

Company Registration No. 200706801H

Sino Grandness Food Industry Group Limited and its subsidiaries

Condensed Financial Statements
For the financial year ended 31 December 2022



Sino Grandness Food Industry Group Limited and its subsidiaries

General information

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Sino Grandness Food Industry Group Limited and its subsidiaries

Condensed consolidated statement of comprehensive income
For the financial year ended 31 December 2022

	Note	Oct-Dec 2022	<u>4Q</u> Oct-Dec 2021 (Restated)	Change	<u>FULL YEAR (FY)</u> Jan – Dec 2022	Jan – Dec 2021 (Restated)	Change
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	4	460,932	523,996	(12.0)	1,622,104	1,380,708	17.5
Cost of sales		(287,057)	(366,629)	(21.7)	(1,062,989)	(1,064,044)	(0.1)
Gross profit/(loss)		173,875	157,367	10.5	559,115	316,664	76.6
Other operating income	6.1(a)	11,105	409,347	(97.3)	18,137	422,198	(95.7)
Distribution and selling expenses		(57,854)	(43,763)	32.2	(160,900)	(249,808)	(35.6)
Administrative expenses		(56,641)	(35,297)	(10.2)	(67,084)	(51,875)	29.3
Other operating expenses	6.1(b)	-	-	-	(89,588)	(86,285)	3.8
Finance costs		(45,328)	(88,627)	(48.8)	(180,841)	(160,408)	12.7
Profit before income tax	6.1(c)	25,103	399,028	(93.7)	78,839	190,486	(58.6)
Taxation	7	(5,930)	(53,444)	(88.9)	(64,689)	(45,208)	43.1
Profit and total comprehensive income for the period/year		19,173	345,584	(94.5)	14,150	145,278	(90.3)
<hr/>							
Profit and total comprehensive profit for the period/year attributable to:							
Equity holders of the parent		19,203	345,631		14,303	145,465	
Non-controlling interests		(30)	(47)		(153)	(187)	
		19,173	345,584		14,150	145,278	
<hr/>							
Earnings per share attributable to owners of the Company							
- Basic	9	1.67	30.07		1.24	12.66	
- Diluted	9	1.67	30.07		1.24	12.66	

Sino Grandness Food Industry Group Limited and its subsidiaries

**Condensed statements of financial position
As at 31 December 2022**

(RMB'000)	Note	Group			Company		
		31 Dec 2022	31 Dec 2021 (Restated)	1 Jan 2021 (Restated)	31 Dec 2022	31 Dec 2021 (Restated)	1 Jan 2021 (Restated)
Non-current assets							
Property, plant and equipment		2,050,363	1,581,221	920,150	5	9	12
Subsidiaries		-	-	-	770,555	691,607	767,770
Amount owing by subsidiaries		-	-	-	6,986	6,397	6,545
Deposit paid for non-current assets		-	303,084	245,814	-	-	-
Total non-current assets		2,050,363	1,884,305	1,165,964	777,546	698,013	774,327
Current assets							
Inventories		17,488	22,761	5,683	-	-	-
Trade receivables		780,951	815,846	1,082,620	-	-	-
Other receivables	11	220,892	333,541	526,712	861	980	404
Other investment		1,000	-	-	-	-	-
Cash and cash equivalents		433,955	288,388	308,357	66	17	82
Total current assets		1,454,286	1,460,536	1,923,372	927	987	486
Current liabilities							
Trade payables		79,703	126,303	74,381	-	-	-
Other payables	13	170,318	163,054	155,698	43,067	44,371	83,844
Lease liabilities		460	400	347	-	-	-
Current tax payable		16,766	37,209	-	195	198	229
Bank borrowings	14	77,000	69,850	210,719	-	-	-
Loan from shareholder	15	209,983	173,025	157,750	209,983	173,025	157,750
Straight bonds		300,620	282,765	264,909	-	-	-
Amount owing to subsidiaries		-	-	-	49,263	45,393	46,300
Exchangeable bonds		785,771	647,404	533,578	-	-	-
Total current liabilities		1,640,621	1,500,010	1,397,382	302,508	262,986	288,123
Net current assets/(liabilities)		(186,335)	(39,474)	525,990	(301,581)	(262,001)	(287,637)
Non-current liabilities							
Lease liabilities		81	541	941	-	-	-
Deferred tax liabilities		275,736	259,639	251,640	-	-	39,231
Total non-current liabilities		275,817	260,180	252,581	-	-	39,231
Net assets		1,588,211	1,584,651	1,439,373	475,965	436,012	447,459

