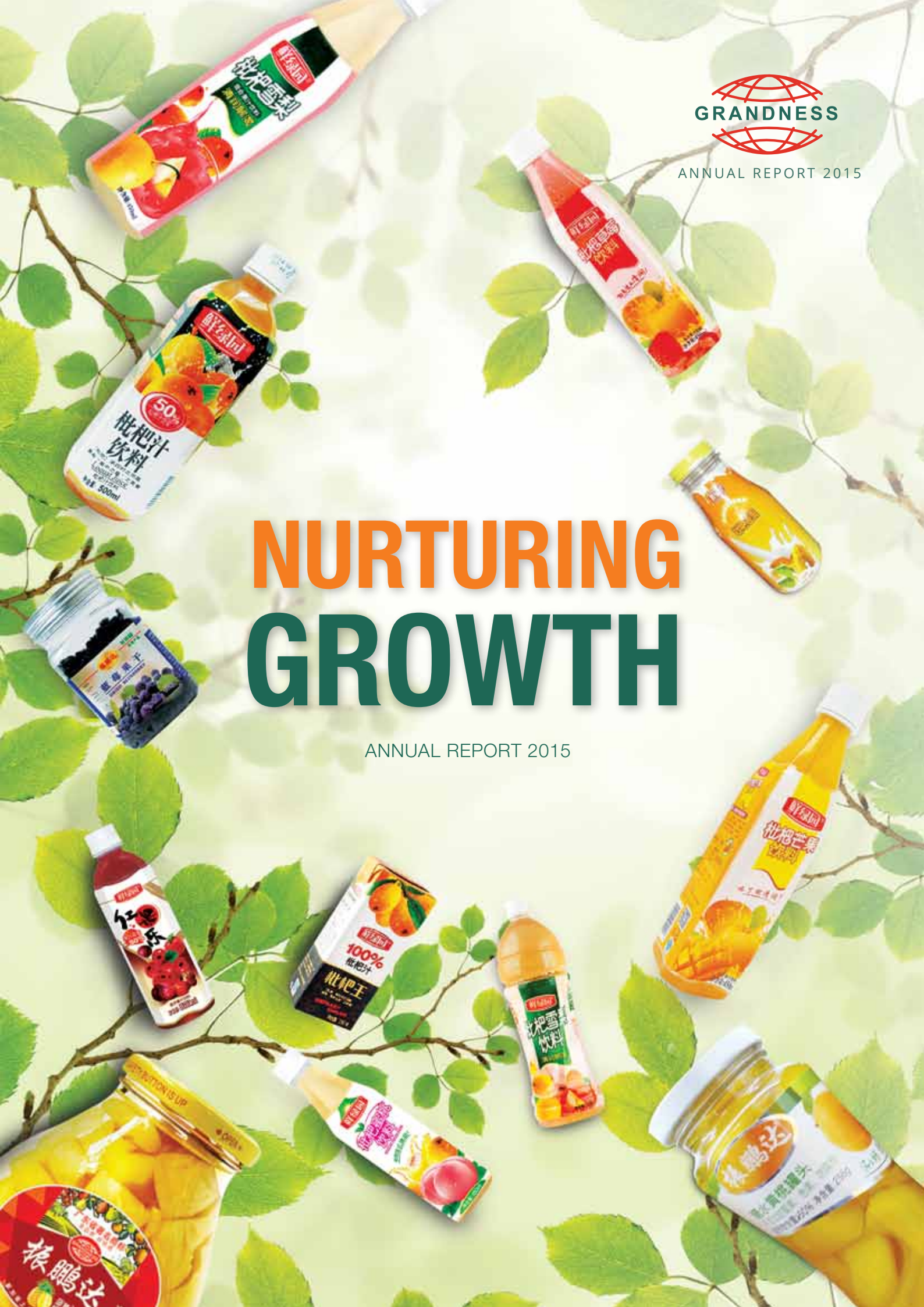




ANNUAL REPORT 2015

NURTURING GROWTH

ANNUAL REPORT 2015



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CORPORATE PROFILE

Headquartered in Shenzhen the People's Republic of China ("PRC"), Sino Grandness Food Industry Group Limited 中华食品工业集团有限公司 ("Sino Grandness" or "the Company" and together with its subsidiaries, the "Group") is principally engaged in the production and distribution of beverage and canned food products under its in-house brand 鲜绿园 ("Garden Fresh") and 振鹏达 ("Grandness"). Since its establishment in 1997, the Group has grown to become one of the leading brands for loquat fruit juice in PRC as well as one of the top exporters of canned asparagus, long beans and mushrooms from PRC.

The Group's products are distributed within PRC and globally across Europe, North America and Asia, in renowned supermarkets, discount stores and convenience stores including Lidl, Carrefour, Walmart, 7-Eleven, Wellcome, Jusco and Metro.

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

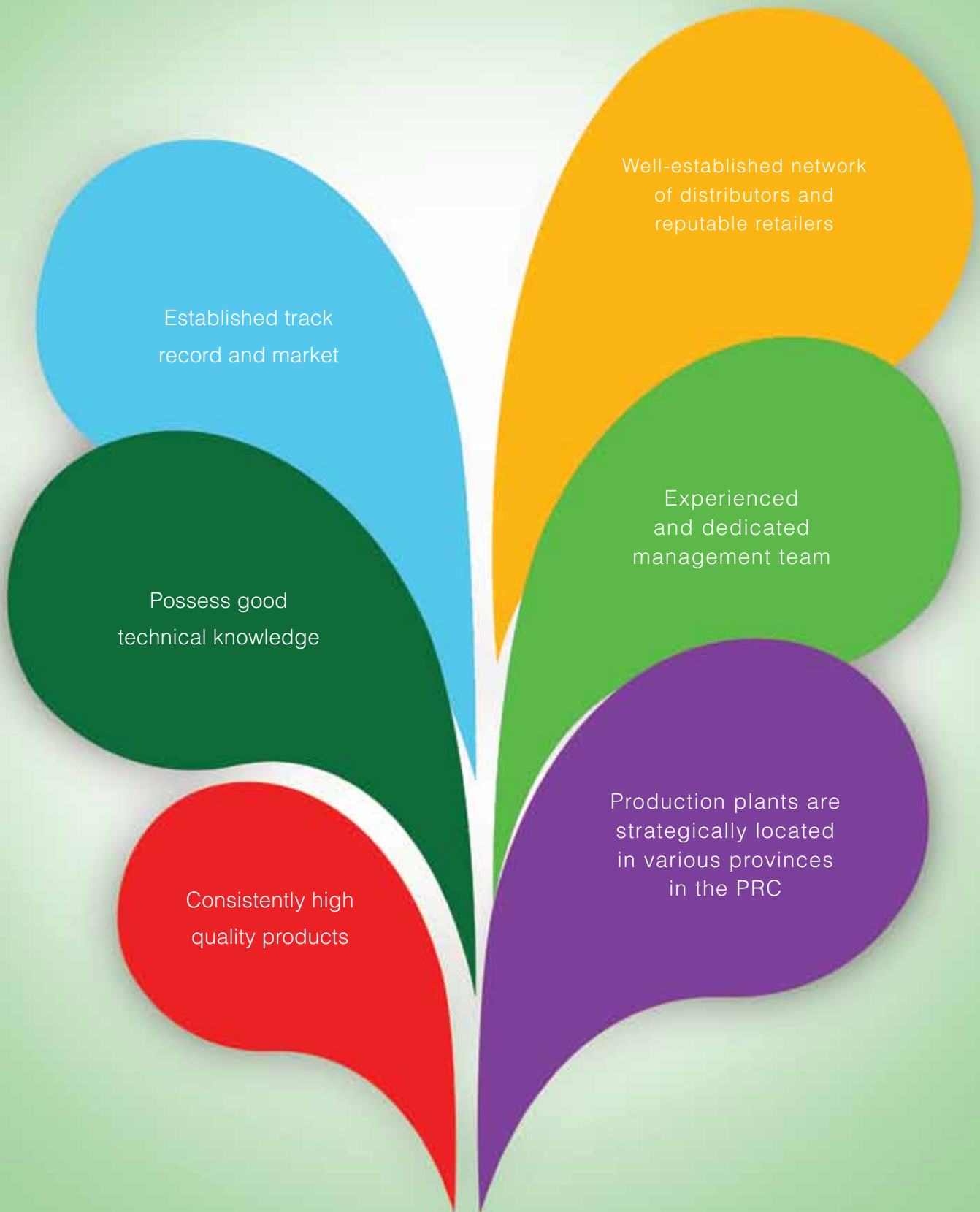
Sino Grandness' production plants in PRC are strategically located in four provinces, namely Shandong, Shanxi, Sichuan and Hubei – all of which are key agricultural belts. The production bases straddle different climatic regions so that production activities can be carried throughout the year. The Group's newest plant in Anhui Province is presently under construction and upon completion will further expand the Group's production footprint within PRC.

In 2010, the Group successfully launched its own-branded bottled juices Garden Fresh, comprising unique fruits such as loquat and hawthorn to target the huge domestic consumer base in China. In recognition of the Group's R&D and brand building efforts, Garden Fresh juices have been accorded the "Innovative, Outstanding and Nutritious Award" by the PRC Food Industry in 2010, "Top 100 Brand in China" by the joint agency of Global times, Asia Brand Association and China Economic Herald in 2013 as well as "Top 10 Leading New Brands in China for 2015" by Asia Brand Network.

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



COMPETITIVE STRENGTHS



OUR PRODUCTS



Beverage



Canned Fruits & Snacks



Canned Vegetables



CAPITALISING GROWTH OPPORTUNITIES



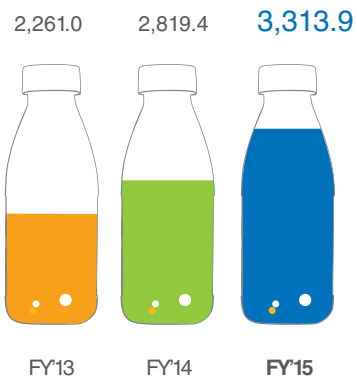


We have been ramping up our efforts to promote and extend the reach of our products to more customers and strengthen our market presence. With the recent string of TV advertising and strategic sponsorship of TV programmes and new product launches, we are confident that we will be able to achieve enhanced brand value, strengthened brand equity and increased exposure for our products.

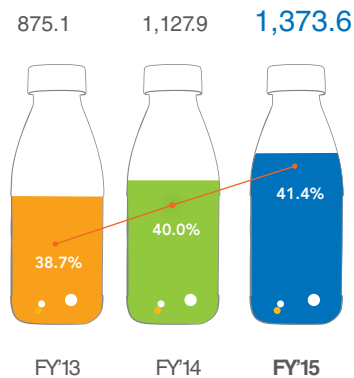


FINANCIAL HIGHLIGHTS

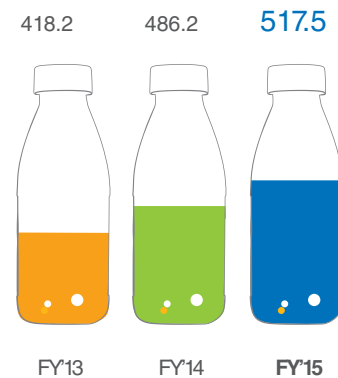
REVENUE (RMB million)



GROSS PROFIT & PROFIT MARGIN (RMB million)

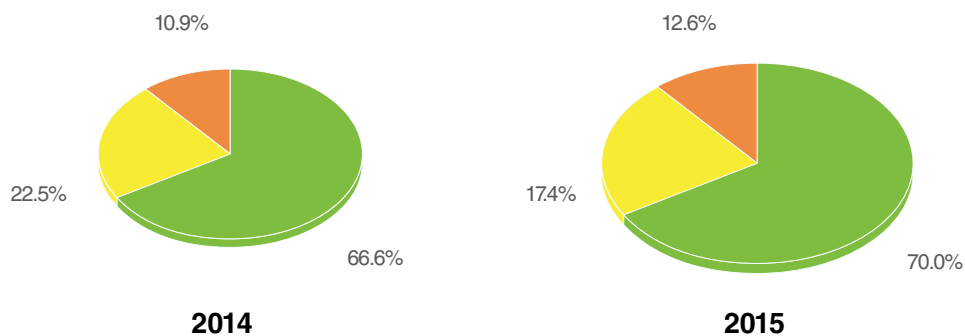


ADJUSTED EARNINGS* (RMB million)



*Adjusted earnings = Net profit attributable to shareholders + changes in fair value of the option derivatives in relation to convertible bonds + non-cash interest expenses of convertible bonds

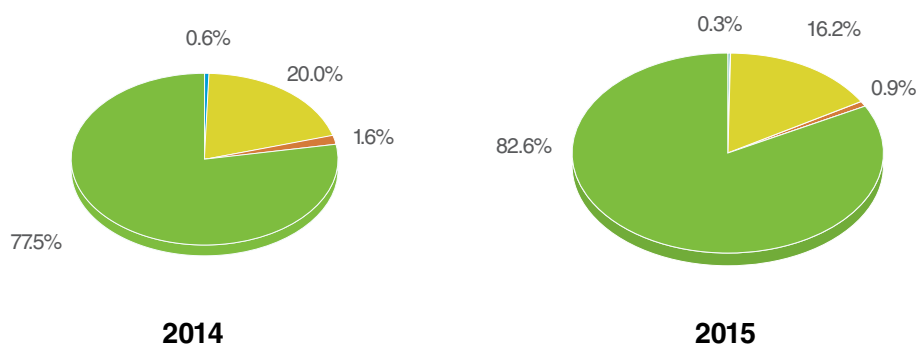
REVENUE BREAKDOWN BY SEGMENTS



CHANGE
(%)
+17.5%

Canned Products - Overseas ■ Canned Products - Domestic ■ Beverages ■

REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATIONS



China ■ Europe¹ ■ North America² ■ Others³ ■

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

HONORARY **CHAIRMAN**

**“ THE 1.4 BILLION
CONSUMERS IN
THE PRC MARKET
OFFER GREAT
OPPORTUNITIES
TO ACHIEVE LONG
TERM GROWTH
IN THE FOOD
AND BEVERAGE
INDUSTRY ”**

Prayudh Mahagitsiri

Honorary Chairman



CHAIRMAN'S STATEMENT



As a result of our expanded distribution network and growing brand awareness in China for Garden Fresh brand, we are now the No. 1 loquat juice player in China with over 86% market share.



DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present Sino Grandness Food Industry Group Limited's annual report for the financial year ended 31 December 2015 ("FY2015").

In FY2015, Sino Grandness aimed to strengthen its position as an established manufacturer and supplier of juices and canned fruits and vegetables both domestically and internationally. The period was marked by steady growth achieved through effective operational and financial capabilities, as well as sustained business-building investments. The execution of these growth strategies resulted in the business sustaining its momentum in 2015.

REVENUE AND EARNINGS

The Group turned in overall revenue of RMB3,313.9 million in FY2015, increase by 17.5% from RMB2,819.4 million in the previous year. Largely in line with the increase in sales, gross profit increased 21.8% by approximately RMB245.7 million to RMB1,373.6 million as compared to the previous corresponding period. Gross profit margin inched up 1.44 percentage points to 41.4%.

The growth in revenue is attributable to in-house branded products such as Garden Fresh juices and domestic canned products. Both business segments had strong growth due to enhanced sales and expanded distribution network. The increase in sales of the Group's beverage segment and domestic canned products segment was mainly driven by expansion of product range and distribution network in the People's Republic of China ("PRC") market.

However, owing to an increase in distribution and selling expenses primarily due to the increase in domestic sales of beverage products as well as the Group's efforts to invest in advertising and promotional activities and sales and marketing initiatives to promote our own branded products in the PRC market; together with non-cash charges in relation to convertible bonds such as non-cash interest expense and changes in fair value of the option derivatives, net profit suffered a dip. The Group recorded net profit of RMB 206.7 million in FY2015, decrease by 17.2% from RMB249.5 million the year before. Excluding the impact of non-cash charges in relation to convertible bonds, adjusted earnings would have risen by 6.4% in FY2015 to RMB517.5 million as compared with RMB486.2 million in FY2014.

EXPANDING OUR PRESENCE

We continually seek to seize new opportunities and build brand value within the PRC market by boosting production capacities and expanding our product line. This will enable us to meet and secure larger orders, intensify sales and marketing programmes, and increase market share in PRC and Hong Kong. We are also focused on extending our reach to new consumer markets through enhancing our distribution network with key partners in some PRC provinces. Over the past five years, the Group has invested over RMB 1.4 billion in growing brand equity and widening its distribution network in Asia. As a result of our expanded distribution network and growing brand awareness in PRC for Garden Fresh brand, we are now the No. 1 loquat juice player in China with over 86% market share*.

As we seek to strengthen our footprint in strategic locations that cater to burgeoning demand, the Group announced on May 2015 that its own Garden Fresh fruit juices had been distributed into 7-Eleven convenience stores in Hong Kong, which is one of the most recognized and easily found retail points in Hong Kong and globally. During the second quarter of 2015, we also rolled out our beverage products in TASTE Supermarket, a chain supermarket in Hong Kong, and in ParknShop, one of the two largest supermarket chains in Hong Kong with over 300 outlets.

We will continue to increase the number of retail points for our products, as well as securing partnerships with retailers and distributors to develop our distribution network. We consider this as a significant step to generate greater revenue and extend our reach in both the domestic and overseas markets.

PRODUCT RESEARCH AND DEVELOPMENT

As we move forward, we will also concentrate on our Research and Development efforts to strengthen our market presence and sustain our competitiveness within the industry. Product development also enables us to engage in extensive research and development activities to expand our range of juices in order to widen our products' appeal among consumers.

In March 2015, we unveiled new products for our beverage and canned fruit segment – loquat-lemon juice and loquat-kumquat juice – at the annual F&B Trade Exhibition in Chengdu, Sichuan Province, PRC. We also recently launched a new range of Garden Fresh yogurt drink with 5 blended loquat flavours at the Nanjing Trade Show in October 2015. The new products, which garnered positive reaction during the trade shows, are expected to further boost the Group's appeal to a broader customer base.

NURTURING GROWTH – STRENGTHENING OUR BRAND OF QUALITY

To further maximize on the growth potential of our brands, we have stepped up advertising and promotional activities to increase brand awareness and product value. The Group has executed brand sponsorship programmes for our Garden Fresh brand of products to maximize media exposure across multiple platforms including television, internet and print.

In October 2015, the Garden Fresh brand became the sponsor of a talk show produced by Shenzhen TV station City Channel called "Ju's Show" 《鞠说好看》 which investigates and analyzes real life events occurring primarily in Guangdong Province PRC. The year also saw the brand create sponsorship ties with the variety talk show titled "Informal Talks" 《非正式会谈》 and the TV drama series "Romance in the City" 《饮食男女》. We expect that our sponsorship programmes with major TV stations and satellite channels will bring our brand to millions of viewers and followers across PRC and globally.

We have also increased our marketing initiatives by rolling out new indoor and outdoor advertising, as well as television commercials in PRC and Hong Kong. In recognition of the Group's brand building initiatives and rising brand awareness, Garden Fresh brand was accorded the title "Top 10 Leading New Brands In China For 2015" by Asia Brand Network.

TOWARDS A FRUITFUL FUTURE

As we look ahead to a new financial year, Sino Grandness will strive to create sustainable value through strengthening our core competencies. We are focused on positioning ourselves to adapt to an ever-changing and competitive industry by adopting strategies that enhance brand value and increase market share.

We will continue to invest in brand-building efforts as well as sales and marketing initiatives. We will also expand our activities beyond PRC's mainland market to other markets such as Hong Kong, Macau and South East Asia in order to capture a broader customer base and develop brand recognition in overseas markets.

In view of the growing demand of health-promoting products, growing affluence among the Chinese, and growth on retail sales, the Group will continue to focus on boosting its production capacities. With the new Anhui facility to be operationally ready in 2016, we expect to meet the rising demands for our products in the future.

The Group will continue to identify and capitalize on new opportunities for development, as well as effectively execute growth strategies to attain sustainable long-term growth and profitability.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend our appreciation to all our valued customers and business partners for their unwavering support and cooperation. We are dedicated in constantly improving our service delivery and product standards.

We would also like to express our gratitude to our stakeholders and shareholders for their loyalty and trust over the years. As a reward, the Board proposes a final dividend of RMB0.018 per ordinary share. We will remain committed in our pursuit of greater growth to enhance and sustain shareholder value.

Lastly, we would also like to give recognition to our staff for their continued dedication and hard work in achieving our goals and future prospects.

