMB 476.17 million (2016 - RMB 476.17 million).

29 Commitments (Cont'd)

(iii) Corporate guarantees

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

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

(iii) Other commitment

Uncalled capital contribution

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

30 Statement of operations by segments

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

- (1) Manufacturing and sale of canned vegetables and canned fruits ("Grandness segment"); and
- (2) Sale of fruit juices ("Garden Fresh segment").

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

Insofar as to the analysis of major customers, the Group does not have a single customer whose revenue reports 10% of the Group's total revenue.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group's income taxes are managed on a group basis and are not allocated to operating segments.

Allocation basis and transfer pricing

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties, if any.

All non-current assets are located in the People's Republic of China.

Notes to the financial statements for the financial year ended 31 December 2017

30 Statement of operations by segments (Cont'd)

(a) Business segments

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

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

Notes to the financial statements for the financial year ended 31 December 2017

30 Statement of operations by segments (Cont'd)

(b) Geographical segments

The following table shows the distribution of the Group's sales based on geographical location of customers:

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

There is no individual foreign country in Europe which is considered significant to be disclosed.

No geographical information is provided as the non-current assets employed by the Group are located in the PRC.

(c) Reconciliation of segments' total assets and total liabilities

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

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

Notes to the financial statements for the financial year ended 31 December 2017

31 Financial risk management objectives and policies

The Group does not have written risk management policies and guidelines. The Board of Directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. The Group does not hold or issue derivative financial instruments for trading purposes.

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

31.1 Foreign currency risk

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

The Group operates and sells its products in several countries other than PRC and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States Dollar. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

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

The Company	Note	Singapore Dollars RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
31 December 2017						
Amount owing by subsidiaries	7	340,251	400,269	28,566	-	769,086
Other receivables	12	-	-	79	93	172
Cash and bank balances	13	4,472	330	-	-	4,802
		344,723	400,599	28,645	93	774,060
Trade payables	16	1,940	9,095	-	-	11,035
Other payables	17	418	-	25,967	-	26,385
Amount owing to a subsidiary	7	-	38,403	12,098	-	50,501
Convertible loan (excluding option derivative)	20	-	130,772	-	-	130,772
		2,358	178,270	38,065	-	218,693
31 December 2016						
Amount owing by subsidiaries	7	335,798	27,129	185,276	-	548,203
Other receivables	12	-	-	35	100	135
Cash and bank balances	13	46,895	9	-	-	46,904
		382,693	27,138	185,311	100	595,242
Trade payables	16	1,662	1,908	-	-	3,570
Other payables	17	108,908	9,219	20,961	-	139,088
Amount owing to a subsidiary	7	-	6,024	8,011	-	14,035
Convertible loan (excluding option derivative)	20	-	134,660	-	-	134,660
		110,570	151,811	28,972	-	291,353

Notes to the financial statements for the financial year ended 31 December 2017

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

31.1 Foreign currency risk (Cont'd)

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

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

Notes to the financial statements for the financial year ended 31 December 2017

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

31.1 Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

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

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

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's and the Group's exposure to currency risk.

Notes to the financial statements for the financial year ended 31 December 2017

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

31.2 Interest rate risk

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

The Company's and the Group's exposure to interest rate risk arises primarily from their bank borrowings, finance leases, convertible loan, straight bonds and exchangeable bonds.

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:

	Within 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	More than 3 years RMB'000	Total RMB'000
The Company					
31 December 2017					
Fixed rate					
Convertible loan (excluding option derivative)	130,772	-	-	-	130,772
Floating rate					
Cash and bank balances	4,802	-	-	-	4,802
31 December 2016					
Fixed rate					
Convertible loan	134,660	-	-	-	134,660
Floating rate					
Cash and bank balances	46,904	-	-	-	46,904
The Group					
31 December 2017					
Fixed rate					
Exchangeable bonds	521,449	-	-	-	521,449
Straight bonds	212,758	-	-	-	212,758
Convertible loan (excluding option derivative)	130,772	-	-	-	130,772
Finance leases	5,026	3,885	1,834	-	10,745
Bank borrowings	45,000	-	-	-	45,000
Floating rate					
Bank borrowings	32,560	32,560	32,560	65,120	162,800
Cash and bank balances	693,625	-	-	-	693,625
31 December 2016					
Fixed rate					
Exchangeable bonds	527,663	-	-	-	527,663
Straight bonds	193,416	-	-	-	193,416
Convertible loan (excluding option derivative)	134,660	-	-	-	134,660
Bank borrowings	50,000	-	-	-	50,000
Floating rate					
Bank borrowings	213,708	34,685	34,685	104,055	387,133
Cash and bank balances	297,749	-	-	-	297,749