Sino Grandness Food Industry Group Limited and its subsidiaries

**Condensed statements of financial position
As at 31 December 2022**

(RMB'000)	Note	Group			Company		
		31 Dec 2022	31 Dec 2021 (Restated)	1 Jan 2021 (Restated)	31 Dec 2022	31 Dec 2021 (Restated)	1 Jan 2021 (Restated)
Equity							
Equity attributable to equity holders of the Parent							
Share capital	12	791,500	791,500	791,500	791,500	791,500	791,500
Retained profits/(accumulated losses)		519,937	503,846	342,379	(392,013)	(431,966)	(420,519)
Other reserves		275,664	277,452	293,454	76,478	76,478	76,478
Total shareholder's funds		1,587,101	1,572,798	1,427,333	475,965	436,012	447,459
Non-controlling interests		1,110	11,853	12,040	-	-	-
Total equity		1,588,211	1,584,651	1,439,373	475,965	436,012	447,459

Sino Grandness Food Industry Group Limited and its subsidiaries

Condensed consolidated statement of cash flows
For the financial year ended 31 December 2022

		4Q	FULL YEAR (FY)	
	Oct -Dec	Oct -Dec	Jan - Dec	Jan - Dec
	2022	2021	2022	2021
		(Restated)		(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit before income tax	25,103	399,028	78,839	190,486
Adjustments for:				
Depreciation and amortisation	9,951	(25,659)	144,379	96,435
Write off of property, plant and equipment	124	-	124	-
Reversal of impairment of property, plant and equipment	(14,334)	(241,374)	(14,334)	(241,374)
Loss on disposal of property, plant and equipment	218	17,338	218	17,338
Provision for allowance on trade receivables	-	47,841	-	31,937
Write off of other receivables	21,451	21,816	24,451	27,816
Loss on disposal of subsidiaries	-	(139)	336	2,294
Loss on winding off of subsidiary	962	-	962	-
Interest expenses	45,193	88,604	180,496	160,283
Interest income	(217)	(437)	(803)	(640)
Gain on settlement of bank borrowings	-	-	-	(164,365)
Exchange gains	(23,695)	(5,994)	(14,271)	(4,980)
Operating cashflows before working capital changes:	67,756	142,659	400,397	115,230
Decrease/(Increase) in inventories	6,760	17,124	5,273	(17,078)
Decrease in operating receivables	388,007	(296,999)	142,161	591,830
Increase/(decrease) in operating payables	(320,243)	69,567	(39,336)	59,279
Cash generated from operations	142,281	(67,648)	508,495	554,749
Income tax paid	(9,746)	-	(69,034)	-
Net cash generated from/(used in) operating activities	132,535	(67,648)	439,461	554,749
Cash flows from investing activities:				
Purchases of property, plant and equipment	(70,158)	(5,121)	(296,445)	(375,077)
Proceeds from disposal of property, plant and equipment	-	827	-	827
Deposit paid for non-current assets	-	(69,125)	-	(314,184)
Investment in other investments	(1,000)	-	(1,000)	-
Refund of deposits paid for non-current assets	-	97,694	-	97,694
Proceeds from disposal of subsidiaries, net of cash disposed	-	579	-	579
Interest received	217	437	803	640
Net cash (used in)/generated from investing activities	(70,941)	25,291	(296,642)	(589,521)
Cash flows from financing activities:				
Repayment of lease liabilities	(100)	(87)	(400)	(347)
Proceeds from drawdown of bank borrowings	5,000	-	43,150	70,000
Repayment of bank borrowings	-	(5,050)	(36,000)	(45,600)
Interest paid	(972)	(9,181)	(4,002)	(9,250)
Net cash generated from/(used in) financing activities	3,928	(14,317)	2,748	14,803
Net increase/(decrease) in cash and cash equivalents	65,522	(56,674)	145,567	(19,969)
Cash and cash equivalents at beginning of period	368,433	345,062	288,388	308,357
Cash and cash equivalents at end of period	433,955	288,388	433,955	288,388

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**Condensed consolidated statement of changes in equity
For the financial year ended 31 December 2022**

		Share capital	Retained Profits	Share Option reserve	Merger reserve	Statutory common reserve	Attributable to equity holders of the Company	Non- controlling interest	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group									
Balance at 1 January 2021 (Restated)	1	791,500	342,379	76,479	(31,414)	248,389	1,427,333	12,040	1,439,373
Profit for the year and representing total comprehensive income for the year		-	145,465	-	-	-	145,465	(187)	145,278
Transfer to statutory reserve	to	-	16,002	-	-	(16,002)	-	-	-
Balance at 31 December 2021 (Restated)	31	791,500	503,846	76,479	(31,414)	232,387	1,572,798	11,853	1,584,651
Profit for the period and representing total comprehensive income for the period		-	14,303	-	-	-	14,303	(153)	14,150
Transfer to statutory reserve	to	-	1,788	-	-	(1,788)	-	-	-
Disposal of a non-wholly owned subsidiary		-	-	-	-	-	-	(10,590)	(10,590)
Balance at 31 Dec 2022		791,500	519,937	76,479	(31,414)	230,599	1,587,101	1,110	1,588,211