HUANG YUPENG

Chairman and CEO

*According to market research report by Euromonitor International Limited

主席献词



随着在中国市场内“鲜绿园”品牌分销网络不断的扩大和品牌知名度的不断增长，我们现在是中国市场中排名第一的枇杷汁销售商，享有超过 86% 的市场份额。



尊敬的各位股东，

我很荣幸代表中华食品工业集团的董事会，向大家汇报截止到 2015 年 12 月 31 日为止，本集团 2015 年度（“2015 财年”）的财务报告。

在 2015 财年中，中华食品工业集团在国内外继续保持果汁、水果罐头和蔬菜罐头领域的领先制造商和供应商地位。此财年内，本集团通过高效运营、不断提升财务能力和持续不断的企业建设投入，实现了集团的稳步增长。通过执行这些增长策略，集团在 2015 年保持强劲的增长势头。

收入和盈利

本集团在 2015 财年的总收入为人民币 33.139 亿元，相比上一财年人民币 28.194 亿元，增长了 17.5%。与去年同期相比，随着销售额的增加，毛利润增加了 21.8%，从大约人民币 2.457 亿元增加至人民币 13.736 亿元。平均利润率上升了 1.44 个百分点，达到 41.4%。

收入增长来源于集团自有品牌，诸如“鲜绿园”果汁和国内罐头产品。在强化销售和扩展分销网络的推动下，这两个业务板块都实现了强劲增长。通过扩展产品种类和拓展中国的分销网络，极大地提升了饮料和国内罐头产品的销售量。

然而，随着国内饮料产品销量增加，分销费用也随之上升，同时，为了在中国市场上推广自有品牌，集团也加大了对广告和促销活动以及销售和营销举措的投入，此外，与可转换债券相关的公允价值估价而产生的非现金支出（诸如非现金利息支出）增加，以及期权衍生品公允价值的变化，这些都使集团的净利润明显下降。2015 财年中，本集团账面净利润为人民币 2.067 亿元，相比上一年的人民币 2.495 亿元，下降 17.2%。排除了与可转换债券相关的非现金支出的影响之后，2015 财年调整后的盈利比 2014 财年的人民币 4.862 亿元上升了 6.4%，达到人民币 5.175 亿元。

市场拓展

集团不断通过提升生产能力和扩展产品线来拓展中国市场，寻找新商机，树立品牌价值。这使我们能够获得并完成更大的订单，强化销售和营销计划，并提升中国大陆和香港的市场份额。我们也注重加强与中国某些省份的关键销售合作伙伴所建立的分销网络，发掘新的消费市场。在过去五年里，集团在提升品牌价值和扩大亚洲的分销网络方面投入了超过人民币 14 亿元。随着在中国市场内“鲜绿园”品牌分销网络不断的扩大和品牌知名度的不断增长，我们现在是中国市场中排名第一的枇杷汁销售商，享有超过 86% 的市场份额。

为了满足强劲的消费需求，我们不断强化在战略区域中的地位，集团在 2015 年 5 月宣布我们的自有品牌“鲜绿园”果汁已进入香港 7-Eleven 便利店内销售，此便利店是香港和全球公认的最便利的品牌之一。在 2015 年第二季度，我们的饮料产品成功进入香港的连锁超市 TASTE 超市以及 ParknShop 超市，后者是香港最大的两家连锁超市之一，拥有超过 300 家分店。

我们将继续增加产品的零售终端数量，巩固与零售商和分销商的合作关系以拓展我们的分销网络。这是我们提升收入和扩展国内外市场的重要步骤。

产品研发

随着业务的不断发展，我们也加大了研发力度，以扩大市场知名度并保持行业内的竞争优势。广泛的产品研发有助于我们拓展果汁种类，加强产品对消费者的吸引力。

2015 年 3 月，在中国四川成都春季糖酒会上，我们的饮料和水果罐头板块推出了新产品——枇杷柠檬汁和枇杷金橘汁。在 2015 年 10 月南京秋季糖酒会上，我们还推出了具有 5 种混合枇杷风味的“鲜绿园”酸乳饮料。这款新产品在展销会上获得了赞誉，有望进一步扩大集团产品的消费群体。

加强品牌知名度，促进增长

为了最大程度地扩大品牌的影响潜力，我们不断强化广告和促销活动，以增加品牌知名度和产品价值。集团实施了“鲜绿园”品牌产品的品牌赞助计划，实现了诸如电视、互联网和平面媒体等多种媒体平台上的最大曝光率。

2015 年 10 月，“鲜绿园”品牌成为深圳电视台都市频道《鞠说好看》脱口秀节目赞助商，此节目主要调查和点评中国广东省内老百姓的现实生活事件。同一年内，还成为《非正式会谈》多文化脱口秀和电视系列剧《饮食男女》的品牌赞助商。借助对主要电视台和卫星频道的品牌赞助计划，我们的品牌逐渐深入中国和全球的无数观众心中。

我们还加大了营销活动，在中国大陆和香港推出了新的室内和室外广告和电视商业广告。品牌创建活动和品牌认知度提升已见成效，“亚洲品牌网”授予本集团“鲜绿园”品牌“2015 年中国 10 大领军新品牌”称号。

走向丰硕的未来

在展望新财年之际，中华食品工业集团将不断加强核心竞争力，努力创造可持续的价值。我们将注重自身定位，通过实施加强品牌价值和增加市场份额的战略，迎接不断变化和充满竞争的行业挑战。

我们将在品牌创建以及销售和营销举措上继续加大投入。我们还将从中国大陆市场向香港、澳门和东南亚等市场拓展，扩大我们的消费群体，提升品牌在海外市场的知名度。

随着健康饮品需求的不断增长，中国国民富裕程度的提高，以及零售业的不断发展，集团将不断提升生产能力，以适应市场变化。2016 年，安徽新生产基地将投入生产，以满足产品的未来增长需求。

集团将继续寻找新的发展机会并进行投资，有效执行增长战略，以实现长期可持续增长和利润回报。

感谢

我在此代表董事会感谢所有尊贵的客户和业务合作伙伴，感谢他们对我们一贯的支持和密切合作。我们也将不断提高我们的服务交付能力和产品标准。

同时，我也感谢所有股东，感谢他们多年来对我们的忠诚和信任。作为奖励，董事会将对每股普通股发放人民币 0.018 元的期末红利。我们将继续提升增长能力以强化和维护股东的利益。

最后，也感谢我们的员工，感谢他们通过不断奉献和努力工作来实现我们的目标和未来预期。

黄育鹏

主席兼首席执行官

OUR FOOTPRINTS



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





- AUSTRALIA
- CHINA
- FRANCE
- GERMANY
- TURKEY
- THE CZECH REPUBLIC
- MEXICO
- RUSSIA
- SPAIN
- NETHERLANDS



OPERATIONS & FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS FOR 2015

Financial Highlights

RMB (million)	FY15	FY14	Change
Revenue	3,313.9	2,819.4	17.5%
Gross profit ("GP")	1,373.6	1,127.9	21.8%
Gross profit margin	41.4%	40.0%	1.4ppt
Distribution and selling expenses ("D&S")	(570.2)	(379.8)	50.1%
Administrative expenses	(111.6)	(96.0)	16.3%
Finance costs	(227.0)	(85.7)	164.9%
Non-cash interest expenses related to convertible bonds (A)	(218.9)	(80.9)	170.6%
Changes in fair value of option derivatives in relation to convertible bonds (B)	(91.9)	(155.8)	(41.0)%
Net Profit attributable to Shareholders (C)	206.7	249.5	(17.2)%
Adjusted earnings* (exclude non-cash charges due to convertible bonds)	517.5	486.2	6.4%

*Non-cash interest expenses related to convertible bonds in FY15 amounted to RMB218.9 million (FY14:RMB80.9 million)

**Adjusted earnings = Net profit attributable to shareholders + non-cash interest expenses of convertible bonds + changes in fair value of the option derivatives in relation to convertible bonds

For the year under review, the Group's revenue increased by 17.5% to RMB3,313.9 million from RMB2,819.4 million in FY2014. The growth in revenue was mainly driven by strong orders for our house brands 鲜绿园 ("Garden Fresh") beverage products and 振鹏达 ("Grandness") canned fruits from the canned products segment.

In line with the increase in sales, gross profit surged 21.8%, increasing from RMB1,127.9 million in FY2014 to RMB1,373.6 million in FY2015. Overall gross profit margin (GPM) improved by 1.4 percentage points from 40.0% to 41.4% in the latest 12-month period. The improvement of overall GPM was a result of an increase in GPM of beverage segment, partially offset by a decrease in GPM of canned products in both overseas and domestic markets. The improvements in GPM of the beverage segment was attributable to lower cost of raw materials arising partly from the commencement of the Hubei plant and the decrease in GPM of canned products were mainly due to higher cost of raw materials from FY2014 to FY2015.

Net profit attributable to shareholders declined by 17.2% to RMB206.7 million compared to RMB249.5 million from the same period last year due mainly to higher distribution and selling expenses, as well as non-cash interest charges in relation to convertible bonds.

The Group's cash and cash equivalents stood at RMB143.0 million as at 31 December 2015, compared to RMB223.6 million previously, where the decrease in cash and cash equivalents was mainly due to acquisition of property, plant and equipment in the Hubei, Anhui, Shanxian and Shanxi plants.

Based on the Group's latest financial results and weighted average number of ordinary shares, earnings per share for FY2015 was RMB30.7 cents, decreased from RMB42.5 cents in FY2014. Net asset value per ordinary share rose to RMB268.8 cents, from RMB236.4 cents in the preceding year.

SEGMENTAL REVIEW

Revenue analysis by segments:

Product Segment	12 Months (FY)		Change %
	Jan-Dec 2015 RMB (million)	Jan-Dec 2014 RMB (million)	
Canned Products			
-Overseas	575.4	635.4	(9.4)
-Domestic	419.4	307.3	36.5
Beverage	2,319.1	1,876.7	23.6
Total	3,313.9	2,819.4	17.5

The Group registered high sales during the year in review, with a sustained growth momentum in the beverage segment and domestic canned products segment. The strong growth of own branded products in the two segments saw double-digit percentage increases on a year-by-year basis.

Revenue from the Group's domestic canned product segment rose 36.5%, from approximately RMB307.3 million in FY2014 to RMB419.4 million in FY2015. On the other hand, revenue from the overseas canned product segment decreased slightly by 9.4% year-on-year to RMB575.4 million in FY2015 from RMB635.4 million in FY2014.



Meanwhile, the Group's beverage segment registered an increase of 23.6% in revenue to RMB2,319.1 million in FY2015 from RMB1,876.7 million in FY2014. The increase in sales of both the beverage segment and domestic canned products segment was mainly driven by expansion of product range and distribution network in the PRC market.

GROSS PROFIT

Product Segment	Group		Change %
	Year ended 31 December 2015 RMB (million)	Year ended 31 December 2014 RMB (million)	
Canned Products			
-Overseas	171.4	194.2	-11.7
-Domestic	173.8	128.0	35.8
Beverage	1,028.4	805.7	27.6
Total	1,373.6	1,127.9	21.8

In line with the increase in sales, the Group's gross profit for domestic canned food increased 35.8% from RMB128.0 million in FY2014 to RMB173.8 million in FY2015. Gross profit for overseas canned products dipped by 11.7% to RMB171.4 million in FY2015 from RMB194.2 million during the previous corresponding period. On the other hand, gross profit in the beverage segment rose 27.6% year-in-year from RMB805.7 million to RMB1,028.4 million.

SUSTAINING OUR GROWTH MOMENTUM

The Group will continue to capitalize on new opportunities for growth in both the domestic and overseas market, as well as heighten its marketing and advertising activities to grow value and awareness of in-house Garden Fresh and Grandness brands.

We strive to encourage further growth potential by expanding our market share and investing in strategic initiatives for advertising and promotion.

2015 was a year of sustained performance for the Group, a reflection of our long-term commitment to uphold our brand of quality and continue with sustained investments in creating brand value. With this, we seek to further leverage our performance, boost production capacity, and enhance our distribution network beyond the PRC mainland market.

BOARD OF DIRECTORS



Huang Yupeng

HUANG YUPENG (黄育鹏)

Chairman and CEO

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



Huang Yushan

HUANG YUSHAN (黄育珊)

Executive Director

Ms Huang Yushan (黄育珊) is our Executive Director and is responsible for all human resource and administrative matters of our Group. She began her career in 1989 with state-owned Shenzhen Yuehai Hotel Enterprise Co., Ltd where she remained till 2000 and last held the position of assistant to the finance manager. In 2000, she joined Airland Hotel in Dameisha, Shenzhen City as their finance manager and was responsible for the management of the finances of the hotel. In 2002, she joined Fuxing Logistics (Shenzhen) Co., Ltd as their finance manager and was responsible for the management of the company’s finances. Huang Yushan joined our Group in 2005 and was the Chief Financial Officer and Vice-President (Human Resource and Administration) for Shenzhen Grandness. In February 2008, with the engagement of our current Chief Financial Officer, Goh Cze Khiang, she focused on the management of the human resource and administration of our Group. Huang Yushan graduated from Shenzhen Radio and TV University in 2003 after reading accountancy there. She is also qualified as an intermediate accountant by the Ministry of Finance (PRC).



Zeng Ming

ZENG MING (曾明)

Executive Director

Mr Zeng Ming (曾明) is our Executive Director and was appointed on 19 January 2012. He is currently the deputy director of technology of China National Research Institute of Food & Fermentation Industries and is responsible for project planning and technical developments. In 2001, he joined China National Research Institute of Food & Fermentation Industries as sales director and was responsible for sales and marketing. In addition, he was directly involved in front-line work of numerous technology and research and development projects. He obtained his master degree in fermentation engineering in 1996.



Soh Beng Keng

SOH BENG KENG (苏明庆)

Lead Independent Director

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



Wong Chee Meng, Lawrence

WONG CHEE MENG, LAWRENCE (黄志明)

Independent Director

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

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

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

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

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



Zhu Jun

ZHU JUN (朱俊)

Executive Director

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



Liu Ling

LIU LING (刘凌)

Independent Director

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



Chalermchai Mahagitsiri

CHALERMCHAI MAHAGITSIRI

Non-Executive Director

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

SENIOR MANAGEMENT



Goh Cze Khiang

GOH CZE KHIANG (吴芝强)

Chief Financial Officer

Mr Goh Cze Khiang (吴芝强) was appointed as our Financial Controller in February 2008 and promoted as Chief Financial Officer on 13 May 2013 and is overall responsible for the financial matters of our Group including overseeing our Group's financial reporting, compliance with post-listing obligation, and company secretarial matters. He has been a Certified Chartered Accountant (FCCA) and a Chartered Accountant (CA) since 1998 and 1999, respectively. He has also been a Certified Financial Planner (CFP) since 2001. In 2012, he admitted as member of Institute of Singapore Chartered Accountants (CA (Singapore)). Prior to joining, He was the financial controller of China Bearing (Singapore) Ltd, a company listed on the SGX-ST since May 2006. He has more than 25 years of experience in accounting, financial management, consulting and taxation.



LI Tuanbo

LI TUANBO (李团博)

Chief Technical Officer

Mr Li Tuanbo (李团博) is currently the Chief Technical Officer and is in charge of the production technology and quality control of our Group. He had more than 10 years of experience in production and quality control of food and beverage products. He obtained his degree of Science and Engineering of Food from Xinjiang University of Agriculture in 2005. During 2005 to 2012, Mr Li gained his experience in production, quality control and research and development from various food and beverage companies.



Zhang Guoming

ZHANG GUOMING (张国民)

Deputy Chief Production Officer

Mr Zhang Guoming (张国民) is currently the Deputy Chief Production Officer and is in charge of the production for our Group. He had more than 20 years of experience in production of canned products. In 1998, he joined Shanxi Yongji Huaxin Food Co., Ltd., one of our subsidiaries as warehouse and logistic manager. Between 2003 and 2009, he was the production manager and promoted as deputy general manager in 2010. In 2012, he was appointed as general manager and responsible for the entire operation of Shanxi Yongji Huaxin Food Co., Ltd.

CORPORATE INFORMATION

HONORARY CHAIRMAN

Prayudh Mahagitsiri

BOARD OF DIRECTORS

Huang Yupeng (Chairman and CEO)

Huang Yushan (Executive Director)

Zeng Ming (Executive Director)

Zhu Jun (Executive Director)

Chalermchai Mahagitsiri (Non-Executive Director)

Soh Beng Keng (Lead Independent Director)

Liu Ling (Independent Director)

Wong Chee Meng, Lawrence (Independent Director)

AUDIT COMMITTEE

Soh Beng Keng (Chairman)

Liu Ling

Wong Chee Meng, Lawrence

NOMINATING COMMITTEE

Wong Chee Meng, Lawrence (Chairman)

Soh Beng Keng

Liu Ling

REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)

Wong Chee Meng, Lawrence

Liu Ling

JOINT COMPANY SECRETARIES

Chew Kok Liang (LLB) (Hons)

Wong Chuen Shya (Huang Chunxia) (ACIS)

REGISTERED OFFICE

Six Battery Road

#10-01

Singapore 049909

COMPANY REGISTRATION NUMBER

200706801H

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)

80 Robinson Road

#02-00

Singapore 068898

AUDITORS AND REPORTING AUDITORS

Foo Kon Tan LLP

47 Hill Street, #05-01

Singapore Chinese Chamber of Commerce
& Industry Building

Singapore 179365

Partner-in-charge: Chang Fook Kay (appointed since
financial year ended 2012)

a member of the Institute of Singapore Chartered
Accountants

PRINCIPAL BANKERS

Bank of China Co., Ltd.

Shenzhen Central District Branch

Xinghe International Garden

North-east Wing Qunlou

Third Fuhua Road

Shenzhen City

The People's Republic of China

DBS Bank (China) Limited

18/F Resource Building

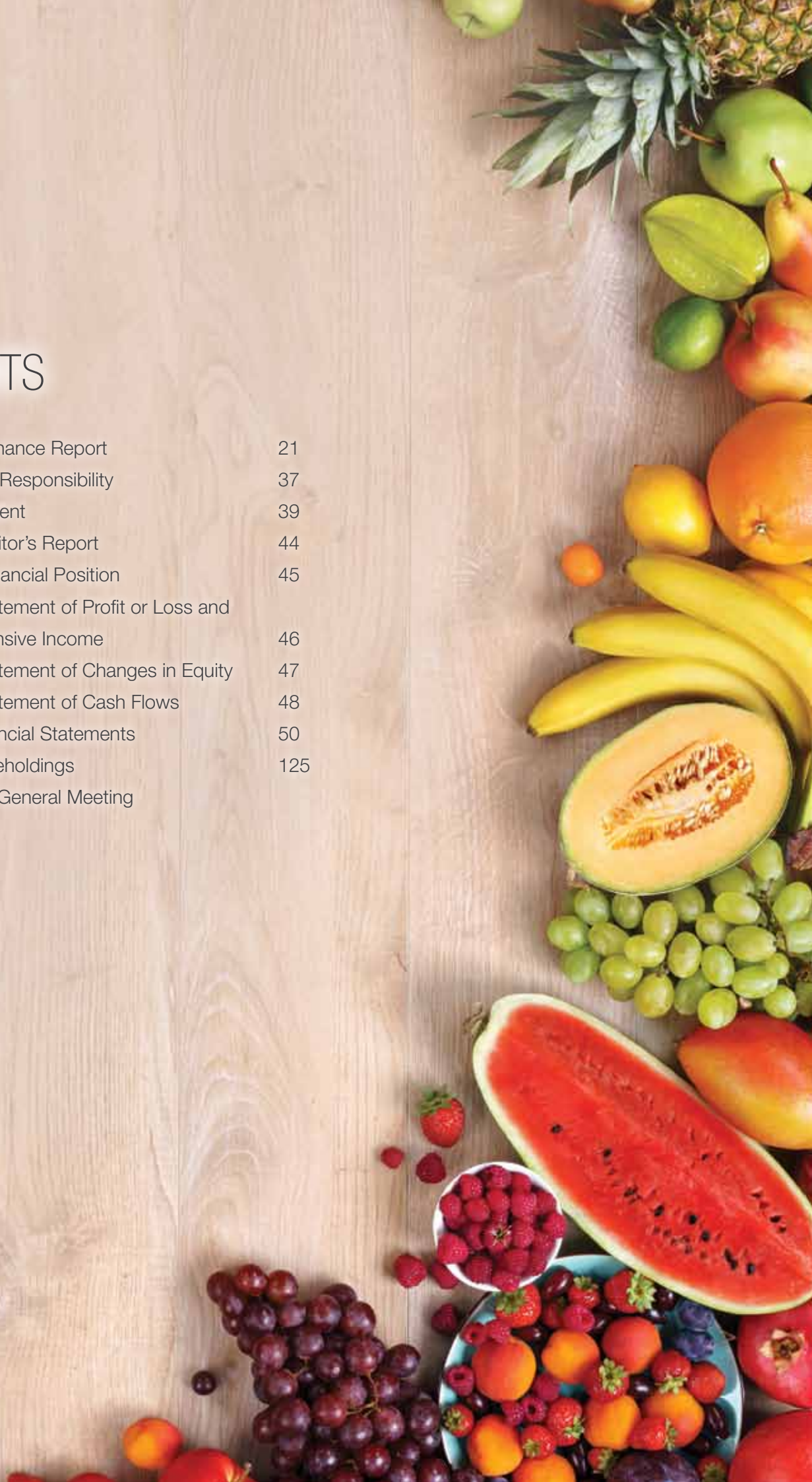
5001 Shennan Dong Road

Shenzhen City 518001

The People's Republic of China

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CORPORATE GOVERNANCE REPORT

The Board of Directors of Sino Grandness Food Industry Group Limited (the “Company”) and together with its subsidiaries, (the “Group”) is committed to setting in place corporate governance practices which are in line with the recommendations of the Code of Corporate Governance 2012 (the “Code”) to provide a structure through which protection of the interest of its shareholders, enhancement of shareholders’ value and corporate transparency are met.

This report sets out the Group’s main corporate governance practices which were in place for the financial year ended 31 December 2015 (“FY2015”) or which will be implemented and where appropriate, explanations are provided for deviation from the Code.

BOARD MATTERS

Principle 1: Board’s Conduct of its Affairs

The Board’s primary role is to protect and enhance long-term shareholders’ value and returns. The Board meets quarterly and as warranted by particular circumstances, as deemed appropriate by the members of the Board.

The principal functions of the Board include the following:-

- provides entrepreneurial leadership, sets strategic objectives, and ensures proper conduct of the Company’s business;
- provides the overall strategy of the Group;
- establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- reviews management performance;
- identifies the key stakeholder groups and recognises that their perceptions affect the Company’s reputation;
- sets the Company’s values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and
- considers sustainability issues as part of its strategic formulation.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

To assist the Board in the execution of its responsibilities, the Board is supported by three Board Committees, namely the Nominating Committee, the Remuneration Committee and the Audit Committee, which would make recommendations to the Board. These Board Committees have their own defined terms of references and operating procedures, and play an important role in ensuring good corporate governance in the Company and within the Group.

The Company has taken steps to ensure participation of all Directors when selecting Directors to the three Board Committees so as to maximize their effectiveness. All Board Committees are headed by Independent Directors.

CORPORATE GOVERNANCE REPORT

The Board meets on a regular basis as and when necessary, to address any specific significant matters that may arise. As at the date of this report, the number of Board and Board Committees meetings held and attended by each Board member for FY2015 is set out as follows:

Names of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Huang Yupeng	5	5	–	–	–	–	–	–
Huang Yushan	5	4	–	–	–	–	–	–
Soh Beng Keng	5	5	7	7	1	1	2	2
Zhu Jun	5	3	–	–	–	–	–	–
Zeng Ming	5	4	–	–	–	–	–	–
Liu Ling	5	5	7	6	1	1	2	2
Wong Chee Meng, Lawrence	5	5	7	7	1	1	2	2
Chalermchai Mahagitsiri	5	0	–	–	–	–	–	–

The Company's Constitution provides for the Directors to participate in Board and Board Committees meetings by means of telephonic conference or in such manner as the Board may determine to facilitate Board participation.

For incoming Directors who are first-time directors, the Company would arrange to provide training especially on the duties as a director, area such as accounting and legal as well as the law and regulations in Singapore such as Companies Act, corporate governance practices, regulations and guidelines from Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Directors are encouraged to attend seminars at Company's expense which are aimed at providing them with the latest updates in the relevant regulations, accounting standards and corporate governance practices and guidelines from SGX-ST that affect the Company and/or the Directors so as to enable them to better discharge their duties and responsibilities.

The Directors have received relevant training to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore. Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses and operations of the Group, corporate governance practices, regulations and guidelines from SGX-ST.

Matters Requiring Board Approval

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

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

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Balance

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

Executive Directors

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

Non-Executive Director

Chalermchai Mahagitsiri

Independent Directors

Soh Beng Keng (Lead Independent Director)
Liu Ling
Wong Chee Meng, Lawrence

The Board considers an “Independent Director” as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgment with a view to the best interests of the Company.

The independence of each Director is reviewed annually by the Nominating Committee in accordance with the Code’s definition of independence. Each Director is required to complete a ‘Confirmation of Independence’ form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in Guideline 2.3 in the Code and the Guidebook for Audit Committees in Singapore issued by Audit Committee Guidance Committee (“Guidebook”) in October 2008, requires each Director to assess whether he/she considers himself/herself independent despite not having any of the relationships identified in the Code. The Nominating Committee has reviewed the forms completed by each Director and confirmed that at least one-third of the Board comprises Independent Directors.

In view that the Chairman is not an Independent Director, the Board noted that the Company is required to comply with the requirement for Independent Directors to make up at least half of the Board, and is in the midst of making arrangements to change the board composition at the annual general meeting (“AGM”) following the end of financial year commencing on or after 1 May 2016.

The Non-Executive Directors including the Independent Directors participate actively during Board meetings and would constructively challenge and help develop proposals on strategy and will review performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Nominating Committee is of the view that the Board comprises Directors who have the appropriate mix of expertise and experience, and collectively possess the necessary core competencies to function effectively and make informed decisions overseeing the Company’s business.