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

31.2 Interest rate risk (Cont'd)

Interests on financial instruments subject to floating interest rates are contractually repriced at intervals of less than one month. Interests on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Company and the Group that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for interest rate risk

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

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

31.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The five (2016 - five) largest debtors accounted about 5.4% (2016 - 6.7%) of the total receivables at year end. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

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

Exposure to credit risk

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

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

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

31.3 Credit risk (Cont'd)

Credit risk concentration profile

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

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

31.4 Liquidity risk

Liquidity or funding risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. Refer to Note 2(a) on significant judgements on exchangeable bonds, straight bonds and convertible loan repayment.

Notes to the financial statements for the financial year ended 31 December 2017

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

31.4 Liquidity risk (Cont'd)

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

	Less than 1 year RMB'000	Between 1 to 5 years RMB'000	Total RMB'000
The Company			
As at 31 December 2017			
Trade payables	11,035	-	11,035
Other payables (less VAT, government tax and withholding tax payable)	26,186	-	26,186
Convertible loan	138,756	-	138,756
Amount owing to a subsidiary	50,501	-	50,501
Financial guarantees	43,158	145,330	188,488
	269,636	145,330	414,966
As at 31 December 2016			
Trade payables	3,570	-	3,570
Other payables (less VAT, government tax and withholding tax payable)	138,889	-	138,889
Convertible loan	21,923	142,881	164,804
Amount owing to a subsidiary	14,035	-	14,035
Financial guarantees	8,852	196,278	205,130
	187,269	339,159	526,428
The Group			
As at 31 December 2017			
Finance leases	5,647	6,436	12,083
Bank borrowings	87,531	145,330	232,861
Trade payables	106,488	-	106,488
Other payables (less VAT, government tax and withholding tax payable)	71,229	-	71,229
Convertible loan	138,756	-	138,756
Straight bonds	217,817	-	217,817
Exchangeable bonds	534,740	-	534,740
	1,162,208	151,766	1,313,974
As at 31 December 2016			
Bank borrowings	272,560	196,278	468,838
Trade payables	41,285	-	41,285
Other payables (less VAT, government tax and withholding tax payable)	163,005	-	163,005
Convertible loan	21,923	142,881	164,804
Straight bonds	196,419	-	196,419
Exchangeable bonds	534,739	-	534,739
	1,229,931	339,159	1,569,090

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

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

Notes to the financial statements for the financial year ended 31 December 2017

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

31.5 Market price risk

The Group does not hold any quoted or marketable financial instrument, hence it is not exposed to any movement in market prices.

31.6 Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

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

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

The Group	<u>Level 1</u> RMB'000	<u>Level 2</u> RMB'000	<u>Level 3</u> RMB'000	<u>Total</u> RMB'000
2017				
Liabilities				
Convertible loan	-	-	141,867	141,867
Exchangeable bonds	-	-	521,449	521,449
2016				
Liabilities				
Convertible loan	-	-	134,660	134,660
Exchangeable bonds	-	-	527,663	527,663

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

Notes to the financial statements for the financial year ended 31 December 2017

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

31.6 Fair value measurements (Cont'd)

Level 3 fair value measurements

(a) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using observable market data (Level 3):

<u>Description</u>	<u>Fair value as at 31 December RMB'000</u>	<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Range</u>
2017				
Fair value measurement of exchangeable bonds	521,449	Cash flow of the convertible bonds at its corresponding discount rate	Revised redemption return Discount rate	20% - 25% 10.21%
Fair value measurement of convertible loan	130,772	Cash flow of the convertible loan at its corresponding discount rate	Discount rate	16.28%
Fair value measurement of derivative on convertible loan	11,095	Monte Carlo Simulation	Discount rate Volatility rate	14.11% 43.30%
	<u>663,316</u>			
2016				
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	16.28%
	<u>662,323</u>			

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

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

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

31.6 Fair value measurements (Cont'd)

(c) Valuation policies and procedures

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

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 Fair Value Measurement guidance to perform the valuation.