	Share capital RMB'000	Accumulated losses RMB'000	Share Option reserve RMB'000	Total Equity RMB'000
Company				
Balance at 1 January 2021	791,500	(420,519)	76,478	447,459
Loss for the year representing total comprehensive income for the year	-	(11,446)	-	(11,446)
Balance at 31 December 2021	791,500	(431,965)	76,478	436,013
Profit for the period representing total comprehensive income for the period	-	39,952	-	39,952
Balance at 31 Dec 2022	791,500	(393,013)	76,478	475,965

Sino Grandness Food Industry Group Limited and its subsidiaries

Notes to the condensed consolidated financial statements For the financial year ended 31 December 2022

1. Corporate information

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

These condensed consolidated financial statements as at and for the 12 months ended 31 December 2022 comprise the Company and its subsidiaries (collectively, the Group). The principal activities of the Company are investment holdings in production and sale of fruits and vegetables juices, and canned vegetables and canned fruits.

2. Basis of preparation

The condensed financial statements for the 12 months ended 31 December 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last financial statements for the year ended 31 December 2021.

The condensed financial statements are presented in Renminbi (“RMB”) which is the Company’s functional currency and all values are rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

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

- A. As of 31 December 2022, both the Company and the Group’s current liabilities exceeded their current assets by RMB302 million and RMB186 million, respectively.
- B. The Company has been served with a letter of demand dated 7 January 2019 by Soleado Holdings Pte. Ltd. (“Soleado”) for the principal sum of US\$20.0 million and interest under the Repayment Framework Agreement dated 20 July 2018 to the loan agreement dated 13 April 2016. As of 7 January 2019, the interest reported to be due from the Company to Soleado was US\$1.2 million and other charges of SGD30,000 being costs and expenses for legal and professional fees. The second letter of demand was served on 23 January 2019. As at the date of this report, a sum of SGD2.0 million (equivalent to RMB10.0 million) has been repaid on 19 June 2019 and remaining balance of US\$19.7 million and interest thereon, totaling RMB173.0 million, remains outstanding.
- C. Arising from the defaults on repaying to bondholders, in so far as the Amended and Restated 2018 Restructuring Agreement (the “2018 RRA”) in relation to the exchangeable bonds signed on 14 January 2019 as announced by the Company on 17 January 2019, there were certain conditions stipulated in the convertible loan agreement signed on 13 April 2016 which must be observed.

In so far as Convertible Bonds are concerned, based on the 2018 RRA, all these Convertible Bonds are to be converted into preference shares of Garden Fresh Group Holding Co., Ltd. (“GF Cayman”) upon full redemption. There are two features identified in relation to the Convertible Bonds:

The redemption to the sum in aggregate of RMB50.3 million for the 2011 SB2 Bonds and RMB128.3 million for the 2012 SB2 Bonds together with the interest thereon where the

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Notes to the condensed consolidated financial statements For the financial year ended 31 December 2022

bonds are repayable on the Completion Date (13 January 2020) or early redemption on certain circumstances; and

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

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

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

The Completion Date or the redemption date is assumed to be 13 January 2020.

On 30 December 2020, the Group received letters of demand from the holders of the Exchangeable Bonds demanding immediate payment on the amounts due as the completion event under 2018 RRA did not occur as required on or before the Long Stop Date (13 January 2020). Consequently, the agreement automatically terminated on 14 January 2020 and all of the existing rights and remedies of the holders of the remaining Exchangeable Bonds became actionable immediately thereafter.

On 1 July 2024, the Group received second letter of demand from Goldman Sachs Investments Holdings (Asia) Limited, in its capacity as existing security agent, demanding immediate payment amounting to RMB396,577,356 and USD150,372,476.

As at 31 December 2022, the principal and interest thereon due to the bondholders amounted to RMB1,086.4 million (2021: RMB930.2 million).

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

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

- The Company has significantly improved its cash flow through various measures, including optimizing its operational efficiency and enhancing its revenue.
- The Chairman of the Company has provided the Group with a letter of undertaking stating that he will not recall the amounts due to him from the Group and the Company, amounting to RMB117,169,000 and RMB41,242,000, respectively, for at least the next eighteen months from the date of these financial statements.
- The Group is currently in renegotiations with its bondholders to agree on revised terms. While the discussion is ongoing, the Group is working towards substantially reducing the outstanding bond balance and extending the repayment period.

The Board of Directors has assessed the Group's and the Company's ability to continue as a going concern and is of the view that it is appropriate that the financial statements of the Group and Company are to be prepared on a going concern basis.

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Notes to the condensed consolidated financial statements For the financial year ended 31 December 2022

2.1 *New and amended standards adopted by the Group*

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new or amended Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations to SFRS(I) ("INT SFRS(I)s") that are mandatory for application from that date.

The application of these new or amended SFRS(I) and INT SFRS(I)s did not result in change in the Group's accounting policies and has no material effect on the amounts reported for the current period or prior years.