Throughout the years, the Non-Executive Directors including the Independent Directors constructively challenge and assist to develop both the Group’s short-term and long-term business strategies and the implementation by the Management was monitored closely. The Independent Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

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

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

CORPORATE GOVERNANCE REPORT

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

The Chairman and CEO is Huang Yupeng. As the CEO, he is responsible for the effective management and supervision of daily business operations of the Group. He plays an instrumental role in charting the direction and strategic development of the Group and formulates business strategies, merger and acquisition initiatives and promoting high standards of corporate governance.

As the Chairman, he exercises control over the quality, quantity and timeliness of information flow between Management and the Board. He promotes a culture of openness and debate at the Board and ensures that the Board receives accurate, timely and clear information; ensures Board meetings are held as and when necessary; and sets the Board’s meetings’ agendas. He ensures that effective communication is maintained with the shareholders. The Chairman also encourages constructive relations within the Board and between the Board and Management; facilitates the effective contribution of Non-Executive Directors in particular; encourages constructive relations between Executive Directors and Non-Executive Directors; and promote high standards of corporate governance

Although the roles and responsibilities of the Chairman and CEO are vested in Huang Yupeng, major decisions are made in consultation with the Board, where one-third of which comprises Independent Directors. The Board is of the opinion that the process of decision making by the Board has been independent and has been based on collective decisions without any individual or small group of individuals dominating the Board’s decision making.

In line with Guideline 3.3 of the Code, the Company appointed Soh Beng Keng as the Lead Independent Director of the Company with effect from 11 November 2009. The Lead Independent Director will lead and coordinate the activities of the Independent Directors and serve as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to Shareholders who have concerns and for which contact through the normal channels of the Chairman, CEO, Executive Directors or Chief Financial Officer (“CFO”) has failed to resolve or for which such contact is inappropriate.

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

Principle 4: Board Membership

The Nominating Committee (“NC”) comprises three members, all of whom are Independent Directors. The members of the NC are:

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

The NC is governed by its written terms of reference. The NC makes recommendation to the Board on all nominations for appointment and re-appointment of Directors to the Board, and the Board Committees, and on relevant matters relating to the review of board succession plans for Directors, in particular, the Chairman and for the CEO; the development of a process for evaluation of the performance of the Board, its Board Committees and Directors; and the review of training and professional development programs for the Board. It ascertains the independence of Directors and evaluates the Board’s performance. The NC assesses the independence of Directors, based on the guidelines set out in the Code, the Guidebook and any other salient factors.

Following its annual review, the NC has affirmed the independence of Soh Beng Keng, Wong Chee Meng, Lawrence and Liu Ling. The NC, in recommending the nomination of any Director for a re-election, considers the contribution of the Director, which includes his/her attendance record, overall participation, expertise, strategic vision, business judgment and sense of accountability.

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

CORPORATE GOVERNANCE REPORT

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

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple listed company board representations, and there is presently no need to implement internal guidelines to address the competing time commitments.

Pursuant to the Company's Constitution, every Director must retire from office at least once every three years by rotation. Directors who retire are eligible to offer themselves for re-election. The CEO, as a Director, is subject to the same retirement by rotation provisions as the other Directors and such provisions will not be subject to any contractual terms that he/she may have entered into with the Company. Each member of the NC shall abstain from voting on any resolutions in respect to his/her re-nomination as a Director.

The NC has reviewed and recommended the re-election of Huang Yushan, Liu Ling and Wong Chee Meng, Lawrence who are retiring at the forthcoming Annual General Meeting to be held on 25 April 2016 (the "forthcoming AGM"). Wong Chee Meng, Lawrence will, upon re-election as a Director, remain as the Chairman of Nominating Committee and member of Audit and Remuneration Committees. Liu Ling will, upon re-election as a Director, remain as a member of Audit, Nominating and Remuneration Committees. The Board has accepted the recommendations and the retiring Directors who will be offering themselves for re-election.

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

Key information regarding the Directors are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Relationships with directors, the Company or shareholders who holds 10% and above	Present Directorships and Chairmanships in Other Listed Companies and Major Appointments	Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments
Huang Yupeng	20 April 2007	28 April 2014	Is a substantial shareholder and brother of Huang Yushan, the Executive Director of the Company	Nil	Nil
Huang Yushan	29 August 2008	28 April 2014 (to be re-elected at the forthcoming AGM)	Is a sister of Huang Yupeng, who is the Chairman and CEO and substantial shareholder of the Company	Nil	Nil
Soh Beng Keng	11 November 2009	22 April 2015	–	<u>Listed Companies</u> 1. China Haida Ltd. 2. ISDN Holdings Limited 3. Ziwo Holdings Ltd.	<u>Listed Companies</u> 1. Yamada Green Resources Limited

CORPORATE GOVERNANCE REPORT

Name of Director	Date of First Appointment	Date of Last Re-election	Relationships with directors, the Company or shareholders who holds 10% and above	Present Directorships and Chairmanships in Other Listed Companies and Major Appointments	Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments
Zhu Jun	19 January 2012	22 April 2015	–	Nil	Nil
Zeng Ming	19 January 2012	22 April 2015	–	Nil	Nil
Liu Ling	18 March 2013	28 April 2014 (to be re-elected at the forthcoming AGM)	–	Nil	Nil
Wong Chee Meng, Lawrence	23 April 2013	28 April 2014 (to be re-elected at the forthcoming AGM)	–	<u>Listed Companies</u> 1. Artivision Technologies Ltd. 2. China Bearing (Singapore) Ltd. 3. Eindex Corporation Limited	<u>Listed Companies</u> 1. Juken Technology Limited 2. WE Holdings Limited 3. Harry's Holdings Ltd 4. Ziwo Holdings Ltd.
Chalermchai Mahagitsiri	13 February 2015	22 April 2015	Is a substantial shareholder of the Company and is the son of the Honorary Chairman of the Company, Prayudh Mahagitsiri	<u>Listed Group</u> 1. Thoresen Thai Agencies Public Company Limited (a company listed in Thailand) 2. Mermaid Maritime Public Co Ltd 3. Unique Mining Services Public Company Limited (a company listed in Thailand) 4. Posco-Thainox Public Company Limited (a company listed in Thailand) 5. Thai Film Industries Public Company (a company listed in Thailand)	

Note:

The profile and relevant information of the members of the Board are set on pages 16 to 17 of the Annual Report. The Directors' interests in shares are as disclosed in page 41 of the Directors Statement.

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

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

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

The NC, in considering the re-appointment of any Director, had considered but not limited to the attendance record at meetings of the Board and Board Committees, the intensity of participation in the proceedings at meetings and quality of contribution made.

Principle 6: Access to Information

To allow Directors have sufficient time to prepare for the meetings, all Board and Board Committees papers are distributed in advance to the Board and Board Committees prior to its meetings. The Management's proposals to the Board for decisions provide background and explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and other relevant documents. This facilitates meaningful, deliberated discussions to focus on questions that the Directors may have. The Directors are given separate and independent access to the Group's senior Management and the Company Secretaries to address any enquiries at all times or requests for additional information, if necessary, in a timely manner.

Draft agendas for Board and Board Committees meetings are circulated in advance to the respective Chairman, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

The Company Secretaries and/or their representatives attend Board and Board Committees meetings and assist the Chairman in ensuring that proper Board procedures at such meetings are followed so that the Board and Board Committees function effectively. Together with the Management, they assist the Chairman in ensuring that the Company complies with the requirements of the Singapore Companies Act, the Listing Manual of the SGX-ST and other relevant rules and regulations that are applicable to the Company. The appointment and removal of the Company Secretaries will be subject to the approval of the Board.

The Directors may seek independent professional advice in the furtherance of their duties and the costs will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises three members, all of whom are Independent Directors. The members of the RC are:

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

CORPORATE GOVERNANCE REPORT

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

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

In structuring and reviewing the remuneration packages, the RC seeks to align interests of Directors with those of shareholders and link rewards to corporate and individual performance as well as roles and responsibilities of each Director. The Directors' fee to be paid to Directors are subject to shareholders' approval at the forthcoming AGM on 25 April 2016.

The RC has full authority to engage any external independent professional at the Company's expense to advise on matters relating to remuneration as and when the need arises. The objective is to ensure competitive compensation is in place to build and retain capable and committed Management.

The RC will review the Company's obligations of the service agreements of the Executive Directors and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Company will take into account the competitiveness of the remuneration packages as compared to the market norms, the Group's performance and risk policies of the Company as well as the contribution and performance of each Director which will be aligned with the interests of shareholders and promote the long-term success of the Company.

On 23 September 2013, the shareholders of the Company approved the adoption of an employee share option scheme known as Sino Grandness Employee Share Option Scheme ("ESOS"). The grants of options are vested over a period of time through a prescribed vesting schedule. The RC is also responsible for administering the ESOS with the objective of rewarding and retaining qualified and experienced personnel and attracting Non-Executive Directors with strong capabilities and high performance standards to work towards growth and long-term success of the Company and better alignment of their interests with the interests of shareholders. The details of the grant of options are disclosed in Directors' Statement on page 41.

Executive Directors do not receive Directors' fees. The remuneration for the Executive Directors comprises a basic salary component and a variable component, namely the annual bonus. The latter is based on the performance of the Group as a whole and their individual contribution and performance.

The Company has renewed the service agreement with the Chairman and CEO, Huang Yupeng in FY2014. The service agreement was renewable automatically for a further period of 3 years unless terminated by either party by not less than six months' notice in writing. During FY2015, after taking into consideration the performance of the Group and the Chairman and CEO, the RC had engaged HR Business Solutions (S) Pte Ltd as its independent remuneration consultant to review the remuneration package of Huang Yupeng for purposes of aligning his remuneration package with industry peers. The remuneration consultant does not have any relationships with the Company.

The Non-Executive and Independent Directors receive Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent in fulfilment of their duties, responsibilities and the need to pay competitive fees to attract, retain and motivate the Directors. Independent Directors should not be over-compensated to the extent that their independence may be compromised.

CORPORATE GOVERNANCE REPORT

The RC may recommend the Company to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company.

Principle 9: Disclosure of Remuneration

Company's Directors and key management personnel receiving remuneration from the Group for FY2015 are as follows:

Remuneration Band	Number of Directors	
	2015	2014
Executive Directors		
S\$1,500,000 and above	1	1
S\$250,000 to below S\$1,500,000	–	–
Below S\$250,000	3	3
Total	4	4
Key Management Personnel		
Below S\$250,000	5	5
Total	5	5

A breakdown of each individual Director's and key management personnel's remuneration, in percentage terms showing the level and mix for FY2015, is as follows:

	Fees S\$'000	Salary S\$'000	Bonus S\$'000	Share Options S\$'000	Others S\$'000	Total S\$'000
Directors						
S\$1,500,000 and above						
Huang Yupeng	–	650	2,181	0	–	2,831
Below S\$250,000						
Huang Yushan	–	19	–	0	–	19
Zhu Jun	–	52	–	0	–	52
Soh Beng Keng	55	–	–	0	–	55
Zeng Ming	–	41	–	0	–	41
Liu Ling	20	–	–	0	–	20
Wong Chee Meng, Lawrence	50	–	–	0	–	50
Chalermchai Mahagitsiri	20	–	–	0	–	20
	Fees %	Salary %	Bonus %	Share Options %	Others %	Total %
Key Management Personnel						
Below S\$250,000						
Goh Cze Khiang	–	92	8	0	–	100
Li Tuanbo	–	100	–	0	–	100
Han Biao	–	100	–	0	–	100
Zhang Jianan	–	100	–	0	–	100
Zhang Guoming	–	100	–	0	–	100

The aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO) for FY2015 is approximately S\$203,917.

CORPORATE

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None of the Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company has received any termination, retirement, post-employment benefits for FY2015.

Other than the Chairman and CEO, Huang Yupeng, who is the brother of Huang Yushan, an Executive Director, there is no employee of the Group who is an immediate family member of a Director or substantial shareholder whose remuneration exceeds S\$50,000 for FY2015.

The RC has reviewed and approved the remuneration packages of the Executive Directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key management personnel are adequately but not excessively remunerated.

Principle 10: Accountability

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

For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with Rule 705(5) of the Listing Manual of SGX-ST. Management currently provides the Board with relevant information on the Group's performance, financial position and prospects on a regular basis.

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

Principle 11: Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework and fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets as well as manage risks. The Board also recognizes that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The external and internal auditors conducted annual review of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls and risk management. Any material non-compliance in internal controls coupled with recommendation for further improvement are reported to the AC. The AC will also follow-up on the actions taken by the Management on the recommendations from the internal and external auditors. In addition, a copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

For FY2015, the Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and the Group's risk management and internal control systems are sufficiently effective.

Based on the reports submitted by the external and internal auditors, including the reviews by the Management and the various management controls put in place, and letter of assurance from the Chief Executive Officer, Chief Financial Officer and the key management personnel, the Board with the concurrence of the AC is of the opinion that Group's internal controls are addressing the financial, operational, compliance and information technology risks, and risk management systems are adequate and effective for the type and volume of business that the Group currently operates.

The Board notes that the system of internal controls established provides reasonable assurance, but not absolute, against unforeseeable and foreseeable risks to the Company, as all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The Audit Committee (“AC”) comprises three members, all of whom are Independent Directors. The members of the AC are:

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

The members of the AC are appropriately qualified, having the necessary experience in business management, finance or legal services. The Board is of the view that the AC has sufficient financial management expertise and experience to discharge the AC’s functions.

The AC is governed by its terms of reference, which was reviewed and amended, where appropriate, to adopt relevant best practices set out in the Guidebook, and used as a reference to assist the AC in discharging its responsibilities and duties.

The AC will focus principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial process, internal controls and the audit function. The AC will meet at least four times a year to perform, inter alia, the following functions:

(a) Financial Reporting

The AC reviews the quarterly, half-yearly and annual results announcements with Management and external auditors before submission to the Board for approval, focusing in particular on significant financial reporting issues and judgments; changes in accounting policies and practices, major risk areas; significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements.

(b) External Audit

The AC reviews, with the external auditors, the audit plans, the audit report and Management’s response and actions to correct any noted deficiencies; to discuss problems and concerns, if any, arising from the review and audits. The AC reviews the independence and qualification of the external auditors annually and recommends to the Board the appointment, re-appointment or removal of the external auditors.

(c) Internal Audit

The AC reviews, with the internal auditors, the internal audit plan, the scope and results of the internal audit including the effectiveness of the internal audit functions and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group and to review and ensure annually the adequacy of the internal audit function and monitor Management’s response to their findings to ensure that appropriate follow-up measures are taken.

(d) Internal Controls

The AC reviews and evaluates with internal and external auditors on the adequacy and effectiveness of the Company’s system of internal controls, including financial, operational, compliance and information technology controls and risk management. The AC may commission an independent audit on internal controls for its assurance, or where it is not satisfied with the system of internal control.

(e) Interested Person Transactions

The AC regularly reviews if the Group will be entering into any interested person transactions (“IPTs”) and if it does, to ensure that the Group complies with the requisite rules under Chapter 9 of the Listing Manual of the SGX-ST.

(f) Whistle-blowing

The AC reviews arrangements by which staff of the Company and of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

CORPORATE GOVERNANCE REPORT

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

- (i) independent investigations are carried out in an appropriate and timely manner;
- (ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- (iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on an annual basis. Foo Kon Tan LLP, the external auditors of the Company has confirmed that they are Public Accounting Firms registered with Accounting & Corporate Regulatory Authority and provided a confirmation of their independence to the AC.

In July 2010, the Singapore Exchange Limited (“SGX”) and Accounting and Corporate Regulatory Authority (“ACRA”) launched the “Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors” which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group’s audit, the size and complexity of the Group.

In addition, in October 2015, with the support from SGX and Singapore Institute of Directors, ACRA had introduced the “Audit Quality Indicators (“AQIs”) Disclosure Framework to assist the ACs in evaluating the re-appointment of external auditors based on 8 quality markers that correlate closely with audit quality. The AC noted the AQIs Disclosure Framework and would be evaluating the external auditors based on the 8 AQIs at engagement and/or firm-level for the financial year ending 31 December 2016.

Accordingly, the AC is satisfied that Rule 712 of the Listing Manual of the SGX-ST is complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM.

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

The Company has paid the following aggregate amount of fees to Foo Kon Tan LLP, the external auditors, for services rendered for FY2015:-

Services	Amount (S\$)
Audit service	<u><u>327,750</u></u>
Non-audit fees	
-Tax fee	<u><u>2,800</u></u>

The Company has paid S\$2,800 for non-audit fees to the external auditors during FY2015, which would not affect their independence.

CORPORATE GOVERNANCE REPORT

The AC has direct access to the internal and external auditors and has met with them without the presence of Management for FY2015.

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

The AC has reviewed and noted that there were no interested person transactions entered into by the Group for FY2015.

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

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

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

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

Principle 13: Internal Audit

The AC has outsourced the performance of the internal audit functions of the Group to Protiviti Shanghai Co. Ltd in view of the proposed listing of principal subsidiary of the Company undertaking the beverages business on an internationally recognized stock exchange. The internal auditors will report directly to the AC and administratively to the Chairman and CEO of the Company. To ensure the adequacy of the internal audit function, the AC had reviewed and approved the internal audit plan before the internal audit commenced. The AC will assess and ensure that the internal auditors meet or exceed the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors provide adequate staffing with relevant experience to conduct the internal audits.

The AC, on an annual basis, will assess the adequacy and effectiveness of the internal audit by examining the scope of the internal audit and the internal auditors' independence, the qualification and experiences of internal audit team assigned and the internal auditor's reports and its relationship with the external auditors.

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

In line with the continuous disclosure obligations of the Group, the Company is committed to engage in regular and effective communication with shareholders. It is the Board's policy that shareholders are informed of all major developments that may have an impact on the Group. Information is communicated to shareholders on a timely basis and is made through:

- (i) annual reports that are prepared and issued to all shareholders;
- (ii) quarterly results announcements;
- (iii) media meetings and analyst briefings;
- (iv) press releases; and
- (v) disclosures to the SGX-ST via SGXNET.

The Company does not practice selective disclosure as all material and price-sensitive information is released through SGXNET.

CORPORATE GOVERNANCE REPORT

Shareholders are given the opportunity to participate effectively in and vote during the general meetings as well as to express their views and direct questions to the Directors and the Management. Chairman of the AC, NC, RC and the Board, or members of the respective Board Committees standing-in for them are available to address questions from shareholders.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. Proxies need not be a shareholder of the Company. The Company's Constitution currently does not allow a member to appoint more than two proxies to attend and vote at the same general meeting.

A Relevant Intermediary¹ may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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

To better understand the views of shareholders and investors, the Company holds analyst briefings for the Shareholders and investors in conjunction with the release of the Group's quarterly and full year results to discuss the Group's performance and developments, establish and maintain regular dialogue sessions with shareholders, to gather views or inputs, and address shareholders' concerns.

To enhance and encourage communication with Shareholders and investors, the Company provides the contact information of its Vice President, Investor Relations ("VPIR") in its annual reports and press releases. Shareholders and investors can send their enquiries to the Company's VPIR who can be reached by email or telephone.

The Board will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

The Company did not institute a dividend policy, however, as set out in the Company's circular dated 12 December 2014, pursuant to the subscription agreement, for as long as the subscribers hold at least 10% of prevailing total issued shares in the capital of the Company from time to time, the Company shall have a dividend policy that, whenever feasible, the Company will declare and pay dividends to the Shareholders in an amount of at least 10% of the net profits of the Company as reflected in the audited accounts of the Company. The Company is pleased to announce the declaration of a final tax exempt (one-tier) dividend of RMB0.018 per ordinary share had been declared for the financial year ended 31 December 2015 and recommended for shareholders' approval at the forthcoming annual general meeting.

¹ A Relevant Intermediary is:

- a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

The Company has complied with Rule 1207(19) of the Listing Manual of the SGX-ST in relation to the best practices on dealings in the securities:-

- (a) The Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;
- (b) Officers of the Company did not deal in the Company's securities on short-term considerations; and
- (c) The Company and its officers did not deal in the Company's shares (i) during the periods commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

In addition, the Directors and key management personnel are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

MATERIAL CONTRACTS

Other than that disclosed in the financial statements, the Company or any of its subsidiaries did not enter into any material contracts involving the interest of the CEO, any Director or the controlling shareholder subsisting at the end of the financial year ended 31 December 2015.

RISK MANAGEMENT

Management reviews on an on-going basis, the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategy. The Group has also considered the various financial risks, details of which are disclosed in the notes to the accompanying audited financial statements on pages 114 to 120.

INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the Listing Manual, the Board and AC regularly reviews if the Company will be entering into any IPT and if it does, to ensure that the Company complies with the requisite rules under Chapter 9 in that all the IPTs are conducted at arm's length and on commercial terms and ensuring that it will not be prejudicial to the interest of the company and its minority shareholders.

Save for disclosed under Interested Persons Transactions in the Company's prospectus dated 13 November 2009, there were no IPTs entered between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2015.

CORPORATE GOVERNANCE REPORT

USE OF NET PROCEEDS

The Board refers to the issuance of 86,000,000 shares by the Company in December 2014 (“Placement 2014”). As at 31 January 2016, the Group had utilised approximately RMB154.1 million out of the net proceeds of RMB173.5 million. The net proceeds from the Placement 2014 have thus been utilised as follows:-

Use of net proceeds	Allocation (%)	Amount allocated (RMB)	Accumulated amount utilized (RMB)	Balance (RMB)
Capital expenditure and distribution network expansion	60	104,100,000	104,100,000	–
Working Capital				
- Bank repayment	35	60,725,000	50,000,000	10,725,000
- Operating expenses	5	8,675,000	–	8,675,000
Total	100	173,500,000	154,100,000	19,400,000

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

CORPORATE SOCIAL RESPONSIBILITY

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

Environmental Policy

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

Commitment to Sustainable Development

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

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

Core values of the CSR framework

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

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

Toward Sustainability Strategies

The Company will seek to achieve corporate and social objectives by focusing on four strategic areas:

Good Relations – adopting an employee relations strategy to enhance management and employee interactions and to promote work-life balance and health among employees.

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

CORPORATE

SOCIAL RESPONSIBILITY

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

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

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

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

DIRECTORS' STATEMENT

For the Year Ended 31 December 2015

The directors are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

In the opinion of the directors,

- (a) the accompanying financial statements as set out on pages 45 to 124 of the Company and of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Directors

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

Huang Yupeng (Chairman and Chief Executive Officer)
 Huang Yushan (Executive director)
 Zhu Jun (Executive director)
 Zeng Ming (Executive director)
 Soh Beng Keng (Lead independent director)
 Wong Chee Meng, Lawrence (Independent director)
 Liu Ling (Independent director)
 Chalermchai Mahagitsiri (Non-executive director)

Directors' interests

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

	Number of ordinary shares			
	Holdings registered in the name of director	As at 31.12.2015 and 21.1.2016 [#]	Holdings in which director is deemed to have an interest	As at 31.12.2015 and 21.1.2016 [#]
The Company - <u>Sino Grandness Food Industry Group Limited</u>	As at 1.1.2015		As at 1.1.2015	
Huang Yupeng	237,416,560	239,266,560	—	—
Chalermchai Mahagitsiri	—	—	86,000,000	96,603,700

[#] There are no changes to the above shareholdings as at 21 January 2016.