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

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

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

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

Notes to the financial statements for the financial year ended 31 December 2017

32 Capital management

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

The Company and the Group manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loan. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

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

The Company and the Group monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's and the Group's goal in capital management is to maintain a capital to overall financing structure ratio of between 20% - 50%. Net debt is calculated as the sum of trade payables, other payables, finance leases, bank borrowings, convertible loan and exchangeable bonds including option derivatives less cash and bank balances.

	Note	The Company 31 December 2017 RMB'000 (Revised)^	31 December 2016 RMB'000 (Revised)^	The Group 31 December 2017 RMB'000	31 December 2016 RMB'000
Trade payables	16	11,035	3,570	106,488	41,285
Other payables	17	26,385	139,088	94,116	187,327
Finance lease obligations	18	-	-	10,745	-
Bank borrowings	19	-	-	207,800	437,133
Exchangeable bonds	21	-	-	521,449	527,663
Convertible loan	20	141,867	134,660	141,867	134,660
Straight bonds	21	-	-	212,758	193,416
		179,287	277,318	1,295,223	1,521,484
Less: Cash and bank balances	13	(4,802)	(46,904)	(693,625)	(297,749)
Net debt		174,485	230,414	601,598	1,223,735
Equity attributable to the equity holders of the Company		643,318	388,894	3,086,334	2,399,735
Capital and net debt		817,803	619,308	3,687,932	3,623,470
Gearing ratio		21%	37%	16%	34%

^ See Note 34 to the revised financial statements.

33 Financial instruments

33.1 Fair values

The carrying amount of financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values. The fair value of convertible loan and exchangeable bonds is disclosed in Note 20 and Note 21 respectively.

33.2 Accounting classifications of financial assets and financial liabilities

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

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

Notes to the financial statements for the financial year ended 31 December 2017

33 Financial instruments (Cont'd)

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

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

34 Basis for Revision

Revising and re-filing of financial statements for FY2017 and FY2018

As announced on Singapore Exchange (“Exchange”) on 16 January 2020, pursuant to the Accounting and Corporate Regulatory Authority (“ACRA”)’s Financial Reporting Surveillance Programme, ACRA had issued a letter dated 9 January 2020 (“ACRA’s Letter”) under Section 202A of the Companies Act to the Company’s in relation to the FY2017 audited financial statements (“FY2017”). The ACRA’s Letter was issued following queries from the ACRA to the Company on 15 November 2018 and 20 November 2019.

The former board of directors who authorised the FY2017 financial statements comprised the following directors:

Huang Yupeng
Huang Yushan
Zhu Jun
Chalermchai Mahagitsiri (resigned on 31 January 2019)
Soh Beng Keng (resigned on 25 December 2019)
Liu Ling (retired on 30 April 2018)
Wong Chee Meng, Lawrence (resigned on 25 February 2019)

The ACRA’s Letter dated 9 January 2020 indicated that the Company had not complied with:

- (1) (a) Paragraph 14 of FRS 7 *Statement of Cash Flows* because the deposits of RMB 35.4 million (2016 - RMB 165.9 million) which were pledged for bank borrowings (as disclosed in Notes 13 and 19), were not principal revenue-producing activities of the Group. Cash flows relating to borrowings shall be classified within financing activities in accordance to paragraph 17 of FRS 7.

(b) Paragraph 17 of FRS 7 because the Group had incorrectly classified the “advanced subscription received from a director” (as disclosed in Note 17) in the financial year ended 31 December 2016 as cash inflows within operating activities, instead of financing activities.
- (2) (a) Paragraphs 31 and 41 of FRS 33 *Earnings Per Share* because the Group did not consider the conversion of exchangeable bonds when computing diluted EPS as the conversion of exchangeable bonds could have a dilutive impact on the profits attributable to shareholders, regardless of the probability of conversion.

(b) Paragraph 70(c) of FRS 33 because the Group should have disclosed that the convertible loan from Soleado Holdings Pte. Ltd. (Note 20) was anti-dilutive.
- (3) Paragraph 38 of FRS 12 *Income Taxes* because as the undistributed earnings of subsidiaries are not consolidated at the Company level, taxable temporary differences would not arise at Company level. The Company could not have recognised deferred tax liabilities on undistributed profits of PRC subsidiaries at the Company level.
- (4) Paragraph 17(e) of FRS 24 *Related Party Disclosures* because the Group had not included the related share-based payment expense as part of key management personnel compensation, nor disclosed the expense separately.