2.2 *Use of judgements and estimates*

In preparing the condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial year.

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Notes to the condensed consolidated financial statements For the financial year ended 31 December 2022

4. Segment and revenue information

Breakdown of revenue by segments:

		<u>4Q</u>			<u>FULL YEAR (FY)</u>	
	Oct- Dec 2022	Oct- Dec 2021	Change	Jan – Dec 2022	Jan – Dec 2021	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Product segment						
Canned products						
- overseas	19,247	45,967	(58.1)	87,336	108,923	(19.9)
- domestic	88,709	66,764	32.9	356,399	251,781	42.8
Beverage	352,794	411,265	(14.2)	1,178,369	1,020,004	15.1
Total	460,932	523,997	(12.0)	1,622,104	1,380,708	17.5

Disaggregation of revenue from contracts with customers:

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

	Jan – Dec 2022	Jan – Dec 2021
	RMB'000	RMB'000
At a point in time:		
- The PRC	1,532,950	1,288,320
-Europe	87,336	82,955
-North America	-	4,769
-South America	-	3,692
-Others	1,818	972
Total	1,622,104	1,380,708

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Notes to the condensed consolidated financial statements
For the financial year ended 31 December 2022

5. Financial assets and financial liabilities

31 December 2022	1 year or less RMB'000	Over 1 year to 5 years RMB'000	Total \$'000
<u>The Company</u>			
Financial assets at amortised cost			
Amounts due from subsidiaries	6,986	–	6,986
Other receivables	861	–	861
Cash and cash equivalents	66	–	66
	<u>7,913</u>	<u>–</u>	<u>7,913</u>
Financial liabilities at amortised cost			
Other payables	43,067	–	43,067
Loan from a related party	209,983	–	209,983
Amounts due to subsidiaries	49,263	–	49,263
	<u>302,313</u>	<u>–</u>	<u>302,313</u>
<u>The Group</u>			
Financial assets at amortised cost			
Trade receivables	780,951	–	780,951
Other receivables (excluding tax receivables and prepayments)	20,475	–	20,475
Cash and cash equivalents	433,955	–	433,955
	<u>1,235,381</u>	<u>–</u>	<u>1,235,381</u>
Financial liabilities at amortised cost			
Trade payables	79,703	–	79,703
Other payables (excluding tax payables)	163,197	–	163,197
Bank borrowings	77,000	–	77,000
Loan from a related party	209,983	–	209,983
Bonds (excluding Exchangeable Bonds)	300,620	–	300,620
	<u>830,503</u>	<u>–</u>	<u>830,503</u>
Financial liabilities at amortised cost			
Exchangeable bonds	785,771	–	785,771
31 December 2021			
	1 year or less RMB'000	Over 1 year to 5 years RMB'000	Total \$'000
<u>The Company</u>			
Financial assets at amortised cost			
Amounts due from subsidiaries	6,397	–	6,397
Other receivables	970	–	970
Cash and cash equivalents	17	–	17
	<u>7,384</u>	<u>–</u>	<u>7,384</u>
Financial liabilities at amortised cost			
Other payables	44,370	–	44,370
Loan from a related party	173,025	–	173,025
Amounts due to subsidiaries	45,393	–	45,393
	<u>262,788</u>	<u>–</u>	<u>262,788</u>

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Notes to the condensed consolidated financial statements For the financial year ended 31 December 2022

The Group

Financial assets at amortised cost

Trade receivables	815,846	–	815,846
Other receivables (excluding tax receivables and prepayments)	92,873	–	92,873
Cash and cash equivalents	288,388	–	288,388
	<u>1,197,107</u>	<u>–</u>	<u>1,197,107</u>

Financial liabilities at amortised cost

Trade payables	126,303	–	126,303
Other payables (excluding tax payables)	159,611	–	159,611
Bank borrowings	69,850	–	69,850
Loan from a related party	173,025	–	173,025
Bonds (excluding Exchangeable Bonds)	282,765		282,765
	<u>811,554</u>		<u>811,554</u>

Financial liabilities at amortised cost

Exchangeable bonds	<u>647,404</u>	<u>–</u>	<u>647,404</u>
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Measurement of fair value

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

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

The Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2022				
<u>Asset</u>				
Other investment	–	1,000	–	1,000
<u>Liabilities</u>				
Exchangeable Bonds	–	785,771	–	785,771
2021				
<u>Liabilities</u>				
Exchangeable Bonds	–	647,404	–	647,404

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**Notes to the condensed consolidated financial statements
For the financial year ended 31 December 2022**

6. Profit before taxation

6.1 Significant items

(a) Other operating income

<u>Other operating income</u>	<u>Group</u>	
	Jan – Dec 2022	Jan – Dec 2021 (Restated)
	RMB'000	RMB'000
Government grants	482	135
Interest income -banks	803	640
Exchange gain	-	14,132
Rental income	2,467	1,461
Reversal of impairment of Property, plant and equipment	14,334	241,374
Gain on settlement of loan	-	164,365
Others	52	91
Total	18,138	257,742