DIRECTORS' STATEMENT

For the Year Ended 31 December 2015

Directors' interests (cont'd)

By virtue 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 2014, 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 associate;
- (b) the actual number and terms of any options to be granted to them have been specifically approved by independent shareholders in a general meeting in separate resolutions for each such controlling shareholders in a general meeting in separate resolutions for each such controlling shareholder or their associates;
- (c) all conditions for their participation in the scheme as may be required by the regulation of the SGX-ST from time to time are satisfied;
- (d) the aggregate of number of shares comprised in options granted to the controlling shareholders and their associates shall not exceed 25% of the total number of shares which may be granted under the ESOS Scheme; and
- (e) the aggregate of number of shares comprised in options granted to the controlling shareholders or their associates shall not exceed 10% of the total number of shares which may be granted under the ESOS Scheme.

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

The scheme is administered by a Remuneration Committee comprising Soh Beng Keng (Chairman), Wong Chee Meng, Lawrence and Liu Ling, and duly authorised and appointed by the Board of Directors of the Company.

Share options granted

On 14 November 2013, the Company granted options to subscribe 16,710,000 ordinary shares of the Company at exercise price of S\$ 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 S\$ 6,952,937 (approximately RMB 32.3 million) using the Binomial Option Pricing Model.

During the financial year, the Company has, on 9 April 2015, renounced and granted options ("2015 Options") as follows:

- (1) renounced 7,150,000 options from the 2013 Options and has simultaneously granted a new tranche of options to subscribe 7,150,000 ordinary shares, with an exercise price of S\$ 0.33 per share as a replacement to the renounced 2013 Options. The options are exercisable any time after the first anniversary of the date of grant until 13 November 2023;

DIRECTORS' STATEMENT

For the Year Ended 31 December 2015

Share options granted (cont'd)

- (2) granted options to subscribe 9,750,000 ordinary shares of the Company at exercise price of S\$ 0.26 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 until 13 November 2023; and
- (3) granted one of its directors, Huang Yushan, aggregate options of 1,290,000 ordinary shares comprising two equal portions of 645,000 ordinary shares, exercisable any time after the first anniversary and second anniversary respectively of the date of grant until 13 November 2023.

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

Name of directors	No. of unissued ordinary shares of the Company under option					
	Options granted during the financial year ended 31.12.2015	Aggregate options granted since commencement of ESOS Scheme to 31.12.2015	Aggregate options exercised since commencement of ESOS Scheme to 31.12.2015	Aggregate options renounced since commencement of ESOS Scheme to 31.12.2015	Aggregate options forfeited since commencement of ESOS Scheme to 31.12.2015	Aggregate options outstanding as at 31.12.2015
Zhu Jun	1,500,000	2,300,000	–	(800,000)	–	1,500,000
Zeng Ming	1,050,000	1,600,000	–	(550,000)	–	1,050,000
Soh Beng Keng	400,000	600,000	–	(200,000)	–	400,000
Wong Chee Meng, Lawrence	300,000	400,000	–	(100,000)	–	300,000
Liu Ling	300,000	400,000	–	(100,000)	–	300,000
Other employees (Other than directors)	13,350,000	19,500,000	–	(5,400,000)	(1,650,000)	12,450,000
	16,900,000	24,800,000	–	(7,150,000)	(1,650,000)	16,000,000
<u>Name of directors and associate of a controlling shareholder of the Company</u>						
Huang Yushan ¹	1,290,000	10,100,000	–	–	–	10,100,000
	18,190,000	34,900,000	–	(7,150,000)	(1,650,000)	26,100,000

¹ 8,810,000 options issued under the 2013 Options are exercisable after the second anniversary of the date of grant over ten years period and subject to compliance with the terms and conditions of the option grant. The options should be exercised in respect of 1,101,250 shares equally. Remaining 1,290,000 options issued under the 2015 Options are made up of two equal portions of 645,000 options that are exercisable after the first anniversary and second anniversary respectively of the date of grant.

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

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

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

DIRECTORS' STATEMENT

For the Year Ended 31 December 2015

Audit committee

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

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

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

The Audit Committee performs the functions in accordance with 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 2015 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 via reviews carried out by the internal auditors;
- (v) met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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

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

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

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

DIRECTORS' STATEMENT

For the Year Ended 31 December 2015

Independent auditor

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

On behalf of the Directors

HUANG YUPENG

ZENG MING

31 March 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Sino Grandness Food Industry Group Limited

Report on the financial statements

We have audited the accompanying financial statements of Sino Grandness Food Industry Group Limited (“the Company”) and its subsidiaries (“the Group”), which comprise the statements of financial position of the Company and of the Group as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information as set out on pages 45 to 124.

Management’s responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements that give a true and fair view 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of financial position of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

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.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 31 March 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	The Company		The Group		
		31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
ASSETS						
Non-Current Assets						
Land use rights	5	–	–	112,688	113,862	55,057
Property, plant and equipment	6	11	17	939,503	828,492	738,065
Subsidy		–	–	–	–	134
Subsidiaries	7	61,094	50,935	–	–	–
Amount owing by subsidiaries	8	311,040	174,673	–	–	–
Deferred tax assets	9(a)	–	–	1,654	1,678	1,678
Deposits paid for non-current assets	10	–	–	595,777	55,000	64,127
		372,145	225,625	1,649,622	999,032	859,061
Current Assets						
Inventories	11	–	–	54,688	50,743	45,957
Trade receivables	12	–	–	953,898	1,110,207	633,443
Other receivables	13	114	55	375,463	262,139	223,914
Cash and bank balances	14	4,245	161,543	142,986	223,572	91,329
		4,359	161,598	1,527,035	1,646,661	994,643
Total assets		376,504	387,223	3,176,657	2,645,693	1,853,704
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	15	440,948	440,948	440,948	440,948	282,578
(Accumulated losses)/Retained profits		(131,766)	(100,859)	1,203,901	1,035,167	816,090
Other reserves	16	22,673	10,531	162,361	112,280	73,549
		331,855	350,620	1,807,210	1,588,395	1,172,217
Non-controlling interests		–	–	2,644	3,248	4,069
Total equity		331,855	350,620	1,809,854	1,591,643	1,176,286
Liabilities						
Non-Current Liabilities						
Deferred tax liabilities	9(b)	20,241	20,241	20,241	20,241	20,241
		20,241	20,241	20,241	20,241	20,241
Current Liabilities						
Trade payables	17	1,394	1,394	29,290	136,951	62,146
Other payables	18	23,014	14,968	57,042	31,798	23,831
Notes payable	19	–	–	55,500	62,250	1,550
Current tax payable		–	–	41,800	21,534	32,730
Bank borrowings	20	–	–	130,000	59,200	13,000
Convertible bonds including derivatives	21	–	–	1,032,930	722,076	523,920
		24,408	16,362	1,346,562	1,033,809	657,177
Total equity and liabilities		376,504	387,223	3,176,657	2,645,693	1,853,704

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 Year Ended 31 December 2015

		Year ended 31 December 2015	Year ended 31 December 2014
	Note	RMB'000	RMB'000
The Group			
Revenue	4	3,313,902	2,819,449
Cost of sales		<u>(1,940,318)</u>	<u>(1,691,574)</u>
Gross profit		1,373,584	1,127,875
Other operating income	22(a)	28,424	11,958
Distribution costs	22(b)	(570,242)	(379,828)
Administrative expenses	22(c)	(111,578)	(96,049)
Other operating expenses		(631)	(39)
Finance costs	22(d)	<u>(226,996)</u>	<u>(85,680)</u>
Profit before income tax and changes in fair value of the option derivatives in relation to convertible bonds	22(f)	492,561	578,237
Changes in fair value of option derivatives in relation to convertible bonds	21	<u>(91,915)</u>	<u>(155,805)</u>
Profit before taxation		400,646	422,432
Taxation	23	<u>(194,577)</u>	<u>(173,756)</u>
Profit for the year and representing total comprehensive income		<u>206,069</u>	<u>248,676</u>
* There are no other comprehensive income and expense items for both financial years.			
Profit and total comprehensive income attributable to:			
Equity holders of the Company		206,673	249,497
Non-controlling interests		<u>(604)</u>	<u>(821)</u>
		<u>206,069</u>	<u>248,676</u>
		Cents	Cents
		RMB	RMB
Earnings per share:	24		
- Basic		30.7	42.5
- Diluted		<u>30.6</u>	<u>42.4</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2015

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
The Group								
At 1 January 2014	282,578	816,090	2,220	(31,413)	102,742	1,172,217	4,069	1,176,286
Issue of shares	15 163,642	–	–	–	–	163,642	–	163,642
Share issuance expenses	15 (5,272)	–	–	–	–	(5,272)	–	(5,272)
Share-based payment expense under ESOS Scheme	–	–	8,311	–	–	8,311	–	8,311
Profit for the year, representing total comprehensive income for the year	–	249,497	–	–	–	249,497	(821)	248,676
Transfer to statutory reserve	–	(30,420)	–	–	30,420	–	–	–
At 31 December 2014	440,948	1,035,167	10,531	(31,413)	133,162	1,588,395	3,248	1,591,643
Share-based payment expense under ESOS Scheme	–	–	12,142	–	–	12,142	–	12,142
Profit for the year, representing total comprehensive income for the year	–	206,673	–	–	–	206,673	(604)	206,069
Transfer to statutory reserve	–	(37,939)	–	–	37,939	–	–	–
At 31 December 2015	440,948	1,203,901	22,673	(31,413)	171,101	1,807,210	2,644	1,809,854

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 Year Ended 31 December 2015

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000 (Restated)
Cash Flows from Operating Activities		
Profit before taxation	400,646	422,432
Adjustments for:		
Fair value of the option derivatives in relation to the convertible bonds	91,915	155,805
Depreciation of property, plant and equipment	62,614	47,388
Amortisation of land use rights	1,174	2,398
Amortisation of subsidy	–	134
Share-based payment expense under ESOS Scheme	12,142	8,311
Gain on disposal of property, plant and equipment (net)	(58)	(3,029)
Interest expense	226,996	85,680
Interest income	(1,999)	(1,000)
Operating cash flows before working capital changes	793,430	718,119
Decrease/(increase) in deposits pledged with banks	18,490	(39,828)
Increase in inventories	(3,945)	(4,786)
Decrease/(increase) in operating receivables	42,985	(576,223)
(Decrease)/increase in operating payables	(90,729)	141,181
Cash generated from operations	760,231	238,463
Income tax paid	(174,287)	(184,921)
Interest paid	(8,056)	(4,763)
Net cash generated from operating activities	577,888	48,779
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(146,668)	(61,244)
Proceeds from disposal of property, plant and equipment	4,663	5,323
Deposits paid for non-current assets	(570,777)	(67,447)
Interest received	1,999	1,000
Net cash used in investing activities	(710,783)	(122,368)
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares (Note 15)	–	163,642
Share issuance expenses (Note 15)	–	(5,272)
Bank loans obtained	135,000	70,000
Bank loans repaid	(64,200)	(23,800)
Partial repurchase of convertible bonds	–	(38,566)
Net cash generated from financing activities	70,800	166,004
Net (decrease)/increase in cash and cash equivalents	(62,095)	92,415
Cash and cash equivalents at beginning of year	174,434	82,019
Cash and cash equivalents at end of year (Note 14)	112,339	174,434

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 Year Ended 31 December 2015

Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RMB 178,230,000 (2014 - RMB 140,109,000), of which RMB 30,000,000 (2014 - RMB 76,574,000) was transferred from deposits paid for non-current assets. Cash payments of RMB 146,668,000 (2014 - RMB 61,244,000) were made to purchase property, plant and equipment. RMB 1,562,000 (2014 - RMB 2,291,000) was recorded as amount owing to contractors and amount owing to suppliers of property, plant and equipment under "Other payables" as at 31 December 2015.

Deposits paid for non-current assets

The Group recorded RMB 595,777,000 (2014 - RMB 55,000,000) as deposits paid for non-current assets, of which cash payment of RMB 570,777,000 (2014 - RMB 67,447,000) was made during the financial year and RMB 30,000,000 (2014 - RMB 76,574,000) was completed and transferred to property, plant and equipment during the financial year.

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 Year Ended 31 December 2015

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2015 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 7 to the financial statements.

2(a) Basis of preparation

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

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

Significant judgements

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:

Determination of functional currency

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

Income taxes (Notes 9 and 23)

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

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

Significant judgements (cont'd)

Ability to repay convertible bonds when fall due

Pursuant to the restructuring of the convertible bonds on 29 February 2016, the Group and the bondholders have agreed to amend the terms and conditions attaching to the existing convertible bonds to permit the bondholders to exchange 60% of the principal amount of the convertible bonds into exchangeable bonds exchangeable into new Garden Fresh Cayman shares, and to restructure 40% of the principal amount of the convertible bonds into debt instruments through the issuance of SB1 Bonds and SB2 Bonds (Refer Section B in Note 21).

As at 31 December 2015, the Group has bank balances and cash on hand of RMB 143.0 million (2014 - RMB 223.6 million). As of that date, it has convertible bonds of RMB 1,032.9 million (2014 - RMB 722.1 million). The Group has recorded a net profit of RMB 206.1 million (2014 - RMB 248.7 million) and a net cash generated from operating activities of RMB 577.9 million (2014 - RMB 48.8 million) for the year ended 31 December 2015.

The Company had on 1 July 2013 announced that it was proposing to spin-off Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited together with its group of subsidiaries on an internationally recognised stock exchange (the "Proposed IPO"). The Proposed IPO is still in progress as at the date of the financial statements.

After the restructuring of the convertible bonds on 29 February 2016, the maximum cash redemption sum payable on the maturity of the 2011 and 2012 SB1 Bonds is RMB 106.9 million on 31 May 2016.

Similarly, upon restructuring of the convertible bonds on 29 February 2016, the estimated maximum cash redemption sums for the convertible bonds are RMB 752.2 million and RMB 731.2 million in the event that the Group fails to repay the amounts due on 31 May 2016 for the 2011 and 2012 SB1 Bonds, and in the event that the Group fails to complete a qualifying IPO before the Amended Maturity Date (Refer to Section B and Section D in Note 21) respectively.

The Group, including the Company, is of the view that it will have sufficient cash resources to repay the SB1 Bonds that are due on 31 May 2016 of RMB 106.9 million and other liabilities when due and/or in the event of a full redemption in cash upon the maturity dates of the Amended Bonds for the following reasons:

- the Group has net current assets of RMB 180.5 million as at 31 December 2015 (2014 - RMB 612.9 million);
- as at 31 December 2015, the Group's cash and bank balances were approximately RMB 143.0 million (2014 - RMB 223.6 million). As at 29 February 2016, the Group's cash and bank balances has improved further to approximately RMB 233.1 million;
- the Group is actively monitoring the collection from its customers. As at 31 December 2015, the Group's trade receivables balance was approximately RMB 953.9 million (2014 - RMB 1,110.2 million). As at 29 February 2016, approximately RMB 499.3 million has been received from customers;
- as part of its normal business operations, the Group is in regular contact with various banks to secure, extend or renew its banking facilities. The Group presently has untapped banking facilities of about RMB 60.0 million as at 31 December 2015 extended by various banks in the PRC. As at 29 February 2016, the Group has untapped banking facilities of approximately RMB 273.6 million;
- while continuing to move ahead with its plan on the Proposed IPO, 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; and
- management has prepared a cash flow forecast for the 12 months after the year end which indicates that sufficient cash resources after taking into account the above factors will be generated to enable the payment of the Amended Bonds, in the event it is required.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

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

Critical accounting estimates and key sources of estimation uncertainty

In the process of applying the Company's and the Group's accounting policies, which are described in Note 3, management had made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

Amortisation of land use rights (Note 5)

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 2015 is RMB 112.7 million (2014 - RMB 113.9 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 amortisation on land use right increases/decreases by 10% from management's estimates, the Group's profit for the year will decrease/increase by approximately RMB 0.1 million (2014 - RMB 0.2 million).

Depreciation of property, plant and equipment (Note 6)

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 2015 are RMB 11,000 (2014 - RMB 17,000) and RMB 939.5 million (2014 - RMB 828.5 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 depreciation on property, plant and equipment increases/decreases by 10% from management's estimates, the Group's profit for the year will decrease/increase by approximately RMB 6.3 million (2014 - RMB 4.7 million).

Useful lives of plant and machinery (Note 6)

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 6 to the financial statements. A 10% difference in the expected useful lives of these assets from management's estimates would result in an increase/decrease in the Group's result by RMB 4.6 million (2014 - RMB 3.0 million).

Allowance for inventory obsolescence (Note 11)

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

If the net realisable value of the inventories decrease by 10% from management's estimates, the Group's results may decrease by RMB 5.5 million (2014 - RMB 5.1 million).

Allowance for bad and doubtful debts (Notes 12 and 13)

Allowances for bad and doubtful debts 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 10.0 million (2014 - RMB 31.4 million). However, the Group does not foresee any additional impairment in trade receivables and other receivables, other than as disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

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 from the convertible 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 particular, in relation to the valuation of the convertible bonds which although have expired on 25 July 2015 (original and extended maturity date), the Group and the bondholders are taking the presumption of negotiating fresh terms for the convertible bonds, which were restructured on 29 February 2016 with conclusive evidence that the bonds are deemed extended and not expired. In the absence of an FRS that specifically applies to a transaction, other event or condition, the management has, in the valuation of the convertible bonds as at 31 December 2015, used its judgement in developing and applying an accounting policy that results in information that is:

- a) relevant to the economic decision-making needs of users; and
- b) reliable, in that the financial statements:
 - i. represent faithfully the financial position, financial performance and cash flows of the entity;
 - ii. reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
 - iii. are neutral, that is, free from bias;
 - iv. are prudent; and
 - v. are complete in all material respects.

In addition, the Conceptual Framework for Financial Reporting states that for financial information to be useful, it must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. Financial reports represent economic phenomena in words and numbers in determining what is “faithful representation” in the preparation of financial statements. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.

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.

The amortised cost of the convertible bonds was based on the cash flows of the convertible bonds at their corresponding discount rates and the option derivatives were determined by the Binomial Option Pricing Model, and which are subject to the limitation of the Binomial Option Pricing Model that incorporates market data and involving uncertainty in estimates used by the directors of the Company in the assumptions. As the Binomial Option Pricing Model requires input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

Details of the assumptions used are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

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)

As at 31 December 2015, the amortised cost of the liability component and fair value of the option derivatives of the convertible bonds was RMB 703.3 million (2014 - RMB 484.4 million) and RMB 329.6 million (2014 - RMB 237.7 million) respectively on the basis as stated in Section C under Note 21.

If the discount rate used is 1% higher than management's estimates, the carrying amount of the liability component and the option derivatives will be an estimated of RMB 696.3 million (2014 - RMB 481.7 million) and RMB 333.1 million (2014 - RMB 239.7 million) respectively. If the discount rate used is 1% lower than management's estimates, the carrying amount of the liability component and the option derivatives will be an estimated of RMB 710.4 million (2014 - RMB 487.0 million) and RMB 326.1 million (2014 - RMB 235.7 million) respectively.

As at 29 February 2016, the fair value of the option derivatives of the Amended Bonds was RMB 223.2 million in accordance with the restructuring of the convertible bonds stated in Section D in Note 21.

If the discount rate used is 1% higher or lower than management's estimates, the option derivatives will be an estimated of RMB 225.5 million and RMB 220.9 million respectively. If the equity value used is 5% higher or lower than management's estimates, the option derivatives will be an estimated of RMB 252.8 million and RMB 200.6 million respectively.

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 2015

On 1 January 2015, the Company and the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Company's and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs.

Reference	Description
FRS 19	Defined Benefit Plan: Employee Contribution
Improvements to FRSs (January 2014)	
- FRS 16	Property, Plant and Equipment
- FRS 24	Related Party Disclosures
- FRS 38	Intangible Assets
- FRS 40	Investment Property
- FRS 102	Share-based Payment
- FRS 103	Business Combinations
- FRS 108	Operating Segments
- FRS 113	Fair Value Measurement

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

Improvements to FRSs (January 2014) FRS 24 Related Party Disclosures

The improvements to FRSs (January 2014) FRS 24 Related Party Disclosures clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company and of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

2(b) Interpretations and amendments to published standards effective in 2015 (cont'd)

Improvements to FRSs (January 2014) FRS 108 Operating Segments

The improvements to FRSs (January 2014) FRS 108 Operating Segments clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company and of the Group. The Group has included the additional required disclosures in Note 28 of the financial statements.

2(c) FRSs issued but not yet effective

The following are the new or amended FRSs issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Improvements to FRSs (November 2014)		
- FRS 19	Employee Benefits	1 January 2016
- FRS 34	Interim Financial Reporting	1 January 2016
- FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
- FRS 107	Financial Instruments: Disclosures	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
FRS 16 and FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and FRS 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 January 2016
FRS 110, FRS 112 and FRS 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 110 and FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

2(c) FRSs issued but not yet effective (cont'd)

The directors of the Company do not anticipate that the adoption of the above new or amendments to FRSs in future periods will have a material impact on the financial statements of the Company and the Group in the period of their initial adoption except for the following:

Amendments to FRS 1 Presentation of Financial Statements

The amendments to FRS 1 clarify that materiality applies to the whole of the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Company or of the Group when applied.

FRS 109 Financial Instruments

FRS 109 Financial Instruments replaces FRS 39 and it is a package of improvements introduced by FRS 109 includes a logical model for:

- classification and measurement;
- a single, forward-looking "expected loss" impairment model; and
- a substantially reformed approach to hedge accounting

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The directors are still assessing its impact, which cannot be ascertained presently.

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers establishes a framework for determining when and how revenue is recognised. 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. 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.

FRS 115 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the financial statements.

3 Significant accounting policies

Consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Consolidation (cont'd)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Consolidation (cont'd)

Transactions with non-controlling interest

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

Business combination

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

The Group measures goodwill at the date of acquisition as:

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

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

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

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

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

Land use rights

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

Property, plant and equipment and depreciation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

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

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

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

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment, if any, are retained in the books of accounts until they are no longer in use.

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

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

Government grant/subsidy

Government grant/subsidy is recognised at its fair value where there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with. Where the grant/subsidy relates to an asset, the fair value is recognised as deferred capital grant on the consolidated statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Investment in subsidiaries

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

Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Financial assets (cont'd)

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

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

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

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

As at 31 December 2015, the Company and the Group carry loans and receivables on the statements of financial position and do not have any financial assets at fair value through profit or loss, available-for-sale financial assets or held-to-maturity investment.

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 that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

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

Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

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

Financial liabilities

The Company's and the Group's financial liabilities include borrowings, 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.

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

Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting year end date. The quoted market prices used for financial assets are the current bid prices and the appropriate quoted market prices used for financial liabilities are the current asking prices.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Fair value estimation of financial assets and liabilities (cont'd)

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 analysis and Binomial Option Pricing Model are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates.

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. Refer to Section B in Note 21.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Dividends

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

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

Borrowing costs

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

Leases

Operating leases

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

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

Where the Group is the lessor, assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Income taxes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Income taxes (cont'd)

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 reporting period; and
- (b) based on the tax consequence that will follow from the manner in which the Company and the Group expect, at the end of the reporting period, 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. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other receivables" or "Other payables" in the consolidated statement of financial position. 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 receivables or payables in the consolidated statement of financial position.