The ACRA’s Letter stated that ACRA had considered the Company’s responses on 12 December 2018, 10 December 2019 and the meeting on 3 January 2020.

34 Basis for Revision (Cont'd)

Revising and re-filing of financial statements for FY2017 and FY2018 (Cont'd)

As at the date of this Auditor's Report, the board of directors ("New Board") comprised the following directors:

Huang Yupeng

Huang Yushan

Zhu Jun

Ling Chung Yee, Roy (appointed on 24 December 2019)

Lai Jingwei (appointed on 2 April 2018)

Gong Shuli (appointed on 5 July 2019)

With effect from 20 April 2018, a new set of the Regulations has been issued to operationalise sections 202A and 202B which took effect on 20 April 2018, to allow:

- (i) directors to voluntarily revise financial statements that do not comply with the requirements of the Act (including compliance with the Accounting Standards); and
- (ii) the Registrar of Companies to apply to court to require a company to revise its financial statements where defects had been detected.

In view of the Regulations, the New Board has voluntarily revised the FY2017 financial statements and the audited financial statements for the financial year ended 31 December 2018 ("FY2018") in accordance with section 202A of the Companies Act.

Effects of Revision

The effects of the revision on the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the financial year ended 31 December 2017 are summarised below.

There is no effect of revision on the consolidated statement of financial position of the Group as at 31 December 2017, and the consolidated statement of changes in equity of the Group for the financial year ended 31 December 2017.

Notes to the financial statements for the financial year ended 31 December 2017

34 Basis for Revision (Cont'd)

Revision and comparative figures

The Company

	← 31 December 2017 →		
<u>Statement of financial position</u>	As previously stated RMB'000	Adjustments RMB'000	Revised RMB'000
Accumulated losses	(197,354)	19,241	(178,113)
Deferred tax liabilities	20,241	(19,241)	1,000
	← 31 December 2016 →		
Accumulated losses	(121,142)	19,241	(101,901)
Deferred tax liabilities	20,241	(19,241)	1,000
	← 31 December 2015 →		
Accumulated losses	(131,766)	19,241	(112,525)
Deferred tax liabilities	20,241	(19,241)	1,000

The Group

	← 31 December 2017 →	
<u>Consolidated statement of profit or loss and other comprehensive income</u>	As previously stated RMB'000	Revised RMB'000
Earnings per share:		
- Diluted	38.0	33.5
	← 31 December 2016 →	
Earnings per share:		
- Diluted	76.4	43.3

See related disclosures arising from the revision in Note 25 to the revised financial statements.

	← 31 December 2017 →		
<u>Consolidated statement of cash flows</u>	As previously stated RMB'000	Reclassification RMB'000	Revised RMB'000
Net cash generated from operating activities	634,177	(130,437)	503,740
Net cash (used in)/generated from financing activities	(34,364)	130,437	96,073
	← 31 December 2016 →		
Increase/(decrease) in operating payables	75,087	(111,334)	(36,247)
Net cash generated from operating activities	104,358	23,900	128,258
Advanced subscription received from a director	-	111,334	111,334
Net cash generated from financing activities	305,028	(23,900)	281,128

Notes to the financial statements for the financial year ended 31 December 2017

34 Basis for Revision (Cont'd)

Revision and comparative figures (Cont'd)

The Group (Cont'd)

	31 December 2017		
<u>Note 23(e) Employee benefit costs</u>	As previously stated RMB'000	Adjustments RMB'000	Revised RMB'000
Share-based payment expense under ESOS scheme	16,240	(16,240)	-
- Directors	-	4,472	4,472
- Key management personnel (other than directors)	-	1,485	1,485
- Other than directors and key management personnel	-	10,283	10,283
	16,240	-	16,240

	31 December 2016		
Share-based payment expense under ESOS scheme	27,174	(27,174)	-
- Directors	-	17,817	17,817
- Key management personnel (other than directors)	-	1,197	1,197
- Other than directors and key management personnel	-	8,160	8,160
	27,174	-	27,174

Other comparative figures

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

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

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