(b) Other operating expenses

<u>Other operating expenses</u>	<u>Group</u>	
	Jan – Dec 2022	Jan – Dec 2021 (Restated)
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	218	17,338
Loss on disposal of subsidiaries	336	2,294
Loss on winding up of subsidiary	962	-
Net exchange loss	14,271	-
Provision for allowance on trade receivables	-	31,937
Write off of other receivables	24,451	27,816
Write off of property, plant and equipment	124	-
Write off of trade receivables	48,940	6,610
Others	286	290
Total	89,588	86,285

(c) Profit before taxation

	<u>Group</u>	
	Jan – Dec 2022	Jan – Dec 2021
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	144,379	96,435
Rental expenses	150	339

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Notes to the condensed consolidated financial statements For the financial year ended 31 December 2022

7. Taxation

<u>The Group</u>	Jan – Dec 2022 RMB'000	Jan – Dec 2021 RMB'000
Current tax expense		
Current year	54,246	37,209
Prior year	(5,654)	-
	<u>48,592</u>	<u>37,209</u>
Deferred tax expense		
Origination and reversal of temporary differences		
Tax expenses	16,097	7,999
	<u>64,689</u>	<u>45,208</u>

8. Net asset value

Net asset value (NAV)	Group		Company	
	31 Dec 2022	31 Dec 2021 (Restated)	31 Dec 2022	31 Dec 2021
Number of ordinary shares	1,149,410,658	1,149,410,658	1,149,410,658	1,149,410,658
NAV per ordinary share in the Company (RMB cents)	138.2	137.9	41.4	37.9

9. Earnings per share

Earnings per share (EPS)	Oct -Dec 2022	4Q	FULL YEAR (FY)	
		Oct -Dec 2021 (Restated)	Jan – Dec 2022	Jan – Dec 2021 (Restated)
Profit attributable to ordinary shareholders of the Company (RMB'000)	19,203	345,631	14,303	145,465
Weighted average number of ordinary shares - basic and diluted ('000)	1,149,411	1,149,411	1,149,411	1,149,411
Basic earnings/ (losses) per share	1.67	30.07	1.24	12.66
Diluted earnings/(losses) per share	1.67	30.07	1.24	12.66

Diluted profit per share

The calculation of diluted profit per share has been based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. No adjustment has been made as all potential ordinary shares are anti-dilutive as at 31 December 2022 and 2021.

At 31 December 2022, 51,776,822 share options (2021: 51,776,822) were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

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10. Employee share option scheme (the “ESOS Scheme”)

	Weighted- average exercise options 2022 ‘000	Options price 2022 SGD	Weighted- average exercise options 2021 ‘000	Options price 2021 SGD
Outstanding at beginning and end of year	51,777	0.30	51,777	0.30
Exercisable at year end	51,777	0.30	51,777	0.30

There are no share options granted in the financial years ended 31 December 2022 and 2021.

11. Other receivables

	The Company		The Group		
	31 Dec 2022 RMB'000	31 Dec 2021 RMB'000	31 Dec 2022 RMB'000	31 Dec 2021 RMB'000 (Restated)	31 Dec 2021 RMB'000 (Restated)
Amounts due to					
- Employees	219	328	1,172	1,217	680
- Third parties	-	-	7,362	50,842	50,069
- Trade suppliers	606	-	8,573	38,403	81,545
Prepayment	-	-	29,403	59,762	114,212
VAT receivables	-	-	135,257	144,215	197,388
Export tax refund	-	-	35,758	36,691	77,373
Deposits	5	5	1,774	1,784	2,005
Others	31	637	1,593	627	3,440
	861	970	220,892	333,541	526,712

12. Share capital

	Group and Company			
	31 Dec 2022		31 Dec 2021	
	No. of shares ‘000	Amount RMB'000	No. of shares ‘000	Amount RMB'000
Issued and fully paid ordinary shares with no par value:				
Beginning and end of financial year	1,149,410	791,500	1,149,410	791,500

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Notes to the condensed consolidated financial statements For the financial year ended 31 December 2022

13. Other payables

	<u>The Company</u>		<u>The Group</u>	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to				
- Contractors	-	-	-	24,000
- Employees	585	-	3,660	-
- Suppliers	-	-	11,208	-
- A director of the Company	41,242	19,970	117,169	52,700
- Third parties	413	-	27,425	16,000
Accrued salaries	-	24,400	-	59,042
VAT and other tax payable	-	-	7,121	3,443
Others	827	-	3,735	7,869
	43,067	44,370	170,318	163,054

The carrying amount of other payables, due to their short duration, approximates their fair values. The non-trade amounts owing are unsecured, interest-free and are repayable on demand. The amount due to a director of the Company represents unsecured interest-free advances and are repayable on demand.