Employee benefits

Pension obligations

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Employee benefits (cont'd)

Employee share option scheme ("ESOS Scheme")

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Related parties (cont'd)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

3 Significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

Impairment losses recognised for cash-generating units, to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, 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.

With the exception of goodwill,

- 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 decrease;
- 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; and
- 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.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period.

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. 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 office units is recognised upon acceptance of tenancy.

Functional currency

Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

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.

Financial instruments

Financial instruments carried on the statements of financial position include cash and bank balances, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 29.

4 Revenue

	Year ended 31 December 2015	Year ended 31 December 2014
	RMB'000	RMB'000
The Group		
Sale of		
- canned asparagus	324,735	351,901
- canned long beans	101,013	107,704
- canned mushrooms	150,628	164,521
- canned fruits	417,561	318,585
- snacks	915	–
- beverages	2,319,050	1,876,738
	<u>3,313,902</u>	<u>2,819,449</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

5 Land use rights

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
The Group			
<u>Cost</u>			
Balance at beginning of year		119,977	58,774
Additions		–	61,203
Balance at end of year		<u>119,977</u>	<u>119,977</u>
<u>Accumulated amortisation</u>			
Balance at beginning of year		6,115	3,717
Amortisation for the year	22(c) & 22(f)	1,174	2,398
Balance at end of year		<u>7,289</u>	<u>6,115</u>
Net book value		<u>112,688</u>	<u>113,862</u>

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:

	31 December 2015 RMB'000	31 December 2014 RMB'000
The Group		
Net book value	<u>10,331</u>	<u>7,344</u>

Land use rights relate to the following parcel of lands:

Location	Period	Land area (square metres) ["sq m"]
#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线侧)	50 years (expiring on 2 March 2055)	80,834.47
#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)	50 years (expiring on 29 December 2058)	70,895.00
#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))	50 years (expiring on 30 September 2061)	101,720.20

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

5 Land use rights (cont'd)

Location	Period	Land area (square metres) ["sq m"]
#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)	50 years (expiring on 20 April 2064)	133,333.33

These land use rights were acquired from:

- #1 邳州市人民政府;
- #2 单县人民政府;
- #3 当阳市人民政府; and
- #4 固镇县人民政府

6 Property, plant and equipment

The Company	Office equipment RMB'000
<u>Cost</u>	
At 1 January 2014	37
Additions	11
At 31 December 2014	<u>48</u>
Additions	–
At 31 December 2015	<u>48</u>
<u>Accumulated depreciation</u>	
At 1 January 2014	24
Depreciation for the year	7
At 31 December 2014	<u>31</u>
Depreciation for the year	6
At 31 December 2015	<u>37</u>
<u>Net book value</u>	
At 31 December 2015	<u>11</u>
At 31 December 2014	<u>17</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

6 Property, plant and equipment (cont'd)

	Factory and warehouse premises RMB'000	Office units 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
The Group								
<u>Cost</u>								
At 1 January 2014	338,082	2,729	3,750	227,716	4,497	1,801	237,120	815,695
Additions	331	-	62	40,859	100	194	98,563	140,109
Reclassification	3,623	-	-	192,068	-	-	(195,691)	-
Disposal	-	(2,729)	-	(92)	(73)	(5)	-	(2,899)
At 31 December 2014	342,036	-	3,812	460,551	4,524	1,990	139,992	952,905
Additions	597	-	42	34,203	360	307	142,721	178,230
Reclassification	113,950	-	-	(19)	38	(55)	(113,914)	-
Disposal	-	-	-	(7,081)	(381)	(14)	-	(7,476)
At 31 December 2015	456,583	-	3,854	487,654	4,541	2,228	168,799	1,123,659
<u>Accumulated depreciation</u>								
At 1 January 2014	31,943	431	3,513	38,317	2,354	1,072	-	77,630
Depreciation for the year	16,744	55	147	29,838	371	233	-	47,388
Disposal	-	(486)	-	(50)	(66)	(3)	-	(605)
At 31 December 2014	48,687	-	3,660	68,105	2,659	1,302	-	124,413
Depreciation for the year	16,003	-	89	45,911	371	240	-	62,614
Disposal	-	-	-	(2,519)	(343)	(9)	-	(2,871)
At 31 December 2015	64,690	-	3,749	111,497	2,687	1,533	-	184,156
<u>Net book value</u>								
At 31 December 2015	391,893	-	105	376,157	1,854	695	168,799	939,503
At 31 December 2014	293,349	-	152	392,446	1,865	688	139,992	828,492

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

6 Property, plant and equipment (cont'd)

(a) Depreciation is charged to:

		31 December 2015	31 December 2014
	Note	RMB'000	RMB'000
The Group			
Cost of sales		39,067	23,721
Distribution costs	22(b)	3,070	691
Administrative expenses	22(c)	20,477	22,976
	22(f)	62,614	47,388

(b) Factory and warehouse premises are located at:

		31 December 2015	31 December 2014
		RMB'000	RMB'000
The Group			
At cost			
Factory and warehouse premises			
- #1 (Note 5)		51,657	51,657
- #2 (Note 5)		52,231	52,005
- #3 (Note 5)		193,927	193,815
- #4 (Note 5)		114,209	-
- #5*		44,559	44,559
		456,583	342,036

* Relate to the following land under lease:

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

(c) As at the end of the reporting period, the carrying amount of property, plant and equipment of the Group which have been pledged to financial institutions to secure banking facilities are as follows:

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Factory and warehouse premises - net book value	82,266	37,776

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

6 Property, plant and equipment (cont'd)

(d) 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, People's Republic of China (单县开发区园艺路南段路西);	September 2016
(ii) the administration building on the existing land at West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, People's Republic of China (单县开发区园艺路南段路西);	September 2016
(iii) the construction of factory on the existing land at East Side, Jing Yi Road, Economic Development Zone, Gu Zhen Town, Beng Bu City, An Hui Province, People's Republic of China (安徽省蚌埠市固镇县经济开发区经一路东侧); and	September 2016
(iv) the construction of factory and warehouse on the existing land at Jing Xiu Jiang Nan East Side, Guang Dong Road, Dang Yang City, People's Republic of China (当阳市广州路(锦绣江南东侧)).	September 2016

7 Subsidiaries

		31 December 2015	31 December 2014
	Note	RMB'000	RMB'000
The Company			
Unquoted equity investments, at cost		42,021	1,848
Fair value of share options granted	(a)	19,073	8,914
Restructuring	(b)	—	40,173
		<u>61,094</u>	<u>50,935</u>

- (a) Being fair value of share options granted to the employees of the subsidiaries. Refer to Note 22.
- (b) In financial year 2014, Grandness (HK) Industry Co., Limited has transferred its 100% equity interest in Shanxi Yongji Huaxin Food Co., Ltd to the Company as part of the group restructuring exercise. The transfer has been accounted on a common control basis.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

7 Subsidiaries (cont'd)

The subsidiaries are:

Name	Country of incorporation / principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		2015	2014	2015	2014	
		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	People's Republic of China	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	People's Republic of China	11,017	5,488	58.3	58.3	Sale of canned vegetables and canned fruits
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
Grandness (Anhui) Foods Co., Ltd. * (振鹏达(安徽)食品有限公司)	People's Republic of China	–	–	100	100	Production and sale of fruits and vegetable juices
Garden Fresh Group Holding Co., Ltd * (鲜绿园集团控股有限公司)	Cayman Islands	–	–	100	100	Investment holding
Balance carried forward		53,038	47,509			

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

7 Subsidiaries (cont'd)

Name	Country of incorporation / principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		2015	2014	2015	2014	
		RMB'000	RMB'000	%	%	
Balance brought forward		53,038	47,509			
<u>Held by Garden Fresh Group Holding Co., Ltd</u> (鲜绿园集团控股有限公司)						
Garden Fresh Group Co., Limited *	Hong Kong	—	—	100	100	Investment holding
(鲜绿园集团股份有限公司) ¹						
<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. *	People's Republic of China	—	—	41.7	41.7	Sale of canned vegetables and canned fruits
(深圳振鹏达实业集团有限公司) ³						
Grandness (Sichuan) Foods Co., Ltd. *,#	People's Republic of China	—	—	20.77 [#]	20.77 [#]	Production and sale of canned vegetables and canned fruits
(四川振鹏达食品有限公司) ⁴						
<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. *,#	People's Republic of China	—	—	51 [#]	51 [#]	Production and sale of canned vegetables and canned fruits
(四川振鹏达食品有限公司) ⁴						
Dongpeng (Chengdu) Agricultural Development Co., Ltd. *	People's Republic of China	—	—	100	100	Inactive
(成都东鹏农业发展有限公司) ⁴						
Grandness (Shanxian) Food Co., Ltd. *	People's Republic of China	—	—	100	100	Production and sale of canned vegetables and canned fruits
(山东单县振鹏达食品有限公司) ⁵						
Grandness (Hubei) Foods Co., Ltd *	People's Republic of China	—	—	100	100	Production and sale of canned vegetables and canned fruits
(湖北振鹏达食品有限公司) ⁶						
Balance carried forward		53,038	47,509			

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

7 Subsidiaries (cont'd)

Name	Country of incorporation / principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		2015	2014	2015	2014	
		RMB'000	RMB'000	%	%	
Balance brought forward		53,038	47,509			
<u>Held by Shenzhen Grandness Industry Groups Co., Ltd.</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)	People's Republic of China	—	—	100	—	Sales 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	People's Republic of China	—	—	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	People's Republic of China	—	—	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	People's Republic of China	8,056	3,426	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	People's Republic of China	—	—	100	100	Production and sale of fruits and vegetable juices
Balance carried forward		61,094	50,935			

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

7 Subsidiaries (cont'd)

Name	Country of incorporation / principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		2015	2014	2015	2014	
		RMB'000	RMB'000	%	%	
Balance brought forward		61,094	50,935			
<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)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited * (四川鲜绿园果蔬饮料有限公司) ⁴	People's Republic of China	–	–	90	90	Production and sale of fruits and vegetable juices
<u>Held by Garden Fresh (Hubei) Food & Beverage Co., Limited</u> (鲜绿园(湖北)食品饮料有限公司)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited * (四川鲜绿园果蔬饮料有限公司) ⁴	People's Republic of China	–	–	10	10	Production and sale of fruits and vegetable juices
		61,094	50,935			

* 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 newly incorporated during the financial year by through injection of cash capital contribution of RMB 50 million.

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).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

8 Amount owing by subsidiaries

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Company		
<u>Non-current and non-trade</u>		
Grandness (HK) Industry Co., Limited	304,688	168,738
Shenzhen Grandness Industry Groups Co., Ltd.	6,352	4,509
Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited	–	1,426
	311,040	174,673

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

9 Deferred taxation

9(a) Deferred tax assets

	The Company		The Group	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year	–	–	1,678	1,678
Transfer to profit or loss	–	–	(24)	–
Balance at end of year	–	–	1,654	1,678
The balance comprises tax on				
- excess of tax written down value of qualifying property, plant and equipment over net book value	–	–	904	904
- others	–	–	750	774
To be recovered after one year	–	–	1,654	1,678

9(b) Deferred tax liabilities

	The Company		The Group	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning and end of year	20,241	20,241	20,241	20,241
The balance comprises tax on				
- undistributed earnings of subsidiaries	19,241	19,241	19,241	19,241
- unremitted income	1,000	1,000	1,000	1,000
To be settled after one year	20,241	20,241	20,241	20,241

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

9 Deferred taxation (cont'd)

9(b) Deferred tax liabilities (cont'd)

Deferred tax liabilities of RMB 60.1 million (2014 – RMB 41.6 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.

10 Deposits paid for non-current assets

	31 December 2015	31 December 2014	1 January 2014
The Group	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Advances to contractor for construction of workshop	22,532	–	18,112
Advances to suppliers for purchases of plant and machineries	573,245	55,000	46,015
	595,777	55,000	64,127

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

The deposits paid for non-current assets are unsecured and interest-free.

The advances of RMB 22.5 million (2014 – RMB Nil) to contractor for construction of workshop relates to the construction of factory and warehouse on the existing 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)).

The advances of RMB 573.2 million (2014 – RMB 55.0 million) to suppliers for purchases of plant and machineries relates to the planned acquisition of new production lines for both the canned vegetables and canned fruits and fruit juices segments by the following subsidiaries:

	31 December 2015	31 December 2014	1 January 2014
The Group	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Shanxi Yongji Huaxin Food Co., Ltd.	70,544	–	46,015
Grandness (Shanxian) Food Co., Ltd.	80,550	–	–
Grandness (Anhui) Foods Co., Ltd.	71,840	30,000	–
Garden Fresh (Hubei) Food & Vegetable Beverage Co., Limited	103,511	–	–
Garden Fresh (Shenzhen) Food & Vegetable Beverage Co., Limited	246,800	25,000	–
	573,245	55,000	46,015

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

11 Inventories

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Finished goods, at cost	44,886	40,159
Packaging materials, at cost	6,950	6,871
Raw materials, at cost	2,852	3,713
	54,688	50,743
Included in cost of sales are inventories charged of:	1,900,055	1,666,426

12 Trade receivables

	31 December 2015	31 December 2014	1 January 2014
	RMB'000	RMB'000	RMB'000
The Group		(Restated)	(Restated)
Trade receivables			
- external parties	954,052	1,110,361	633,597
Less: Impairment loss on trade receivables			
Balance at beginning of year	(154)	(154)	(154)
Allowance for the year	-	-	-
Balance at end of year	(154)	(154)	(154)
Net trade receivables	953,898	1,110,207	633,443

Trade receivables are usually due within 60 - 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 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Current - neither past due nor impaired	854,284	796,473

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

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Past due 0 to 3 months	99,614	313,711
Past due 3 to 6 months	-	-
Past due over 6 months	-	23
	99,614	313,734

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

12 Trade receivables (cont'd)

(iii) The age analysis of trade receivables past due and impaired is as follows:

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Past due 0 to 3 months	–	–
Past due 3 to 6 months	–	–
Past due over 6 months	154	154
	154	154

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

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
By geographical areas		
The People's Republic of China	782,529	927,583
Europe	160,250	163,752
North America	7,340	10,121
Others	3,779	8,751
	953,898	1,110,207

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 Year Ended 31 December 2015

13 Other receivables

	The Company		The Group		1 January 2014 RMB'000 (Restated)
	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	
Advances to					
- suppliers	-	-	90,936	77,286	25,598
- employees	41	41	1,230	696	441
- third parties	-	-	2,665	853	789
- Shenzhen Cheng Xingwang Import and Export Co., Ltd (深圳市成兴旺进出口有限公司)	-	-	-	1,120	1,120
Prepayments	-	-	93,294	11,215	6,403
VAT receivable	-	-	90,949	120,730	69,235
Export tax refunds	-	-	93,375	48,411	51,373
Tax recoverable	-	-	2,116	-	31
Deposits	12	12	361	1,557	1,561
Guzhen (Anhui) Municipal Government (安徽固镇镇政府)	-	-	60	51	63,600
Yunnan Shizong Datong Shenghong Flourmill (云南师宗大同盛宏面粉厂)	-	-	-	-	3,579
Others	61	2	477	220	184
	114	55	375,463	262,139	223,914

Other receivables are neither past due nor impaired.

The advances which are unsecured, interest-free and repayable on demand are mainly made to:

- suppliers relating to the purchase of raw material, packing materials and finished goods; and
- employees pertaining to business purpose.

Prepayment includes prepaid advertisement expenses amounting to RMB 90.1 million (2014 - RMB Nil) and prepaid Initial Public Offering ("IPO") expenses of a subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd, amounting to RMB 2.6 million (2014 - RMB 11.0 million) that relate solely to the equity offering.

Export tax refunds relate to tax refunds which is calculated at 15% (2014 - 15%) on overseas sales.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

14 Cash and bank balances

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash on hand	–	–	235	257
Bank balances	4,245	161,543	142,751	223,315
	4,245	161,543	142,986	223,572
Amount as shown above			142,986	223,572
Less: Deposits placed in banks for bank borrowings and notes payable (Notes 19 and 20)			(30,647)	(49,138)
Cash and cash equivalents for consolidated statement of cash flows purposes at the end of the year			112,339	174,434

15 Share capital

	Number of shares		Amount	
	31 December 2015	31 December 2014	31 December 2015 RMB'000	31 December 2014 RMB'000
The Company and the Group				
Issued and fully paid ordinary shares with no par value:				
Balance at beginning of year	673,344	587,344	440,948	282,578
Shares issued pursuant to placement	–	86,000	–	163,642
Share issuance expenses	–	–	–	(5,272)
Balance at end of year	673,344	673,344	440,948	440,948

On 30 December 2014, the Company issued new share placement of 86.0 million ordinary shares at a placement price of S\$ 0.40 for each ordinary share. Total consideration received was S\$ 34.7 million (RMB 163.6 million) 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 Year Ended 31 December 2015

16 Other reserves

	The Company		The Group	
	31 December 2015 RMB'000	31 December 2014 RMB'000	31 December 2015 RMB'000	31 December 2014 RMB'000
Statutory common reserve				
Balance at beginning of year	–	–	133,162	102,742
Movement during the year	–	–	37,939	30,420
Balance at end of year	–	–	171,101	133,162
ESOS Scheme reserve				
Balance at beginning of year	10,531	2,220	10,531	2,220
Movement during the year	12,142	8,311	12,142	8,311
Balance at end of year	22,673	10,531	22,673	10,531
Merger reserve				
Balance at beginning and end of year	–	–	(31,413)	(31,413)
Grand total	22,673	10,531	162,361	112,280

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

Merger reserve

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

17 Trade payables

	The Company		The Group		
	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Trade payables	–	–	18,609	20,385	9,056
Accruals	1,394	1,394	10,681	116,566	53,090
	1,394	1,394	29,290	136,951	62,146

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

17 Trade payables (cont'd)

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

18 Other payables

	The Company		The Group		
	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Amount owing to					
- contractors	-	-	1,226	2,192	1,105
- suppliers of property, plant and equipment	-	-	336	99	1,337
- suppliers	-	-	49	224	249
- employees	-	-	559	306	222
- third parties	2,699	5,758	3,833	7,767	1,067
Accrual of directors' fees	242	509	242	509	438
VAT and government tax payable	-	-	27,322	4,074	8,724
Withholding tax payable	199	199	287	287	287
Advance from customers	-	-	306	501	681
Deposits	-	-	123	102	232
Director of the Company	19,815	8,502	22,061	12,178	6,862
Rental payables	-	-	-	2,850	-
Others	59	-	698	709	2,627
	23,014	14,968	57,042	31,798	23,831

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, painting on the existing premises and construction of existing factory; and
- the amount owing to employees relates to money withheld for employees' uniform.

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

19 Notes payable

The notes payable, which are secured by fixed deposit pledged to a bank (Refer to Note 14) and with an annual effective interest rate between 3.80% and 5.00% (2014 - between 4.97% and 5.20%), mature at varying dates between 3 January 2016 and 25 May 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

20 Bank borrowings

The Group	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Bank loans			
- 星展银行(中国)有限公司深圳分行	(a)	30,000	10,000
- 上海浦东发展银行股份有限公司深圳华侨城支行	(b)	30,000	–
- 上海浦东发展银行股份有限公司深圳华侨城支行	(c)	30,000	–
- 中信银行股份有限公司深圳分行	(d)	40,000	–
- 中信银行股份有限公司深圳分行	(e)	–	40,000
- 平安银行深圳总行	(f)	–	9,200
		130,000	59,200
Amount repayable:			
Not later than one year		130,000	59,200
Later than one year and not later than five years		–	–
		130,000	59,200

(a) The secured bank loan facility of RMB 10.0 million has been repaid on 12 May 2015. Additional RMB 30.0 million drawdown has been made during the year and is repayable on 17 June 2016. The loan was secured by inter-alia;

- (i) a personal guarantee by a director of the Company, Huang Yupeng;
- (ii) a corporate guarantee provided by a wholly-owned subsidiary, Shanxi Yongji Huaxin Food Co., Limited; and
- (iii) a pledge of bank balances of RMB 4.0 million by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest is charged at a rate between 5.44% and 5.75% (2014 – at 7.00%) per annum.

(b) The secured bank loan facility is repayable on 25 March 2016. The loan was secured by inter-alia;

- (i) a personal guarantee by a director of the Company, Huang Yupeng;
- (ii) a corporate guarantee provided by a wholly-owned subsidiary, Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited; and
- (iii) a pledge of bank balances of RMB 6.0 million by a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest is charged at 6.70% per annum.

(c) The secured bank loan facility is repayable on 30 April 2016. The loan was secured by inter-alia;

- (i) a personal guarantee by a director of the Company, Huang Yupeng; and
- (ii) the land use rights with a carrying amount of RMB 3.2 million and factory and warehouse premises with a carrying amount of RMB 44.5 million belonging to a subsidiary, Grandness (Sichuan) Foods Co., Ltd.

Interest is charged at 6.42% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

20 Bank borrowings (cont'd)

- (d) The secured bank loan facility is repayable on 30 April 2016. The loan was secured by inter-alia;
- (i) a personal guarantee by a director of the Company, Huang Yupeng; and
 - (ii) housing properties with an approximated fair value of RMB 6.8 million belonging to a director of the Company, Huang Yupeng.

Interest is charged at a rate between 5.14% and 5.89% per annum.

- (e) The secured bank loan facility was repaid during the financial year and was secured by inter-alia;
- (i) the land use rights with a carrying amount of RMB 7.3 million and factory and warehouse premises with a carrying amount of RMB 37.8 million belonging to a subsidiary, Grandness (Shanxian) Foods Co., Ltd;
 - (ii) a personal guarantee by a director of the company, Huang Yupeng; and
 - (iii) a corporate guarantee provided by a wholly-owned subsidiary, Grandness (Shanxian) Foods Co., Ltd.

Interest was charged at a rate between 6.16% and 8.10% per annum.

- (f) The secured bank loan facility was repaid during the financial year and was secured by inter-alia;
- (i) a personal guarantee by a director of the Company, Huang Yupeng; and
 - (ii) a corporate guarantee provided by two wholly-owned subsidiaries, Shanxi Yongji Huaxin Food Co., Limited and Grandness (Shanxian) Food Co., Ltd.

Interest was charged at a rate between 7.28% and 7.80% per annum.

21 Convertible bonds including derivatives

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
2012 Convertible Bond	768,937	526,509
2011 Convertible Bond	263,993	195,567
	1,032,930	722,076
Current portion	1,032,930	722,076
Non-current portion	—	—
	1,032,930	722,076
Comprising:		
Liability component at amortised cost		
- 2012 Convertible Bond	480,704	353,558
- 2011 Convertible Bond	222,620	130,827
Sub-total	703,324	484,385
Option derivatives at fair value		
- 2012 Convertible Bond	288,233	172,951
- 2011 Convertible Bond	41,373	64,740
Sub-total	329,606	237,691
	1,032,930	722,076

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Refer to Section C below for the basis for valuation of the convertible bonds as at 31 December 2015.

Background

The following sections summarises the nature, terms and conditions and valuation of the 2011 and 2012 convertible bonds:

Section A

This section pertains to the nature and original terms and conditions for 2011 and 2012 convertible bonds. It includes updates in 2015.

Section B

This section pertains to the restructuring and updates of the 2011 and 2012 convertible bonds in 2016.

Section C

This section pertains to the basis for the valuation of the 2011 and 2012 convertible bonds as at 31 December 2015.