14. Bank borrowings

	<u>The Group</u>	
	31 Dec 2022	31 Dec 2021
	RMB'000	RMB'000
Bank loans (secured)		
- 中国建设银行股份有限公司蚌埠市分行	-	5,000
- 交通银行滨海支行	-	20,000
- 当阳农商银行营业部	10,000	10,000
- 友利银行深圳分行	67,000	34,850
	77,000	69,850
Amount repayable:		
Not later than one year	77,000	69,850

The secured bank borrowings are secured by a mortgage over the Group's factory and warehouse premises, land use rights, security deposits, personal guarantee by director of the Company, Huang Yupeng and corporate guarantees.

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Notes to the condensed consolidated financial statements For the financial year ended 31 December 2022

15. Loan from shareholder

	The Company and The Group	
	31 Dec 2022	31 Dec 2021
	RMB'000	RMB'000
As beginning of year		
Interest charge	173,025	157,750
Exchange differences	20,272	19,351
At end of year	16,686	(4,076)
	209,983	173,025

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

The Company has been served with a letter of demand dated 7 January 2019 by Soleado for the principal sum of US\$20.0 million and interest under the Repayment Framework Agreement dated 20 July 2018 to the loan agreement dated 13 April 2016. As of 7 January 2019, the interest reported to be due from the Company to Soleado was US\$1.2 million and other charges of SGD30,000 being costs and expenses for legal and professional fees. The second letter of demand was served on 23 January 2019.

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

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

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For the financial year ended 31 December 2022

16. Reconciliation of liabilities arising from financing activities

Group	Loan from a related party RMB'000	Lease liabilities RMB'000	Bank borrowings RMB'000	Bonds RMB'000
At 1 January 2021 (Restated)	157,750	1,288	210,719	798,487
<u>Cash flow</u>				
Repayment of lease liabilities	-	(347)	-	-
Drawdown of bank borrowings	-	-	(70,000)	-
Repayment of bank borrowings	-	-	(45,600)	-
Interest paid	-	(93)	(9,157)	-
<u>Non-cash changes</u>				
Gain on settlement of bank borrowings	-	-	(164,365)	-
Exchange gain	(4,076)	-	(904)	-
Interest expense	19,351	93	9,157	131,682
At 31 December 2021 (Restated)	173,025	941	69,850	930,169
<u>Cash flow</u>				
Repayment of lease liabilities	-	(400)	-	-
Drawdown of bank borrowings	-	-	43,150	-
Repayment of bank borrowings	-	-	(36,000)	-
Interest paid	-	(61)	(3,941)	-
<u>Non-cash changes</u>				
Exchange gain	16,686	-	-	-
Interest expense	20,272	61	3,941	156,222
At 31 December 2022	209,983	541	77,000	1,086,391

Sino Grandness Food Industry Group Limited and its subsidiaries

Other Information Required by Listing Rule Appendix 7.2

1. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The condensed statements of financial position of Sino Grandness Food Industry Group Limited and its subsidiaries as at 31 December 2022 and the related consolidated statement of profit or loss and other comprehensive income, condensed statements of changes in equity and condensed consolidated statement of cash flows for half year and full year ended 31 December 2022 and certain explanatory notes have not been audited or reviewed.

2. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of performance

Revenue

The Group's revenue increased by approximately RMB241.4 million or 17.5% from RMB1,380.7 million in FY2021 to RMB1,622.1 million in FY2022. The increase was mainly attributable to the increase of RMB153.6 million in sales of beverage domestically and the increase of RMB107.6 million in sales of canned products domestically from FY2021 to FY2022 due to the further recovery from COVID-19 pandemic. The increase was partially offset by decrease in sales of canned products in overseas markets.

Gross profit

The Group's gross profit increased by approximately RMB242.5 million, from RMB316.7 million in FY2021 to RMB559.1 million in FY2022. The Group's overall gross profit margin (GPM) improved by 12.0 percentage points, from 23.0% in FY2021 to 34% in FY2022. Improvement of the Group's overall GPM was mainly to higher productivity and product demand as result of further recovery of post COVID-19 pandemic.

Other operating income

A higher other operating income in FY2021 as compared to FY2022 was mainly attributed to:

- a. A gain on settlement of DEG loan amounting to RMB164.3 million recognised in FY2021. There was no such gain in FY2022.
- b. Reversal of impairment of property, plant and equipment ("PPE") amounting to RMB241.4 million in FY2021 as compared to reversal of RMB14.3 million in FY2022. During the year, management has performed a review of recoverable amount on its PPE as of 1 January 2021, 31 December 2021 and 31 December 2022. The recoverable amounts were estimated using the value in use based on the valuation reports performed by a third-party firm of professional valuers using the discounted cashflow method. Based on the review, an impairment loss of RMB473.2 million was recognized on 1 January 2021 and a reversal of RMB241.4 million and RMB14.3 million were recognized on 31 December 2021 and 31 December 2022 respectively. As a result, certain amount in FY2020 and FY2021 has been restated accordingly.

Operating expenses

Administrative expenses were evidenced with the increase of RMB15.2 million or 29.3%, from RMB51.9 million in FY2021 to RMB67.1 million in FY2022. The administrative expenses were higher in FY2022 mainly due to higher depreciation charged during the year as result of purchase of additional PPE.

Distribution and selling expenses decreased by approximately RMB88.9 million or 35.6%, from RMB249.8 million in FY2021 to RMB160.9 million in FY2022. Higher distribution and selling expenses in 2021 were mainly due to television advertisement costs incurred. In 2021, the Group took the initiative to increase the products' publicity of fruit juice and canned foods via television advertising. Targeted audiences television advertising were aired in the provinces such as Zhengzhou, Anyang, Hangzhou, Jinhua, Taizhou, Changsha and Yangzhou. Most of the television advertising cost was already incurred in 2021 which led to decrease in distribution and selling expense in the current period. The prior year also had higher frequency of delivery regardless of whether the minimum quantity was fulfilled, which also resulted in higher distribution cost as compared to FY2022.

Finance costs increased by approximately RMB20.4 million or 12.7%, from RMB160.4 million in FY2021 to RMB180.8 million in FY2022. The increase is mainly attributed to additional accrued interest on straight bonds and exchangeable bonds as well as the convertible loan from "Soleado" during the financial period.

Profit before taxation

As a result of the above, the Group recorded a profit before taxation of RMB78.8 million in FY2022 as compared to a profit before taxation of RMB190.5 million in FY2021.

Review of Balance Sheet

Property, plant and equipment ("PPE") consists of office premises, factory and warehouse premises, plant and machinery, land use rights as well as office equipment ect. The increase in PPE is mainly due to the purchase of the Group's production plant and machinery for its canned food and fruit beverage in Anhui, Hubei and Sichuan in FY2022, which is partially offset by depreciation charged during the period under review.

Deposits paid for non-current assets was transferred to PPE as at 31 December 2022 due to completion of purchase of plant and machinery.

The Group's inventories decreased by approximately RMB5.2 million from RMB22.8 million as at 31 December 2021 to RMB17.4 million as at 31 December 2022. The decrease in inventory was mainly attributed to a drop in costs of packaging materials due to effective inventory control during the year.

Trade receivables decreased by approximately RMB34.9 million from RMB815.8 million as at 31 December 2021 to RMB780.9 million as at 31 December 2022 which was mainly due to collection of receivables received from customers during the financial year.

Other receivables comprising of VAT receivables, export tax refund, deposits and prepayments decreased by approximately RMB112.6 million from RMB333.5 million as at 31 December 2021 to RMB220.9 million as at 31 December 2022. The decrease was mainly attributable to less prepayment and advances to trade suppliers in FY2022.

Cash and cash equivalents stood at RMB433.9 million as at 31 December 2022 (Dec 2021: RMB288.4 million). The increase in cash balance was mainly due to less cash used in purchase of plant and machinery during FY2022 as compared to FY2021.

Current liabilities increased by RMB257.9 million from RMB1,382.8 million as at 31 December 2021 to RMB1,640.6 million as at 31 December 2022. The increase was mainly attributable to:

- a. an increase in bank borrowing of RMB7.1 million due to drawdown of additional bank loan of RMB43.1 million and was partially offset by the repayment of bank loan amounting to RMB 36million during FY2022;
- b. an increase in loan from a shareholder of RMB36.9 million and bonds of RMB273.4 million due to accrued interest during the year

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Other Information Required by Listing Rule Appendix 7.2

The increase was partially offset by a decrease in tax payable of RMB20.4 million and a decline in trade payables of RMB46.6 million due to payment made during the financial year.

Review of cash flow statement

The Group generated net cash flows from operating activities of RMB439.4 million in FY2022 as compared to net cash flows from operating activities of RMB544.7 million in FY2021. Lower net cash flows from operating activities in FY2022 despite higher operating profit generated was mainly due to more collection of receivables received during FY2021.

Net cash used in investing activities amounted to RMB296.6 million in FY2022 as compared to RMB589.5 million in FY2021. The decrease was mainly due to less payment made for the purchase of plant and machinery during the financial year.

Net cash generated from financing activities amounted to RMB2.7 million in FY2022 as compared to net cash generated from financing activities of RMB14.8 million in FY2021. The decrease was mainly due to less bank borrowing drawdown in FY2022 as compared to FY2021.

3. Status on the use of proceeds from IPO and any offerings pursuant to Chapter 8 of the SGX Listing Manual and whether the use of proceeds is in accordance with the stated use.