Section D

This section pertains to the disclosure of the fair value of the 2011 and 2012 convertible bonds subsequent to the financial year end as at restructuring date 29 February 2016.

Section A – Nature and original terms and conditions of the convertible bonds

2011 Convertible Bond

In financial year 2011, a wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (“Garden Fresh (HK)” or “the issuer”) entered into a subscription agreement with Sun Hung Kai Investment Services Limited to issue RMB 100 million zero coupon convertible bonds (“2011 Convertible Bond”). The maturity date is 19 October 2014 (“Scheduled Maturity Date”) with an option to extend to 30 June 2015 (“Extended Maturity Date”).

On 8 October 2014, the 2011 Convertible Bondholders representing 80.5% of the principal amount of the 2011 Convertible Bonds (“2011 Convertible Bondholders”) have exercised their right to extend the maturity date of the convertible bonds from 19 October 2014 to 30 June 2015.

Garden Fresh (HK) completed the process of repurchasing 19.5% of the principal amount of the 2011 Convertible Bond (the “Repurchase”) on 29 October 2014. Payment for the Repurchase with the total amount of approximately RMB 38.6 million was made on 6 October 2014, of which the repurchased convertible bond was cancelled, and the total outstanding principal amount of the 2011 Convertible Bond was reduced from RMB 100 million to RMB 80.5 million.

Garden Fresh (HK) and the 2011 Convertible Bondholders entered into a supplemental agreement on 27 October 2014 (the “Supplemental Agreement”) whereby Garden Fresh (HK) will pay a simple cash interest of 3.5% per annum on the outstanding principal amount to the 2011 Convertible Bondholders from the Scheduled Maturity Date to earliest of redemption or upon listing on an internationally recognised stock exchange (“Approved Exchange”). The simple cash interest payable in relation to the extension of maturity date to 30 June 2015 amounted to approximately RMB 2.0 million.

On 26 June 2015, the maturity date of the 2011 Convertible Bond (with total outstanding principal amount of RMB 80.5 million) has been further extended to 25 July 2015 to coincide with the maturity date of the 2012 Convertible Bond due on 25 July 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section A – Nature and original terms and conditions of the convertible bonds (cont'd)

Terms of conversion

The conversion option is convertible any time prior to the Extended Maturity Date and determined by the principal amount of outstanding bond divided by aggregate principal amount of all bonds times the aggregate conversion shareholding (determined by the relevant share capital times aggregate conversion proportion).

- (i) If reference net profit > RMB 250 million and the performance requirement is satisfied, principal amount of all bonds divided by RMB 1,500 million
- (ii) If reference net profit > RMB 200 million and < or = RMB 250 million, and the performance requirement is satisfied, principal amount of all bonds divided by 5.5 times reference net profit
- (iii) If neither (i) nor (ii) is applicable, principal amount of all bonds divided by 5 times reference net profit

The convertible bonds are convertible into a variable number of shares on the basis of:

- (i) a cap that limits the number of shares that the entity is required to deliver no more than 19.9% of the total issued share capital of Garden Fresh (HK) in order to prevent excessive dilution of the existing shareholders through the issue of new shares; and
- (ii) a floor (i.e., a collar) that requires the entity to deliver to bondholders in accordance to revised redemption amounts, for which, in the event that the IPO of Garden Fresh (HK) does not occur prior to the Extended Maturity Date, the subscription agreement triggers certain revised redemption clauses (Refer to disclosures in the financial year 2014 Annual Report).

In particular, the Revised Redemption Amount 1 (“RRA1₂₀₁₁”), together with the simple interests, has been applied in the restructured bonds referred in Section B. The RRA1₂₀₁₁ consists of the principal amount multiplied by 1.25x, where x is the number of calendar days from and including issue date to the, but excluding redemption date, divided by 365.

The 2011 Convertible Bond has been restructured in 2016. Please refer to “Section B”.

2012 Convertible Bond

Further to 2011 Convertible Bond, Garden Fresh (HK) entered into another subscription agreement with Goldman Sachs Investments Holdings (Asia) Limited to issue RMB 270 million zero coupon convertible bonds (“2012 Convertible Bond”). The maturity date is 25 July 2015 (“Maturity Date”).

Terms of conversion

The conversion options is convertible any time prior to the Maturity Date or the qualifying IPO date and determined by the principal amount of outstanding bond divided by aggregate principal amount of all bonds times the aggregate conversion shareholding (determined by the relevant share capital times aggregate conversion proportion).

- (i) If reference net profit > RMB 250 million and the performance requirement is satisfied, principal amount of all bonds divided by RMB 1,500 million
- (ii) If reference net profit > RMB 200 million and < or = RMB 250 million, and the performance requirement is satisfied, principal amount of all bonds divided by 5.5 times reference net profit
- (iii) If neither (i) nor (ii) is applicable, principal amount of all bonds divided by 5 times reference net profit

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section A – Nature and original terms and conditions of the convertible bonds (cont'd)

2012 Convertible Bond (cont'd)

The convertible bonds are convertible into a variable number of shares on the basis of:

- (i) a cap that limits the number of shares that the entity is required to deliver no more than 30% of the total issued share capital of Garden Fresh (HK) in order to prevent excessive dilution of the existing shareholders through the issue of new shares; and
- (ii) a floor (i.e., a collar) that requires the entity to deliver to bondholders in accordance to revised redemption amounts, for which, in the event that the IPO of Garden Fresh (HK) does not occur prior to the Maturity Date, the subscription agreement triggers certain revised redemption clauses (Refer to disclosures in the financial year 2014 Annual Report).

In particular, the Revised Redemption Amount 1 (“RRA1₂₀₁₂”), together with the simple interests, has been applied in the restructured bonds referred in Section B. The RRA1₂₀₁₂ consists of the principal amount multiplied by 1.20x, where x is the number of calendar days from and including issue date to the, but excluding redemption date, divided by 365.

The 2012 Convertible Bond has been restructured in 2016. Please refer to “Section B”.

Section B - Restructuring and updates of the convertible bonds in 2016

Reorganisation and amendment of terms and conditions of the 2011 Convertible Bond and 2012 Convertible Bond
Pursuant to the circular to shareholders dated on 5 February 2016 (“Proposed Listing Circular”) on the proposed disposal and/or the proposed material dilution of 20% or more of the Company’s shareholding interest in a principal subsidiary of the Company undertaking the beverages business in relation to the proposed IPO on an Approved Exchange and the announcement by the Company dated on 1 March 2016 regarding the extension of the maturity date of the convertible bonds issued by Garden Fresh (HK), of which details are available on the SGX-ST, the Company has entered into a restructuring agreement (“Restructuring Agreement”) with the convertible bondholders for the restructuring of the 2011 Convertible Bond and 2012 Convertible Bond (“collectively, the Convertible Bonds”) on 29 February 2016.

As disclosed in the Proposed Listing Circular, the Company intends to undertake a reorganisation exercise (“Reorganisation”) whereby the direct wholly-owned subsidiary of Garden Fresh Group Holding Co., Ltd (“Garden Fresh Cayman”), Garden Fresh Group Co., Limited (“Garden Fresh Group HK”) will acquire and hold all the ordinary shares of Garden Fresh (HK) that currently undertakes the beverages business. However, as advised by its advisers for the proposed IPO, the Company decided to incorporate Garden Fresh Beverage Group Co., Ltd (“Garden Fresh BVI”), and intends to use Garden Fresh BVI to hold the shares of Garden Fresh (HK) (in place of Garden Fresh Group HK) in connection with the proposed IPO. The shareholders of the Company have approved all the resolutions set out in Proposed Listing Circular at the extraordinary general meeting of the Company held on 23 February 2016.

For the purpose of the proposed IPO, the Company proposes to carry out the Reorganisation by superimposing Garden Fresh Cayman and Garden Fresh BVI as holding companies of Garden Fresh (HK), and use Garden Fresh Cayman as the proposed listing entity. To effect the Reorganisation, Grandness (HK) Industry Co., Limited shall transfer 100% of the issued shares of the Garden Fresh (HK) to Garden Fresh BVI pursuant to the Share Purchase Agreement (“Share Transfer”).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section B - Restructuring and updates of the convertible bonds in 2016 (cont'd)

In view of the Reorganisation, the Company and the bondholders of the Convertible Bonds ("Bondholders") have agreed to amend the terms and conditions attaching to the Convertible Bonds to permit the Bondholders to exchange 60% of the principal amount of the Convertible Bonds held by them respectively into new Garden Fresh Cayman shares, and to restructure 40% of the principal amount of the Convertible Bonds held by them through the issuance of the 2011 SB1 Bonds, the 2011 SB2 Bonds, the 2012 SB1 Bonds and the 2012 SB2 Bonds to the respective Bondholders (details of which are set out below), and reflect the proposed Reorganisation in the agreements and arrangements between the parties on the terms and in the manner set out in the Restructuring Agreement.

Summary of the restructuring of principal amounts of Convertible Bonds on 29 February 2016

	2011 Convertible Bond RMB'000	2012 Convertible Bond RMB'000
60% Restructured convertible bonds	48,300	162,000
40% Debt instrument		
- SB1 Bonds due on 31 May 2016	12,075	40,500
- SB2 Bonds	20,125	67,500
	<u>80,500</u>	<u>270,000</u>

Salient Features of the Convertible Bonds

(A) Share Transfer

The Group shall procure that the Share Transfer be carried out in accordance with the terms as set out in the Restructuring Agreement.

(B) Substitution of the Convertible Bonds

(a) Amendment of the Convertible Bonds

Garden Fresh (HK) shall amend the Convertible Bonds in accordance with the terms as set out in the Restructuring Agreement, and shall grant the Bondholders the right, at each such Bondholder's election, to exchange any Convertible Bonds into new Garden Fresh Cayman shares, on the terms contained in the Restructuring Agreement. Upon the completion of the 2011 and 2012 Convertible Bonds Partial Redemption (as detailed below), the Bondholders will be the holders of RMB 48,300,000 (representing 60% of the RMB 80,500,000 outstanding principal amount of the 2011 Convertible Bond) and RMB 162,000,000 (representing 60% of the RMB 270,000,000 outstanding principal amount of the 2012 Convertible Bond) respectively in principal amounts of the Convertible Bonds.

Garden Fresh (HK) shall issue replacement bond certificates in respect of RMB 48,300,000 and RMB 162,000,000 in principal amount of the convertible bonds (collectively, "Amended Bonds") respectively pursuant to the Amended 2011 and 2012 Bond Instrument in replacement of the bond certificates in respect of the RMB 80,500,000 and RMB 270,000,000 in principal amounts of the Convertible Bonds (prior to amendment pursuant to the Amended 2011 and 2012 Bond Instrument) and to reflect the completion of the 2011 and 2012 Convertible Bonds Partial Redemption.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section B - Restructuring and updates of the convertible bonds in 2016 (cont'd)

(B) Substitution of the Convertible Bonds (cont'd)

(b) Amended terms and conditions of the Convertible Bonds

The salient terms and conditions of the amended terms and conditions of the Convertible Bonds are as follows:

- (I) **Maturity Date:** The Amended Bonds are due 12 months from issue date (the "Amended Maturity Date") or in the event of a Qualifying IPO completed before Amended Maturity Date, are exchangeable into the new Garden Fresh Cayman shares in accordance with the terms and conditions. A Qualifying IPO means an initial public offering of the shares (i) on an Approved Exchange, (ii) in which the Bondholders have a right to participate to sell such shares (exchanged from the bonds) in an amount to be determined between the Garden Fresh Cayman and the Bondholders.
- (II) **Exchange Right and Aggregate Exchange Proportion:** The right of Bondholders to exchange any bond into new Garden Fresh Cayman shares is called the "Exchange Right". The Bondholders shall be entitled at any time prior to the Amended Maturity Date (the "Exchange Period") exercise the Exchange Right. Upon a Qualifying IPO before the Amended Maturity Date, all Bondholders shall be deemed to have exercised the Exchange Right.

"Aggregate Exchange Shareholding" is equal to the Relevant Share Capital multiplied by the Aggregate Exchange Proportion.

"Aggregate Exchange Proportion" means a proportion, expressed as a percentage, determined by the following equations:

- (i) for any exchange occurring prior to the Qualifying IPO Date:

$$\text{AEP} = (\text{PA} \times 1.05) / \text{RMB } 1,500,000,000$$

where:

AEP = Aggregate Exchange Proportion

PA = Principal amount of all bonds outstanding as at the date of delivery (or deemed delivery) of the exchange notice

- (ii) for any exchange occurring on the Qualifying IPO Date:

$$\text{AEP} = ((\text{PA} \times 1.05) / \text{RMB } 1,500,000,000) \times (1 - \text{A/B})$$

where:

AEP = Aggregate Exchange Proportion

PA = Principal amount of all bonds outstanding as at the date of delivery (or deemed delivery) of the exchange notice

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section B - Restructuring and updates of the convertible bonds in 2016 (cont'd)

(B) Substitution of the Convertible Bonds (cont'd)

(b) Amended terms and conditions of the Convertible Bonds (cont'd)

- A = total number of shares issued pursuant to the Qualifying IPO on or prior to the date of completion of the Qualifying IPO (other than to (1) Mr. Huang Yupeng (and any of his associates), (2) any of the members of the Group, and (3) any person who was a shareholder of Garden Fresh Cayman immediately prior to the issue of shares pursuant to the Qualifying IPO), but excluding for the avoidance of doubt any shares issued pursuant to the Qualifying IPO in connection with the employee stock ownership plan of the Garden Fresh Cayman
- B = the total number of shares issued and outstanding as at the completion of the Qualifying IPO

“Qualifying IPO Date” means the date of the admission to trading of the new Garden Fresh Cayman shares on the Approved Exchange pursuant to a Qualifying IPO.

“Relevant Share Capital” means the sum of (a) the number of issued ordinary shares of Garden Fresh Cayman and (b) the number of ordinary shares of the Garden Fresh Cayman which would be issued in respect of any options, warrants, exchangeable bonds, rights of first refusal or other similar rights over securities of the new Garden Fresh Cayman upon exercise of such options, warrants or rights as at (i) the Exchange Date, (ii) the Qualifying IPO Date or (iii) the date of any Capital Fundraising, as applicable.

“Redemption Amount 1” means for each bond being redeemed, an amount in RMB equal to the principal amount of such bond multiplied by $(1.25)^X$, where X is the number of calendar days from and including the issue date to but excluding the date such bond is redeemed, divided by 365.

“Redemption Amount 2” means for each bond being redeemed, an amount in RMB equal to the principal amount of such bond multiplied by $(1.20)^X$, where X is the number of calendar days from and including the issue date to but excluding the date such bond is redeemed, divided by 365.

- (III) **Redemption Amount:** If Garden Fresh Cayman fails to complete a Qualifying IPO before the Amended Maturity Date, Garden Fresh (HK) shall on the Amended Maturity Date redeem all of the outstanding bonds (other than any bonds in respect of which an exchange notice has been issued for exchange into shares) at the aggregate Redemption Amount 1 for 2011 Amended Bonds and Redemption Amount 2 for 2012 Amended Bonds;
- (IV) **Event of Default:** Certain events of default which will entitle the Bondholders after complying with the prescribed procedures to immediately redeem the bonds. The events of default includes amongst others breach of payment and other contractual obligations, certain cross default events under separate agreements entered into by Garden Fresh (HK), the Company and Garden Fresh Cayman and upon occurrence of certain liquidation, insolvency and enforcement proceedings.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section B - Restructuring and updates of the convertible bonds in 2016 (cont'd)

(C) 2011 and 2012 Convertible Bonds Partial Redemption

(a) 2011 Convertible Bonds Partial Redemption and Issuance of the 2011 SB1 Bonds and the 2011 SB2 Bonds

As part of the proposed Restructuring, Garden Fresh (HK) shall redeem 40% of the principal amount of the 2011 Convertible Bond by undertaking the following:

- (i) issue the 2011 SB1 Bonds; and
- (ii) issue the 2011 SB2 Bonds;

in accordance with the terms contained in the Restructuring Agreement (together, the "2011 Partial Redemption"). The 2011 Partial Redemption and the 2011 SB1 Bonds and 2011 SB2 Bonds issue allocation are as follows:

Name of 2011 Convertible Bondholders	Principal amount of 2011 Convertible Bonds to be redeemed for 2011 SB1 Bonds (RMB)	Redemption price in principal of 2011 SB1 Bonds (RMB)	Redemption amount of 2011 SB1 Bonds if redeemed at maturity (RMB)	Principal amount of 2011 Convertible Bonds to be redeemed for 2011 SB2 Bonds (RMB)	Redemption price in principal of 2011 SB2 Bonds (RMB)
CDIB Capital	6,050,000	14,278,000	15,104,071	16,750,000	41,875,000
CDIB Partners	6,025,000	14,219,000	15,041,657	3,375,000	8,437,500
Total	12,075,000	28,497,000	30,145,728	20,125,000	50,312,500

Garden Fresh (HK) shall at completion issue the relevant bond certificates in respect of the 2011 SB1 Bonds and the 2011 SB2 Bonds to the respective 2011 Convertible Bondholders.

(b) 2012 Convertible Bonds Partial Redemption and Issuance of the 2012 SB1 Bonds and 2012 SB2 Bonds

As part of the proposed Restructuring, Garden Fresh (HK) shall redeem 40% of the principal amount of the 2012 Convertible Bonds by undertaking the following:

- (i) issue the 2012 SB1 Bonds; and
- (ii) issue the 2012 SB2 Bonds;

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section B - Restructuring and updates of the convertible bonds in 2016 (cont'd)

(C) 2011 and 2012 Convertible Bonds Partial Redemption (cont'd)

(b) (cont'd)

in accordance with the terms contained in the Restructuring Agreement (together, the "2012 Partial Redemption"). The 2012 Partial Redemption and the 2012 SB1 Bonds and 2012 SB2 Bonds issue allocation are as follows:

Name of 2012 Convertible Bondholders	Principal amount of 2012 Convertible Bonds to be redeemed for 2012 SB1 Bonds (RMB)	Redemption price in principal of 2012 SB1 Bonds (RMB)	Redemption amount of 2012 SB1 Bonds if redeemed at maturity (RMB)	Principal amount of 2012 Convertible Bonds to be redeemed for 2012 SB2 Bonds (RMB)	Redemption price in principal of 2012 SB2 Bonds (RMB)
GS	34,650,000	62,716,500	65,665,889	57,750,000	109,725,000
CDIB Partners	2,250,000	4,072,500	4,264,019	3,750,000	7,125,000
Hon Chuan Holdings Limited	1,200,000	2,172,000	2,274,143	2,000,000	3,800,000
Mr. Yang Hua-Yi	1,200,000	2,172,000	2,274,143	2,000,000	3,800,000
Mr. Wu Cheng-Hsueh	1,200,000	2,172,000	2,274,143	2,000,000	3,800,000
Total	40,500,000	73,305,000	76,752,337	67,500,000	128,250,000

Garden Fresh (HK) shall at completion issue the relevant bond certificates in respect of the 2012 SB1 Bonds and the 2012 SB2 Bonds to the respective 2012 Convertible Bondholders.

(c) Terms and Conditions

1.1 The salient terms and conditions of the amended terms and conditions of the 2011 SB1 Bonds, with principal amount of RMB 28,497,000, are as follows:

- (I) **Maturity Date:** The 2011 SB1 Bonds are due on 31 May 2016.
- (II) **Interest:** So long as the 2011 SB1 Bonds remain outstanding, each 2011 SB1 Bond shall bear interest: (a) from and including the issue date until and including the maturity date at the rate of 25 per cent per annum.
- (III) **Redemption:** Unless previously redeemed, exchanged or purchased and cancelled, the 2011 SB1 Bonds will be redeemed by Garden Fresh (HK) at their principal amount, together with any interest accrued and payable.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section B - Restructuring and updates of the convertible bonds in 2016 (cont'd)

(C) 2011 and 2012 Convertible Bonds Partial Redemption (cont'd)

(c) Terms and Conditions (cont'd)

- (IV) **Event of Default:** Certain events of default which will entitle the 2011 Convertible Bondholders after complying with the prescribed procedures to immediately redeem the 2011 SB1 Bonds. The events of default includes amongst others breach of payment and other contractual obligations, certain cross default events under separate agreements entered into by Garden Fresh (HK), the Company and Garden Fresh Cayman and upon occurrence of certain liquidation, insolvency and enforcement proceedings.
- 1.2 The salient terms and conditions of the amended terms and conditions of the 2012 SB1 Bonds, with principal amount of RMB 73,305,000, are as follows:
- (I) **Maturity Date:** The 2012 SB1 Bonds are due on 31 May 2016.
 - (II) **Interest:** So long as the 2012 SB1 Bonds remain outstanding, each 2012 SB1 Bond shall bear interest from and including the issue date until and including the maturity date at the rate of 20 per cent per annum.
 - (III) **Redemption:** Unless previously redeemed, exchanged or purchased and cancelled, the 2012 SB1 Bonds will be redeemed by Garden Fresh (HK) at their principal amount, together with any interest accrued and payable.
 - (IV) **Event of Default:** Certain events of default which will entitle the 2012 Convertible Bondholders after complying with the prescribed procedures to immediately redeem the 2012 SB1 Bonds. The events of default includes amongst others breach of payment and other contractual obligations, certain cross default events under separate agreements entered into by Garden Fresh (HK), the Company and Garden Fresh Cayman and upon occurrence of certain liquidation, insolvency and enforcement proceedings.
- 1.3 The salient terms and conditions of the amended terms and conditions of the 2011 SB2 Bonds, with principal amount of RMB 50,312,500, are as follows:
- (I) **Maturity Date:** The 2011 SB2 Bonds are due 12 months after the issue date of the 2011 SB2 Bonds.
 - (II) **Interest:** So long as the 2011 SB2 Bonds remain outstanding, each 2011 SB2 Bond shall bear interest from and including the issue date until the date of redemption at the rate of 10 per cent per annum.
 - (III) **Redemption:** Unless previously redeemed, exchanged or purchased and cancelled, the 2011 SB2 Bonds will be redeemed by Garden Fresh (HK) at their principal amount, together with any interest accrued and payable.
 - (IV) **Event of Default:** Certain events of default which will entitle the 2011 Convertible Bondholders after complying with the prescribed procedures to immediately redeem the 2011 SB2 Bonds. The events of default includes amongst others breach of payment and other contractual obligations, certain cross default events under separate agreements entered into by Garden Fresh (HK), the Company and Garden Fresh Cayman and upon occurrence of certain liquidation, insolvency and enforcement proceedings.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section B - Restructuring and updates of the convertible bonds in 2016 (cont'd)

(C) 2011 and 2012 Convertible Bonds Partial Redemption (cont'd)

(c) Terms and Conditions (cont'd)

1.4 The salient terms and conditions of the amended terms and conditions of the 2012 SB2 Bonds, with principal amount of RMB 128,250,000, are as follows:

- (I) **Maturity Date:** The 2012 SB2 Bonds are due 12 months after the issue date of the 2012 SB2 Bonds.
- (II) **Interest:** So long as the 2012 SB2 Bonds remain outstanding, each 2012 SB2 Bond shall bear interest from and including the issue date until the date of redemption at the rate of 10 per cent per annum.
- (III) **Redemption:** Unless previously redeemed, exchanged or purchased and cancelled, the 2012 SB2 Bonds will be redeemed by Garden Fresh (HK) at their principal amount, together with any interest accrued and payable.
- (IV) **Event of Default:** Certain events of default which will entitle the Bondholders after complying with the prescribed procedures to immediately redeem the 2012 SB2 Bonds. The events of default includes amongst others breach of payment and other contractual obligations, certain cross default events under separate agreements entered into by Garden Fresh (HK), the Company and Garden Fresh Cayman and upon occurrence of certain liquidation, insolvency and enforcement proceedings.