The Board refer to the issuance of 85,000,000 shares by the Company in August 2019 ("Placement 2019 (2)"). As at the date of this announcement, the Group had fully utilized the net proceeds from the Placement 2019 (2) as follows :-

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

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Global macro risks and market volatilities are expected to heighten and shipments disruptions to continue as geopolitical events unfold. Notwithstanding this challenging backdrop, the Group expects the food and beverage industry to remain resilient.

The Group continues to execute its strategy by investing for the future with new manufacturing assets and enhanced capabilities in innovation. The Group will also continue to enhance brand visibility to grow our market share domestically and internationally.

While overall end-consumer demand may be subjected to short term fluctuations, the Group remains well-positioned to meet customer needs, with strong and expanding research and development so as to increase the product offerings and to consider new sales channels.

Moving forward, the Group will continue to execute its strategy of scaling up its production and distribution operations while it continues to explore capital investment plans to strengthen its cashflows. The Group is focused on executing its differentiated strategy to deliver profitable growth and optimal returns.

Update on receipt of letter of demand from Goldman Sachs Investments Holdings (Asia) Limited

On 2 July 2024, the Company received letter of demand from Goldman Sachs Investments Holdings (Asia) Limited dated 28 June 2024 in relation the sums of RMB396,577,356 and USD150,372,476.

As announced by the Company on 2 April 2025, it has received a proposed term sheet from GS, in its capacity as the Existing Security Agent representing all bondholders, in relation to a proposed final settlement of all amounts due and payable under the relevant bonds. Pursuant to the proposed term sheet, among other things, the settlement amount is RMB 270 million, payable over a period of 3.5 years (the "Proposed Settlement"). At the date of this announcement, the Group is still in the process of finalising the renegotiated terms of the Proposed Settlement with GS, including the relevant definitive agreement(s).

Update on overdue loan from a related party - Soleado Holdings Pte. Ltd.

On 5 June 2020, Soleado has, in writing, informed the Company that the shareholders of Soleado may require Soleado to demand settlement or to take legal action against the Company if warranted. In addition, the pledged shares (102 million shares) of the Company owned by Huang Yupeng will be realised if called upon.

The Company is currently in discussion with the lender to extend the repayment of principal and interest. The Company would make the necessary announcement as and when there is any material development.

Update on proposed listing of Garden Fresh

The Company continues in its effort towards the proposed listing of its beverage business ("Proposed Listing"). The Company will keep shareholders updated on any material developments relating to the Proposed Listing as and when appropriate.

6. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Book closure date

Not applicable

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Other Information Required by Listing Rule Appendix 7.2

- 7. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividend has been declared/recommended for the financial year ended 31 December 2022 to enable the Group to conserve cash for working capital purposes.

- 8. If the Group has obtained general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company has not obtained a general mandate from shareholders for interested person transactions.

Name of interest person	Nature of Relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transaction conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interest person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Soleado Holdings Pte. Ltd. ("Soleado")	Shareholder	Accrued interest charge on loan from a related party--- RMB20,272, 000	Nil

- 9. Confirmation of procurement of Undertakings from all Directors and Executive Officers.**

The Company confirms that it has procured the Undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

- 10. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that as at 31 December 2022, none of the persons occupying the managerial positions in the Company or any its principal subsidiaries is a relative of a Director or Chief Executive Officer or Substantial Shareholder of the Company.

- 11. Additional information required pursuant to Rule 706A of the Listing Manual.**

On 13 May 2022, a wholly owned subsidiary, Hubei Grandness Property Management Co., Ltd was incorporated with share capital of RMB100,000.

On 26 July 2022, the Group disposed its 51% equity interest of a subsidiary, Hao Tian Yuan (Shenzhen) Co., Ltd. with a loss of RMB 336,000 recognised in profit or loss.

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On 20 November 2022, Dongpeng (Chengdu) Agriculture Development Co., Ltd. underwent creditor's voluntary winding-up and was dissolved, with a loss of RMB961,000 recognised in profit or loss.

Subsequent to the year end, the Group incorporated two new wholly owned subsidiaries:

- a. May Pipa (Chengdu) Foods Co., Ltd., incorporated on 13 December 2023, is a wholly owned subsidiary of Garden Fresh (Shenzhen) Beverage Technology Co., Ltd. The company was incorporated in the PRC. As of the date of this report, there have been no significant financial transactions or impacts resulting from the incorporation. The subsidiary was subsequently wound up on 19 November 2024.
- b. Sichuan Zhenying Property Management Co., Ltd., incorporated on 22 November 2023, is a wholly owned subsidiary of Grandness (Sichuan) Foods Co., Ltd. The company was incorporated in the PRC. No material transactions or financial impacts have occurred as of the date of this report.

12. Confirmation by the Board pursuant to Rule 705 (5) of the Listing Manual

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements of the Company or the unaudited consolidated financial statements of the Group for the full year ended 31 December 2022 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

HUANG YUPENG
EXECUTIVE CHAIRMEN AND CEO

2 July 2025