(d) Garden Fresh Cayman 2012 Guarantee and Guarantor Guarantee

Garden Fresh Cayman shall guarantee Garden Fresh (HK)'s performance of all of the obligations of the issuer in relation to the 2012 Bondholders' Exchange Right by entering into the Garden Fresh Cayman 2012 Deed of Guarantee. The Company shall guarantee Garden Fresh (HK)'s performance of all of the obligations of the issuer in relation to the 2012 Bondholders' Exchange Right, the 2012 SB1 Bonds and the 2012 SB2 Bonds by entering into the Guarantor Deed of Guarantee.

(e) Garden Fresh Cayman 2011 Guarantee

Garden Fresh Cayman shall guarantee Garden Fresh (HK)'s performance of all of the obligations of the issuer in relation to the 2011 Bondholders' Exchange Right by entering into the Garden Fresh Cayman 2011 Deed of Guarantee.

(f) Completion

Completion shall take place forthwith after the signing of the Restructuring Agreement or such other place and time as may be agreed between the parties thereto.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section C - Basis for the valuation of the convertible bonds as at 31 December 2015

Valuation of the convertible bonds as at 31 December 2015

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.

The amortised cost of the convertible bonds was calculated using cash flows of the convertible bonds at their corresponding discount rates and the fair value of the option derivatives was calculated using the Binomial Option Pricing Model. The conversion option was carried at fair value at the end of each reporting period with changes in fair value recognised in profit or loss.

Basis for valuation of the convertible bonds as at 31 December 2015

As at 31 December 2015, both of the convertible bonds have matured and no agreement has been made between the Bondholders and the issuer for an extension of the maturity date of the convertible bonds as at that date until 29 February 2016. The assumptions in deriving the fair value of the Convertible Bonds at 31 December 2015 is determined on the following basis:

1. Convertible Bonds' maturity date will be extended to 31 December 2016;
2. the same terms and conditions (on the original and extended maturity date) of the Convertible Bonds are not significantly changed and are calculated to 31 December 2015. (Refer to Section A)

This is on the basis that the terms of the Convertible Bonds are still under negotiations between the Bondholders and the issuer. The maximum redemption payable on this basis as at 31 December 2015 is RMB 703.1 million. (2014 - RMB 652.3 million).

In computing the valuation of the convertible bonds as at 31 December 2015, noting that the bonds had expired on 25 July 2015 but were restructured after its year end of 31 December 2015 on 29 February 2016, management has used its judgement in determining a valuation that is relevant and reliable. This judgement is made in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors and ensuring that the valuation is represents faithfully the economic phenomena of the Convertible Bonds under the Conceptual Framework for Financial Reporting.

Management is of the view that in determining the valuation of the convertible bonds, the use of the existing terms and conditions (Refer to Section A) of the convertible bonds in the valuation is consistent given the ongoing negotiation of the extension with the bondholders during and after year end, and as the terms of the Restructuring Agreement were only finalised after the financial year end. Management is of the view that the valuation of the convertible bonds at 31 December 2015 on the basis as described above is a faithful representation of the carrying amounts of the convertible bonds as at that date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section C - Basis for the valuation of the convertible bonds as at 31 December 2015 (cont'd)

Details of the variables and assumptions of the model were as follows:

	31 December 2015	31 December 2014	1 January 2014	On issuance date
2011 Convertible Bond				
Risk-free rate	0.15%	0.06%	0.26%	0.56%
Expected volatility	51.7%	37.73%	34.11%	50.05%
Redemption return	25%	0% -25%*	15.00%	15.00%
Discount rate	16.77%	16.72%	17.82%	21.20%
Coupon rate	3.5%	3.5%	0%	0%
Dividend yield	0%	0%	0%	0%
2012 Convertible Bond				
Risk-free rate	0.15%	0.07%	0.27%	0.17%
Expected volatility	51.7%	38.50%	34.16%	44.18%
Redemption return	20% - 25%**	0% - 20%*	15.00%	15.00%
Discount rate	16.77%	16.73%	17.95%	21.08%
Dividend yield	0%	0%	0%	0%

* In 2014, a weighted-average of the probabilities of the occurrence and non-occurrence of an IPO event corresponding to their respective redemption returns has been applied.

** In 2015, the maturity date of 2012 Convertible Bond had been assumed to be extended to 31 December 2016 with a revised redemption return from 20% to 25%.

Expected volatility was determined by using the historical volatility of Garden Fresh (HK) as at the issue date.

Valuation of convertible bonds at 31 December 2015

The valuation of the Convertible Bonds over the relevant periods were carried out by Jones Lang LaSalle Corporate and Appraisal Advisory Limited, independent professional valuer engaged by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section C - Basis for the valuation of the convertible bonds as at 31 December 2015 (cont'd)

The fair value and movements of the liability component and option derivatives of the convertible bonds as at 31 December 2015 are set out as below:

	2012 Convertible Bond			2011 Convertible Bond			Total RMB'000
	Liability component RMB'000 (At amortised cost)	Option derivatives RMB'000 (At fair value)	Sub-total RMB'000	Liability component RMB'000 (At amortised cost)	Option derivatives RMB'000 (At fair value)	Sub-total RMB'000	
At 1 January 2014	310,107	67,617	377,724	131,927	14,269	146,196	523,920
<u>Partial repurchase:</u>							
Principal amount	-	-	-	(19,500)	-	(19,500)	(19,500)
Interest expense	-	-	-	(12,191)	-	(12,191)	(12,191)
Changes in fair value	-	-	-	-	(15,681)	(15,681)	(15,681)
Sub-total	-	-	-	(31,691)	(15,681)	(47,372)	(47,372)
Interest expense	43,451	-	43,451	30,591	-	30,591	74,042
Changes in fair value	-	105,334	105,334	-	66,152	66,152	171,486
At 31 December 2014	353,558	172,951	526,509	130,827	64,740	195,567	722,076
Interest expense	127,146	-	127,146	91,793	-	91,793	218,939
Changes in fair value	-	115,282	115,282	-	(23,367)	(23,367)	91,915
At 31 December 2015	480,704	288,233	768,937	222,620	41,373	263,993	1,032,930

The net gain/loss arising from the change in cash flows estimates is insignificant..

Section D - Disclosure of the fair value of the convertible bonds subsequent to the financial year end as at restructuring date 29 February 2016

Valuation of the Convertible Bonds after Restructuring on 29 February 2016

In view of the restructuring of the Convertible Bonds, the management has requested the independent professional valuer to determine the fair value of the Amended Bonds, 2011 SB1 Bonds, 2011 SB2 Bonds, 2012 SB1 Bonds and 2012 SB2 Bonds as at the restructured date. The valuation was performed based on the revised terms and conditions of the Amended Bonds.

Amended Bonds

The fair value of the option derivatives and the amortised cost of the liability component of the Amended Bonds on restructuring are detailed below:

	Liability component RMB'000 (At amortised cost)	Option derivatives RMB'000 (At fair value)	Total RMB'000
2011 Amended Bond	135,166	33,318	168,484
2012 Amended Bond	316,621	189,893	506,514
Total	451,787	223,211	674,998

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

21 Convertible bonds including derivatives (cont'd)

Section D - Disclosure of the fair value of the convertible bonds subsequent to the financial year end as at restructuring date 29 February 2016 (cont'd)

2011 SB1 Bonds, 2011 SB2 Bonds, 2012 SB1 Bonds and 2012 SB2 Bonds

Following 2011 and 2012 Convertible Bonds Partial Redemption, 2011 SB1 Bonds, 2011 SB2 Bonds, 2012 SB1 Bonds and 2012 SB2 Bonds (collectively known as the "SB Bonds") are recorded as financial liabilities as the issuer have to settle them through a delivery of cash and they are not entitled for conversion upon a Qualifying IPO.

As at 29 February 2016, the face value of the SB Bonds approximate to their fair values due to their short term nature and the details are as follows:

	Maturity date	Interest rate (per annum)	Face value RMB'000
<u>SB1 Bonds</u>			
2011 SB1 Bonds	31 May 2016	25%	28,497
2012 SB1 Bonds	31 May 2016	20%	73,305
			101,802
<u>SB2 Bonds</u>			
2011 SB2 Bonds	12 months after the issue date	10%	20,125
2012 SB2 Bonds	12 months after the issue date	10%	67,500
			87,625
Total			189,427

Maximum redemption amounts

- (i) The maximum cash payment in relation to the 2011 SB1 Bonds and 2012 SB1 Bonds due on 31 May 2016 is RMB 106.9 million.
- (ii) In the event that Garden Fresh Cayman fails to make payments in relation to the 2011 SB1 Bonds and 2012 SB1 Bonds due on 31 May 2016 to the Amended Bondholders, Garden Fresh (HK) shall on the Amended Maturity Date redeem all of the outstanding bonds (other than any bonds in respect of which an exchange notice has been issued for exchange into shares) at the aggregate Redemption Amount 1 for 2011 Amended Bonds and Redemption Amount 2 for 2012 Amended Bonds. The bond redemption date will be at 31 May 2016 and the maximum redemption amount payable is approximately RMB 752.2 million, calculated at interest rates of 25% per annum for 2011 Amended Bonds and 2011 SB1 Bonds, 20% per annum for 2012 Amended Bonds and 2012 SB1 Bonds and 10% per annum for 2011 SB2 Bonds and 2012 SB2 Bonds.
- (iii) In the event that Garden Fresh Cayman fails to complete a Qualifying IPO before the Amended Maturity Date, Garden Fresh (HK) shall on the Amended Maturity Date redeem all of the outstanding bonds (other than any bonds in respect of which an exchange notice has been issued for exchange into shares) at the aggregate Redemption Amount 1 for 2011 Amended Bonds and Redemption Amount 2 for 2012 Amended Bonds. The bond redemption date will be at 12 months after the issuance date and the maximum redemption amount payable is approximately RMB 731.2 million (after deducting payments due for SB1 Bonds), calculated at interest rates of 25% per annum for 2011 Amended Bonds, 20% per annum for 2012 Amended Bonds and 10% per annum for 2011 SB2 Bonds and 2012 SB2 Bonds.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

22(a) Other operating income

The Group	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Sales of scrap		19	96
Sales of raw materials and packaging materials		7,767	–
Cost of scrap		(87)	(27)
Cost of raw materials and packaging materials		(5,264)	–
		2,435	69
Government subsidy		859	–
Government grant		–	1,703
Interest income - banks		1,999	1,000
Exchange gain	22(f)	21,681	5,400
Rental income		369	93
Gain on disposal of property, plant and equipment	22(f)	58	3,051
Miscellaneous income		1,023	642
		28,424	11,958

22(b) Distribution costs

The Group	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Employee benefit costs	22(e)	10,298	10,457
Freight charges	22(f)	190,730	149,030
Entertainment		316	214
Travelling		1,625	1,634
Consumable expenses		215	226
Packaging		12,038	12,957
Depreciation expenses	6(a)	3,070	691
Advertising expenses	22(f)	201,106	122,648
Barcoding fee		–	1,775
Promotional expenses	22(f)	150,013	78,687
Rental expenses	22(f)	114	113
Sample		18	693
Telephone expenses		136	221
Others		563	482
		570,242	379,828

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

22(c) Administrative expenses

		31 December 2015	31 December 2014
The Group	Note	RMB'000	RMB'000
Amortisation of land use rights	5	1,174	2,398
Amortisation of subsidy		–	134
Audit fees paid/payable to:			
- auditors of the Company	22(f)	1,588	1,340
- other auditors	22(f)	111	143
Other audit or review fees:			
- auditors of the Company	22(f)	–	988
- other auditors	22(f)	734	594
Bank charges		730	1,102
Consumable expenses		52	184
Directors' fee	22(f)	499	594
Depreciation expenses	6(a)	20,477	22,976
Employee benefit costs		23,483	20,287
Share-based payment expense under ESOS Scheme	22(e) & 22(f)	12,142	8,311
	22(e)	35,625	28,598
Entertainment		1,773	2,063
Exchange loss	22(f)	4,066	9,015
Government tax expenses		3,844	5,727
IPO expenses	22(f)	5,632	3,022
Loss on disposal of property, plant and equipment	22(f)	–	22
Motor vehicle expenses		480	435
Professional and legal fees		12,394	1,480
Advisory expenses		6,960	–
Rental expenses	22(f)	2,820	6,655
Repair and maintenance		16	364
Travelling expenses		2,073	2,493
Utilities		479	697
Others		10,051	5,025
		111,578	96,049

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

22(d) Finance costs

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Interest expenses:		
- bank borrowings	4,496	1,860
- notes payable	3,561	2,903
Convertible bonds - liability component at amortised cost	218,939	80,917
	226,996	85,680
The effective interest rate per annum:		
- bank borrowings	5.14% - 6.70%	6.16% - 8.10%
- notes payable	3.80% - 5.00%	4.97% - 5.20%
- convertible bonds	16.77%	16.72% - 16.73%

22(e) Employee benefit costs

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group	Note	
Directors' remuneration:		
- salaries and related costs	10,755	10,230
- defined contributions	89	85
Key management personnel (other than directors):		
- salaries and related costs	5,990	1,791
- defined contributions	140	73
Other than directors and key management personnel:		
- salaries and related costs	39,219	41,710
- defined contributions	1,652	1,417
Share-based payment expense under ESOS Scheme	22(c) & 22(f)	
	12,142	8,311
	69,987	63,617

Employee benefit costs are charged to:

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group	Note	
Cost of sales	24,064	24,562
Distribution costs	22(b)	10,457
Administrative expenses	22(c)	28,598
	69,987	63,617

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For the Year Ended 31 December 2015

22(f) Profit before taxation

		31 December 2015	31 December 2014
	Note	RMB'000	RMB'000
The Group			
Profit before taxation has been arrived at after charging/(crediting):			
Advertising expenses	22(b)	201,106	122,648
Amortisation of subsidy		–	134
Amortisation of land use rights	5	1,174	2,398
Audit fees paid/payable to:			
- auditors of the Company	22(c)	1,588	1,340
- other auditors	22(c)	111	143
Other audit or review fees:			
- auditors of the Company	22(c)	–	988
- other auditors	22(c)	734	594
Depreciation of property, plant and equipment	6(a)	62,614	47,388
Changes in fair value of option derivatives in relation to convertible bonds	21	91,915	155,805
Directors' fees	22(c)	499	594
Exchange (gain)/loss (net)	22(a) & 22(c)	(17,615)	3,615
Gain on disposal of property, plant and equipment (net)	22(a) & 22(c)	(58)	(3,029)
Profit before taxation has been arrived at after charging/(crediting):			
Freight charges	22(b)	190,730	149,030
IPO expenses	22(c)	5,632	3,022
Promotional expenses	22(b)	150,013	78,687
Rental expense:			
- factory and warehouse	22(c)	2,820	6,655
- others	22(b)	114	113
		2,934	6,768
Share-based payment expense under ESOS Scheme	22(c) & 22(e)	12,142	8,311

23 Taxation

		31 December 2015	31 December 2014
		RMB'000	RMB'000
The Group			
Current taxation		194,553	173,756
Origination and reversal of temporary differences		24	–
		194,577	173,756

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For the Year Ended 31 December 2015

23 Taxation (cont'd)

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

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Profit before taxation	400,646	422,432
Tax at statutory rate of 25%	189,686	170,712
Tax at statutory rate of 17%	(3,527)	(3,932)
Tax at statutory rate of 16.5%	(53,450)	(39,152)
Tax effect on non-taxable income	(752)	(1,022)
Tax effect on non-deductible expenses	61,491	48,931
Deferred tax asset not recognised	1,242	1,126
Utilisation of deferred tax assets previously not recognised	–	(2,926)
Origination and reversal of temporary differences	24	–
Others	(137)	19
	194,577	173,756

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 which are not tax deductible.

The Group has unabsorbed tax losses of certain subsidiaries amounting to approximately RMB 26.0 million (2014 - RMB 21.1 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.

The unrecognised tax losses will expire as follows:

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Year 2015	–	72
Year 2016	3,632	3,632
Year 2017	5,323	5,323
Year 2018	7,571	7,571
Year 2019	4,504	4,504
Year 2020	4,982	–
Total	26,012	21,102

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB 6.5 million (2014 - RMB 5.3 million) arising from these unabsorbed tax losses because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

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For the Year Ended 31 December 2015

24 Earnings per share

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

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Company 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 following table reflects the consolidated statement of profit or loss and other comprehensive income and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Net profit attributable to equity holders of the Company	206,673	249,497
	31 December 2015	31 December 2014
	No. of shares '000	
Weighted average number of ordinary shares outstanding for the basic earnings per share	673,344	587,577
Adjustment for the effect of share options	2,471	1,185
Weighted average number of ordinary shares outstanding for the diluted earnings per share	675,815	588,762
	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Basic earnings per share (cents)	30.7	42.5
Diluted earnings per share (cents)	30.6	42.4

25 Employee Share Option Scheme (the "ESOS Scheme")

The Company has an employee share incentive plan for the granting of non-transferable options to directors and other full-time eligible executive officers. Options are granted for terms of 8.5 years to purchase the Company's ordinary shares at not less than 20% of the market value of the shares at the date of grant.

ESOS granted to employees and directors

The options granted to employees and directors of the Company and of its subsidiaries, except for Huang Yushan, are made up of two portions granted, which are 7,150,000 options and 9,750,000 options, exercisable any time after the first anniversary and second anniversary of the date of grant respectively until 13 November 2023.

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For the Year Ended 31 December 2015

25 Employee Share Option Scheme (the “ESOS Scheme”)

ESOS granted to Huang Yushan

For options granted to a director of the Company, Huang Yushan, 8,810,000 options under the 2013 Options are exercisable after the second anniversary of the date of grant over ten years period and subject to compliance with the terms and conditions of the option grant. The options should be exercised in respect of 1,101,250 shares equally. Remaining 1,290,000 options under the 2015 Options are made up of equal portions of 645,000 options that are exercisable after the first anniversary and second anniversary of the date of grant respectively until 13 November 2023.

Information with respect to the number of options granted under the Company’s employee share option plan is as follows:

	Weighted average exercise options 2015 '000	Options price 2015 S\$	Weighted average exercise options 2014 '000	Options price 2014 S\$
Outstanding at the beginning of year	16,160	0.60	16,710	0.60
Granted	18,190	0.29	–	–
Forfeited	(1,100)	0.57	(550)	0.60
Renounced	(7,150)	0.60	–	–
Expired	–	–	–	–
Exercised	–	–	–	–
Outstanding at end of the year	26,100	0.39	16,160	0.60
Exercisable at year end	1,101	0.60	–	–

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 a binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the option pricing model used for the year ended 31 December 2015 is shown below.

	2015	2014
Weighted average share price	S\$ 0.47	S\$ 0.75
Weighted average exercise price	S\$ 0.39	S\$ 0.60
Expected volatility	48.664%	39.764%
Expected option life	6.5 - 8.0 years	8.0 years
Risk-free rate	2.137%	2.287%
Expected dividend yield	0%	0%
Fair value at measurement date	S\$ 0.346	S\$ 0.416

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.

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For the Year Ended 31 December 2015

26 Related party transaction

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

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Gain on disposal of properties to a director of the Company (Note 22(a))	—	3,051

27 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 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Not later than one year	4,237	7,893
Later than one year and not later than five years	3,748	11,879
Later than five years	937	1,008

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

Location	Land area (sq m)/Unit	Effective date	Expiry date	Rental per annum (RMB'000)
<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
山西省永济市于乡镇	13,049	1 August 2014	31 July 2017	2,325
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	28 April 2014	27 April 2017	1,714

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

27 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 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Not later than one year	50	50
Later than one year and not later than 5 years	200	242
Later than five years	–	–

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

Location	Land area (sq m)/Unit	Effective date	Expiry date	Rental per annum (RMB'000)
<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 not provided for in the consolidated financial statements are as follows:

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Expenditure contracted for the construction of:		
- production plant (a)	256,034	600,000
- factory plant	58,978	19,481
- equipment	107,351	–
	422,363	619,481

- (a) In financial year 2013, the Group has 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 whereby construction work was commenced in 2014 and expected to be completed by 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

28 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) Sales of fruit juices (“Garden Fresh segment”).

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

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

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

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

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

Allocation basis and transfer pricing

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

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

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

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THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

28 Statement of operations by segments (cont'd)

(a) Business segments

	Canned vegetable and fruits		Fruit beverages		Total	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE						
Total sales	994,852	942,711	2,319,050	1,876,738	*3,313,902	*2,819,449
RESULTS						
Segment result	173,446	188,315	546,111	475,602	719,557	663,917
Finance costs	(5,227)	(4,763)	(221,769)	(80,917)	(226,996)	(85,680)
Changes in fair value of option derivatives in relation to convertible bonds	-	-	(91,915)	(155,805)	(91,915)	(155,805)
Profit before taxation	168,219	183,552	232,427	238,880	400,646	422,432
Taxation	604	821	-	-	604	821
Non-controlling interests						
Net profit					206,673	249,497
OTHER INFORMATION						
Segment assets (excluding taxation)	1,407,414	1,269,661	1,767,589	1,374,354	3,175,003	2,644,015
Segment liabilities (excluding taxation)	163,682	168,257	1,141,080	844,018	1,304,762	1,012,275
Capital expenditure						
- Property, plant and equipment	136,059	132,009	42,171	8,100	178,230	140,109
Amortisation of land use rights	249	1,473	925	925	1,174	2,398
Depreciation of property, plant and equipment	24,972	22,358	37,642	25,030	62,614	47,388

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

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For the Year Ended 31 December 2015

28 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:

	31 December 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Revenue		
- Europe	534,816	564,044
- America	30,244	44,662
- China	2,738,454	2,184,019
- Others	10,388	26,724
	<u>3,313,902</u>	<u>2,819,449</u>

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 2015	31 December 2014
	RMB'000	RMB'000
The Group		
Reportable segments' assets are reconciled to total assets:		
Segment assets	3,175,003	2,644,015
Deferred tax assets	1,654	1,678
	<u>3,176,657</u>	<u>2,645,693</u>

	31 December 2015	31 December 2014
	RMB'000	RMB'000
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	1,304,762	1,012,275
Deferred tax liabilities	20,241	20,241
Current tax payables	41,800	21,534
	<u>1,366,803</u>	<u>1,054,050</u>

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29 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 uses financial instruments such as currency swaps to hedge certain financial risk exposures. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2015 and 31 December 2014, the Group's financial instruments mainly consisted of cash and bank balances, financial assets and financial liabilities.

29.1 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 except for the forward currency contract stated in next paragraph to reduce foreign currency risks.

In the previous financial year, the Group entered into a forward currency contract with the same notional amount to eliminate the currency exposures for a borrowing pledged approximately USD 4.89 million with a bank. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. The forward currency contract matured on 29 January 2015. The fair value of the forward currency contract at 31 December 2014 is insignificant. No such arrangement has been made for the financial year ended on 31 December 2015.

Details of the forward currency contract are as follows:

	Forward currency contracts		
	Notional amount RMB'000	Assets RMB'000	Liabilities RMB'000
As at 31 December 2015	—	—	—
As at 31 December 2014	29,946	—	—

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 Group's profit net of tax and equity.

	31 December 2015 RMB'000		31 December 2014 RMB'000	
	Profit net of tax	Equity	Profit net of tax	Equity
SGD - strengthened 5% (2014 - 5%)	1,451	1,451	7,774	7,774
- weakened 5% (2014 - 5%)	(1,451)	(1,451)	(7,774)	(7,774)
USD - strengthened 5% (2014 - 5%)	9,123	9,123	11,123	11,123
- weakened 5% (2014 - 5%)	(9,123)	(9,123)	(11,123)	(11,123)

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 Group's exposure to currency risk.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

29 Financial risk management objectives and policies (cont'd)

29.2 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 Group's exposure to interest rate risk arises primarily from their bank borrowings and convertible bonds.

The table below analyses the maturity profile of the Company's and the Group's financial instruments that are exposed to interest rate risk:

The Group	Within 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	More than 3 years RMB'000	Total RMB'000
31 December 2015					
Fixed rate					
Convertible bonds including derivatives	(1,032,930)	–	–	–	(1,032,930)
Notes payable	(55,000)	–	–	–	(55,000)
Floating rate					
Bank borrowings	(130,000)	–	–	–	(130,000)
Cash and bank balances	142,986	–	–	–	142,986
31 December 2014					
Fixed rate					
Convertible bonds including derivatives	(722,076)	–	–	–	(722,076)
Notes payable	(62,250)	–	–	–	(62,250)
Floating rate					
Bank borrowings	(59,200)	–	–	–	(59,200)
Cash and bank balances	223,572	–	–	–	223,572

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

At the end of reporting period, if interest rates (other than for convertible bonds – Refer to Note 21 and Note 2 Critical Judgements and key sources of estimation uncertainty on fair value of convertible bonds) had been 20 (2014 - 20) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been RMB 0.3 million (2014 - RMB 0.3 million) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

29 Financial risk management objectives and policies (cont'd)

29.3 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 adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The five (2014 - five) largest debtors accounted about 8% (2014 - 9%) 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 Company is not exposed to credit risk in respect of the intra-group financial guarantee at the reporting date for both financial year ended 31 December 2015 and 31 December 2014.

As at the reporting date, the Group has unutilised banking facilities approximately RMB 60.0 million (2014 - RMB 128.4 million).

Credit risk concentration profile

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

	31 December 2015		31 December 2014	
	RMB'000	% of total	RMB'000	% of total
The Group				
By product sectors:				
Canned foods	358,606	38%	343,468	31%
Beverages	595,292	62%	766,739	69%
	<u>953,898</u>	<u>100%</u>	<u>1,110,207</u>	<u>100%</u>

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade receivables).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

29 Financial risk management objectives and policies (cont'd)

29.4 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 convertible bonds repayment.

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 2015			
Trade payables	1,394	–	1,394
Other payables	23,014	–	23,014
	24,408	–	24,408
As at 31 December 2014			
Trade payables	1,394	–	1,394
Other payables	14,968	–	14,968
	16,362	–	16,362
The Group			
As at 31 December 2015			
Bank borrowings	130,000	–	130,000
Trade payables	29,290	–	29,290
Other payables	57,042	–	57,042
Convertible bonds including derivatives ⁽¹⁾	703,125	–	703,125
Notes payable	55,500	–	55,500
	974,957	–	974,957
As at 31 December 2014			
Bank borrowings	59,200	–	59,200
Trade payables	136,951	–	136,951
Other payables	31,798	–	31,798
Convertible bonds including derivatives ⁽¹⁾	652,264	–	652,264
Notes payable	62,250	–	62,250
	942,463	–	942,463

⁽¹⁾ This is calculated based on the maximum revised redemption amount payable for the 2011 Convertible Bond and 2012 Convertible Bond based on assumed redemption extended maturity of 31 December 2016 for 2011 Convertible Bond and 2012 Convertible Bond upon the maturity on 25 July 2015 (Refer to Section C in Note 21). Refer to Section D in Note 21 for the maximum redemption sum on the restructured convertible bonds.

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For the Year Ended 31 December 2015

29 Financial risk management objectives and policies (cont'd)

29.4 Liquidity risk (cont'd)

The carrying amount of current borrowing approximates their fair values. The carrying amount and the fair values are disclosed as follows:

	31 December 2015 Carrying amount RMB'000	31 December 2015 Fair values RMB'000	31 December 2014 Carrying amount RMB'000	31 December 2014 Fair values RMB'000
The Group				
Variable interest rate loans				
Less than one year	130,000	130,000	59,200	59,200
Between one to five years	–	–	–	–
	130,000	130,000	59,200	59,200

The fair values are determined from the discounted cash flows analysis, using a discount rate based on the borrowing rate which the directors expect would be available to the Group at the end of the reporting period. No adjustment has been made to fair values as the differences between the carrying amounts and fair values are not significant to the Group.

29.5 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.

29.6 Fair value measurements

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

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

See Note 21 for disclosure of the convertible bonds that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
The Group				
2015				
Liabilities				
Option derivatives in relation to convertible bonds	–	–	329,606	329,606
2014				
Liabilities				
Option derivatives in relation to convertible bonds	–	–	237,691	237,691

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

29 Financial risk management objectives and policies (cont'd)

29.6 Fair value measurements (cont'd)

Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward currency contract is valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves. See Note 29.1 for details on the forward currency contract.

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 significant unobservable inputs (Level 3):

Description	Fair value as at 31 December RMB'000	Valuation techniques	Unobservable inputs	Range
2015				
Effect of cash flow on amortised cost of convertible bonds	703,324	Cash flow of the convertible bonds at their corresponding discount rates	Revised redemption return Discount rate	20% - 25% 16.77%
Recurring fair value measurement of option derivatives in relation to convertible bonds	329,606	Binomial Option Pricing Model	Expected volatility Dividend yield	51.70% 0%
	1,032,930			
2014				
Effect of cash flow on amortised cost of convertible bonds	484,385	Cash flow of the convertible bonds at their corresponding discount rates	Revised redemption return Discount rate	0% - 25% 16.72% - 16.73%
Recurring fair value measurement of option derivatives in relation to convertible bonds	237,691	Binomial Option Pricing Model	Expected volatility Dividend yield	37.73% - 38.50% 0%
	722,076			

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

29 Financial risk management objectives and policies (cont'd)

29.6 Fair value measurements (cont'd)

Level 3 fair value measurements (cont'd)

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

Please refer to Note 21 for the movement of convertible bonds.

(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.

30 Capital management

The primary objectives of the 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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, 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 2015 and 31 December 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

30 Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. 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, notes payable, bank borrowings and convertible bonds including option derivatives less cash and bank balances.

		31 December 2015	31 December 2014	1 January 2014
The Group	Note	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)
Trade payables	17	29,290	136,951	62,146
Other payables	18	57,042	31,798	23,831
Notes payable	19	55,500	62,250	1,550
Bank borrowings	20	130,000	59,200	13,000
Convertible bonds including derivatives	21	1,032,930	722,076	523,920
Less: Cash and bank balances	14	(142,986)	(223,572)	(91,329)
Net debt		<u>1,161,776</u>	<u>788,703</u>	<u>533,118</u>
Equity attributable to the equity holders of the Company		<u>1,807,210</u>	<u>1,588,395</u>	<u>1,172,217</u>
Capital and net debt		<u>2,968,986</u>	<u>2,377,098</u>	<u>1,705,335</u>
Gearing ratio		<u>39%</u>	<u>33%</u>	<u>31%</u>

31 Financial instruments

31.1 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 bonds is disclosed in Note 21.

31.2 Accounting classifications of financial assets and financial liabilities

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

		31 December 2015	31 December 2014
The Company	Note	RMB'000	RMB'000
Financial assets			
Loans and receivables:			
Amount owing by subsidiaries	8	311,040	174,673
- Advances to employees	13	41	41
- Deposits	13	12	12
- Others	13	61	2
Cash and bank balances	14	4,245	161,543
		<u>315,399</u>	<u>336,271</u>
Financial liabilities at amortised cost			
Accruals	17	1,394	1,394
Other payables			
- Amount owing to third parties	18	2,699	5,758
- Accrual of directors' fees	18	242	509
- Director of the Company	18	19,815	8,502
- Others	18	59	-
		<u>24,209</u>	<u>16,163</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

31 Financial instruments (cont'd)

31.2 Accounting classifications of financial assets and financial liabilities (cont'd)

The Group	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Financial assets			
Loans and receivables:			
- Net trade receivables	12	953,898	1,110,207
- Advances to supplier	13	90,936	77,286
- Advances to employees	13	1,230	696
- Advances to third parties	13	2,665	853
- Advances to Shenzhen Cheng Xingwang Import and Export Co., Ltd (深圳市成兴旺进出口有限公司)	13	–	1,120
- Deposits	13	361	1,557
- Others	13	477	220
Cash and bank balances	14	142,986	223,572
		1,192,553	1,415,511
Financial liabilities at amortised cost			
Trade payables	17	18,609	20,385
Accruals	17	10,681	116,566
Other payables:			
- Amount owing to contractors	18	1,226	2,192
- Amount owing to suppliers of property, plant and equipment	18	336	99
- Amount owing to suppliers	18	49	224
- Amount owing to employees	18	559	306
- Amount owing to third parties	18	3,833	7,767
- Accrual of directors' fees	18	242	509
- Deposits	18	123	102
- Director of the Company	18	22,061	12,178
- Rental payable	18	–	2,850
- Others	18	698	709
Notes payable	19	55,500	62,250
Borrowings	20	130,000	59,200
Convertible bonds at amortised cost	21	703,324	484,385
		947,241	769,772
Derivatives at fair value			
Option derivatives in relation to convertible bonds at fair value	21	329,606	237,691

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

32 Comparative figures

In prior years, trade and other receivables have been presented as a single line item on the statements of financial position. During the financial year, trade and other receivables have been reclassified and presented as separate line items as trade receivables, other receivables and deposits paid for non-current assets to better reflect the nature and significance (in monetary amounts) of the type of receivables or deposits. Trade receivables relate mainly to the production and sale of canned vegetables and canned fruits and fruit juices. Other receivables are generally non-trade in nature such as VAT receivable, and deposits paid for non-current assets relates to advances paid to suppliers for the construction of buildings and plant and machineries.

Similarly, trade and other payables have been reclassified and presented as separate financial line items as trade payables and other payables for the year to reflect the nature and significance (in monetary amounts) of the type of payables. Trade payables relate mainly to the purchases and accruals, while other payables are generally non-trade in nature.

Accordingly, comparative figures have been amended to reflect the nature and significance (in monetary amounts) of these assets and liabilities. Management is of the view that the above reclassification will be more relevant and useful to users of financial statements. The effect of reclassification is as follows:

	As restated 2014 RMB'000	As previously stated 2014 RMB'000
The Company		
<u>Statement of financial position</u>		
Current Assets		
Trade and other receivables	–	55
Other receivables	55	–
Current Liabilities		
Trade and other payables	–	16,362
Trade payables	1,394	–
Other payables	14,968	–
	As restated 2014 RMB'000	As previously stated 2014 RMB'000
The Group		
<u>Consolidated statement of financial position</u>		
Non-Current Assets		
Deposits paid for non-current assets	55,000	–
Current Assets		
Trade and other receivables	–	1,427,346
Trade receivables	1,110,207	–
Other receivables	262,139	–
Current Liabilities		
Trade and other payables	–	168,749
Trade payables	136,951	–
Other payables	31,798	–

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

32 Comparative figures (cont'd)

	As restated 2014 RMB'000	As previously stated 2014 RMB'000
The Group		
<u>Consolidated statement of cash flows</u>		
Cash Flows from Operating Activities		
(Decrease)/increase in operating receivables	(576,223)	(567,096)
(Decrease)/increase in operating payables	141,181	143,472
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(61,244)	(140,109)
Deposits paid for non-current assets	(67,447)	–

33 Events after end of reporting period

- (a) The Company has on 1 July 2013 announced that it is proposing to spin-off its beverage business segment under its wholly-owned foreign subsidiary, Garden Fresh (HK) together with its group of subsidiaries on an Approved Exchange. The Proposed IPO process is still in progress as at the date of the financial statements.
- The Group intends to undertake an organisational restructuring exercise for the Beverage segment, whereby a new subsidiary, Garden Fresh Beverage Group Co. Ltd., incorporated in the British Virgin Islands on 3 February 2016 and will be used to hold the shares of the Garden Fresh (HK) in view of the Proposed IPO.
- (b) In view of the expiry of the convertible bonds on 25 July 2015, the Group has been re-negotiating with the bondholders on the new terms and conditions. A revised agreement has been signed between the Group and the bondholders on 29 February 2016. Refer Section B in Note 21 for the revised terms and conditions for convertible bonds.
- (c) At the forthcoming Annual General Meeting, a final tax-exempt (one-tier) dividend of RMB 0.018 cents per share amounting to RMB 12,120,107 will be proposed. These financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year ending 31 December 2016.
- (d) The Company has on 23 March 2016 renounced 8,810,000 options issued under the 2013 Options to Huang Yushan.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2016

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	673,344,828	One vote per share (excluding treasury shares)
Treasury Shares	Nil	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 15 MARCH 2016

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	4	0.21	114	0.00
100 – 1,000	27	1.43	20,281	0.00
1,001 - 10,000	638	33.74	4,598,668	0.68
10,001 - 1,000,000	1,185	62.66	101,116,244	15.02
1,000,001 and above	37	1.96	567,609,521	84.30
Total	1,891	100.00	673,344,828	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2016

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LTD	325,038,577	48.27
2	SOLEADO HOLDINGS PTE LTD	60,601,035	9.00
3	HL BANK NOMINEES (S) PTE LTD	37,125,365	5.51
4	DBS NOMINEES PTE LTD	22,623,412	3.36
5	DBSN SERVICES PTE LTD	17,454,700	2.59
6	UOB KAY HIAN PTE LTD	12,156,400	1.81
7	CITIBANK NOMINEES SINGAPORE PTE LTD	10,138,502	1.51
8	DB NOMINEES (S) PTE LTD	9,455,200	1.40
9	CHIA KEE KOON	7,366,500	1.09
10	BANK OF SINGAPORE NOMINEES PTE LTD	6,363,000	0.94
11	TAN CHENG GUAN	5,050,000	0.75
12	SEAH KOK BENG	4,313,600	0.64
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,142,500	0.62
14	PHILLIP SECURITIES PTE LTD	3,905,700	0.58
15	OCBC SECURITIES PRIVATE LTD	3,782,800	0.56
16	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	3,768,800	0.56
17	CHAN KONG HON	2,824,000	0.42
18	CIMB SECURITIES (SINGAPORE) PTE LTD	2,651,973	0.39
19	MAYBANK KIM ENG SECURITIES PTE LTD	2,448,757	0.36
20	TAN BEE HONG KATRINE	2,400,000	0.36
	TOTAL:	543,610,821	80.72

STATISTICS OF SHAREHOLDINGS

As at 15 March 2016

LIST OF SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Huang Yupeng	239,266,560	35.53	–	–
Asdew Acquisition Pte Ltd	40,152,800	5.96	–	–
Wang Yu Huei	–	–	40,152,800 ¹	5.96
Chalermchai Mahagitsiri	–	–	96,603,700 ²	14.35
Soleado Holdings Pte. Ltd.	71,204,735	10.57	–	–
Thoresen Thai Agencies Public Company Limited	–	–	71,204,735 ³	10.57

Note:

- ¹ Deemed interest arises from shares held by Asdew Acquisitions Pte Ltd
- ² Deemed interest arises from shares held by Soleado Holdings Pte. Ltd. and PM Group Company Limited
- ³ Deemed interest arises from shares held by Soleado Holdings Pte. Ltd.

The percentage of shareholding above is computed based on the total issued shares of 673,344,828.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 15 March 2016, approximately 40.58% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED (“the Company”) will be held at Room 312, Level 3 Suntec Singapore Convention & Exhibition Centre 1 Raffles Boulevard, Suntec City Singapore 039593 on Monday, 25 April 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to the Constitution of the Company:

Ms Huang Yushan	(Retiring under Regulation 91)	(Resolution 2)
Ms Liu Ling	(Retiring under Regulation 91)	(Resolution 3)
Mr Wong Chee Meng, Lawrence	(Retiring under Regulation 91)	(Resolution 4)

[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$145,000 for the financial year ending 31 December 2016 to be paid half-yearly in arrears. (2015: S\$145,000) **(Resolution 5)**
4. To re-appoint Foo Kon Tan LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the “**Share Issue Mandate**”)

provided that:

NOTICE OF ANNUAL GENERAL MEETING

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

(Resolution 7)

7. Authority to issue shares under the Sino Grandness Employee Share Option Scheme

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant options (“**Options**”) under the Sino Grandness Employee Share Option Scheme (the “**Scheme**”) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 8)

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

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

NOTICE OF ANNUAL GENERAL MEETING

(a)	Proposed Date of Grant of Option(s)	:	Any time within one (1) month from the date of this Annual General Meeting
(b)	Proposed Number of shares comprised in the proposed Option(s)	:	Up to 2,013,750 shares
(c)	Exercise Price per Share	:	Twenty per cent (20%) discount to the Market Price as at the date of grant
(d)	Exercise Period		At any time after the second (2nd) anniversary of the date of grant of the Options and up to the tenth (10th) anniversary therefrom.

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

[See Explanatory Note (iv)]

(Resolution 9)

9. **Renewal of Share Purchase Mandate**

That:

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

- (i) market purchase(s) (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”); and/or
- (ii) off-market purchase(s) (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

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

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

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

- (i) the date on which the next Annual General Meeting of the Company is held or is required by law to be held;
- (ii) the date on which the share buy-backs are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Proposed Share Buy-back Mandate is varied or revoked; and

NOTICE OF ANNUAL GENERAL MEETING

(d) in this Resolution:

“Maximum Limit” means the number of issued Shares representing 10% of the total number of issued Shares (excluding treasury shares, if applicable) as at the date of the last Annual General Meeting before the resolution authorising the Proposed Share Buy-back Mandate is passed or as at the date on which the resolution authorising the Proposed Share Buy-back Mandate is passed, whichever is the higher;

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

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

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

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

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

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

[See Explanatory Note (v)]

(Resolution 10)

By Order of the Board

Chew Kok Liang / Wong Chuen Shya (Huang Chunxia)
Company Secretaries

Singapore, 8 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Ms Huang Yushan will, upon re-election as a Director of the Company, remain as an Executive Director.

Ms Liu Ling will, upon re-election as a Director of the Company, remain as an Independent Director, a member of the Audit, Nominating and Remuneration Committees. Ms Liu Ling will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Wong Chee Meng, Lawrence will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr Wong Chee Meng, Lawrence will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

- (ii) Resolution 7, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the total number of issued shares (excluding treasury shares) at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

- (iii) Resolution 8, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

- (iv) Ordinary Resolution proposed in resolution 9 in item 8 above if passed will empower the Directors of the Company to grant options pursuant to Sino Grandness Employee Share Option Scheme (“**Scheme**”) to subscribe up to 2,013,750 ordinary shares in the capital of the Company to Ms Huang Yushan (“**Proposed Options**”).

Ms Huang Yushan is the sister of Mr Huang Yupeng, a controlling shareholder of the Company. Therefore, Ms Huang Yushan is considered an associate of Mr Huang Yupeng under the SGX-ST Listing Manual.

Rationale for the grant

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

As at the Notice of the 2015 AGM, Ms Huang Yushan holds outstanding options under the Scheme to which entitles her to subscribe for 1,290,000 shares (the “**Existing Options**”). As at the Notice of the 2015 AGM, she has not exercised any options granted to her under the Scheme. The Board of Directors proposes to grant further options to Ms Huang Yushan to subscribe for up to 2,013,750 shares. Based on the existing issued share capital of the Company as at the Latest Practicable Date, an aggregate of 10,100,172 options (representing 10% of the total number of shares available under the Scheme as at that date) may be held by Ms Huang Yushan pursuant to the Scheme. The said 2,013,750 shares, together with the Existing Options, amount to an aggregate of 3,303,750 shares which represent approximately 3% of the total number of shares available under the Scheme as at the Latest Practicable Date.

The Company is proposing to grant the Proposed Options to reward Ms Huang Yushan for her past and continuing contributions to the Group and to motivate her to further create higher shareholders’ value. The Proposed Options, if exercised, would increase Ms Huang’s cost of investment in the Company and in turn demonstrate her long term commitment to further enhance shareholders’ wealth through appreciation of the share price. Additionally, as the Proposed Options may not be exercised until after the second anniversary of the date of grant, the reward from the exercise of the Proposed Options would not be immediate. The value of the Proposed Options would be realized only when the results and prospects of the Group’s long term performances and growth translate into higher share price and higher shareholder value.

NOTICE OF ANNUAL GENERAL MEETING

Directors' recommendation

All Directors who are eligible to participate in the Scheme have refrained from making any recommendation in favour of the Ordinary Resolution in respect of the proposed grant of options to subscribe for up to 2,013,750 shares to Ms Huang Yushan at the Annual General Meeting.

The Company shall procure that Mr Huang Yupeng, Ms Huang Yushan, their respective associates, and all shareholders who are eligible to participate in the Scheme ("**Eligible Shareholders**") shall abstain from voting in the Ordinary Resolution on the proposed grant of options to subscribe for up to 2,013,750 shares to Ms Huang Yushan at this Annual General Meeting.

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

Directors' responsibility statement

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

SGX-ST's disclaimer

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

- (v) Ordinary Resolution proposed in resolution 10 in item 9 above is to authorise the Directors of the Company from the date of the above meeting until the earliest of (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held, (ii) the date on which the purchases or acquisitions by the Company pursuant to this mandate are carried out to the full extent mandated; or (iii) the date on which the authority conferred by this mandate is varied or revoked by Shareholders in general meeting, to purchase or otherwise acquire issued ordinary shares in the capital of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company. For more information on this resolution, please refer to the Circular dated 8 April 2016.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. The instrument appointing a proxy must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

(Company Registration No. 200706801H)
(Incorporated In the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (Name) NRIC/Passport No.* _____

of _____

being a member/members* of Sino Grandness Food Industry Group Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

as my/our* proxy/proxies* to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Room 312, Level 3 Suntec Singapore Convention & Exhibition Centre 1 Raffles Boulevard, Suntec City Singapore 039593 on Monday, 25 April 2016 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her* discretion.

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

No.	Resolutions relating to:	For	Against
1	Audited Financial Statements for the financial year ended 31 December 2015		
2	Re-election of Ms Huang Yushan as a Director		
3	Re-election of Ms Liu Ling as a Director		
4	Re-election of Mr Wong Chee Meng, Lawrence as a Director		
5	Approval of Directors' fees amounting to S\$145,000 for the financial year ending 31 December 2016 (2015: S\$145,000)		
6	Re-appointment of Foo Kon Tan LLP as Auditors		
7	Authority to allot and issue new shares		
8	Authority to issue shares under the Sino Grandness Employee Share Option Scheme		
9	Grant of options to Huang Yushan, Associate of Controlling Shareholder		
10	Renewal of share buyback mandate		

Dated this _____ day of _____ 2016



Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

*Delete where inapplicable

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

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2016.



SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

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The People's Republic of China