

Strength for Sustainable Growth





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Corporate Profile

Competitive Strengths

- Established track record and market
- Well-established network of distributors and reputable retailers
- Consistently high quality canned fruits and vegetables
- Possess good technical knowledge
- Experienced and dedicated management team
- Production plants are strategically located in various provinces in the PRC

Headquartered in Shenzhen, the PRC, Sino Grandness is a manufacturer and supplier of quality canned fruits and vegetables mainly for the export market. Since our establishment in 1997, the Group has grown rapidly to become the top exporter of canned asparagus and long beans and one of the top three exporters of canned mushrooms in the PRC¹ in 2008.

We sell our canned food products to reputable distributors and retailers across three continents, in countries such as Germany, France, Spain, the Netherlands, the Czech Republic, Russia, Mexico, Singapore, Turkey and China. 77.8% of our FY2009 revenue was derived from Europe and North America (namely Mexico). Over the years, we have built a well-established network of distributors (such as Compare, Golden Gate, I Schmidt, B&P and Huepeden) and retailers (such as Lidl, Siplec and REWE) whom we share strong relationships with.

Most of our products are branded under our customers' brands, including "Mikado" (under I Schmidt) and "ECO+" (under Siplec), and housebrands of major supermarket chains in Europe, including Lidl, Aldi, REWE, Carrefour, Walmart and Metro. Our products are also branded under our own "Dao Mei" ("刀妹") and "Grandness" brands for the PRC and overseas markets, respectively.

Our five production plants, with a combined annual production capacity of 32,657 tonnes as at 31 December 2009, are strategically located in different climatic regions in four provinces in the PRC, namely Shandong, Shanxi, Yunnan and Sichuan – all of which are key agricultural belts in the PRC. The Group's close proximity to raw materials ensures freshness of raw materials and that transportation costs are minimised.

With stringent quality control and procedures implemented in our manufacturing processes, Sino Grandness' manufacture and sale of canned products are compliant with international standards, including HACCP, BRC, IFS and ISO certifications, enabling us to export our canned products globally.

¹ According to Industry Report on Canned Fruits and Vegetables in the PRC by Beijing Hua Jing Zong Heng Information Centre.

Our Products



Canned Asparagus



Canned Mushrooms



Canned Long Beans



Other Canned Products
(including Sweet Corn and Fruits)



A leading PRC manufacturer and supplier of high quality canned fruits and vegetables



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present Sino Grandness Food Industry Group Limited's inaugural annual report for the financial year ended 31 December 2009 ("FY2009").

Overall, FY2009 has been a successful year as we crossed an important corporate milestone to become a publicly-listed company on the Singapore Exchange. Our listing exercise, which attracted institutional investors and high net worth investors involved the sale of 85.52 million Invitation Shares at S\$0.29 each, raising approximately S\$19.1 million for our future expansion.

With our listing, we are now ready to take Sino Grandness to the next phase of growth. Since our inception in 1997, we have demonstrated our ability to grow both operationally and financially. From a mere trader of canned products, we have grown to become a reputable manufacturer and supplier of canned fruits and vegetables. We are proud to be the top exporter of canned asparagus and long beans and one of the top three exporters of canned mushrooms in the PRC¹ in 2008.

¹ According to Industry Report on Canned Fruits and Vegetables in the PRC by Beijing Hua Jing Zong Heng Information Centre.



We serve reputable distributors and retailers across Europe, North America (namely Mexico) and Asia, and have built strong relationships with a well-established network of distributors, such as Compare, Golden Gate, I Schmidt, B&P and Huepeden, and retailers, such as Lidl, Siplec and REWE.

Stringent quality control and manufacturing processes

As a food manufacturer, the quality of our products is of paramount importance. Our global customers, comprising hypermarkets, large retail chains, food retailers and distributors, recognise the Group's stringent quality assurance. This is why our products are branded under their names (eg Lidl, Aldi, REWE, Carrefour, Walmart and Metro), or under their brands including "Mikado" (under I Schmidt) and "ECO+" (under Siplec).

The manufacturing and sales of our canned products are certified as ISO 9001:2000 compliant, while all our production bases are compliant with the HACCP food safety system. Reinforcing our consistently high product quality, we received IFS certification for our production bases in Shanxi, Shandong and Yunnan Provinces, enabling us to export our canned products to the European Union ("EU"), despite the enforcement of import restrictions (commonly known as "Green Barriers") which have been imposed by the EU since 2000 on the grounds of environmental and food safety issues. In addition, we have also obtained the BRC certification for our production bases in Sichuan, Shandong and Shanxi, for exporting to British Commonwealth countries. These international certifications serve as barriers of entry to our competitors who are looking to export their products.

We believe that product quality begins from the start of the supply chain where we obtain our raw materials. As such, we maintain a close and collaborative relationship with the farmers, usually providing pesticides to them at no charges to encourage standardisation and to prevent pesticide misuse. In addition, we also provide seeds to the farmers for growing of long beans and mushrooms, and specify the organic fertilisers to use for their asparagus crops. We proactively provide farmers with training and support so that they are familiar with our stringent requirements.



Sino Grandness was listed on the Singapore Exchange on 23 November 2009

Our production plants

As at 31 December 2009, our five production plants have a combined annual production capacity of 32,657 tonnes, and are strategically located in four provinces in the PRC, namely Shandong, Shanxi, Yunnan and Sichuan – all of which are key agricultural belts in the PRC. The production bases straddle different climatic regions so that production activities can be carried throughout the year.

Shanxi and Shandong are the two biggest asparagus cultivation regions in the PRC while Sichuan and Yunnan are amongst the biggest long beans cultivation regions. Sichuan is also one of the largest mushroom growing areas in the PRC. This is strategically important as our close proximity to raw materials ensures freshness of raw materials and that transportation costs are minimised.

While our canned fruits and vegetables for the export market remain our core business, we are also excited with our newly developed canned beverage products in the PRC, which was successfully commercialised and generated encouraging maiden sales (11.5% of total FY2009 revenue) from November 2009.

Record earnings in FY2009

Our strong fundamentals and the rollout of new products have enabled us to attain record earnings and improved margins for the year ended 31 December 2009. Our net

Chairman's Statement



profit jumped 25.6% to RMB66.2 million on the back of a 36.4% rise in revenue to RMB450.6 million on higher sales of canned asparagus and mushrooms. Excluding one-off IPO expenses, our net profit growth would have been higher at 56.0%.

Expanding our network globally and within the PRC, as well as product offering

Our strong financial performance in FY2009 demonstrates Sino Grandness' ability in meeting market demand and competition across our product segments and the geographical locations of our customers.

On the customer front, we have adopted a two-pronged approach by targeting both overseas and the PRC markets. Within the PRC, we have developed and commenced test marketing of products under our own brand names, including canned herbal beverage and canned products such as bamboo shoots.

As the majority of our products are exported to customers in Europe and North America (namely Mexico), we intend to increase our sales and distribution network to the overseas markets. In particular, we will intensify our sales and marketing efforts to widen our reach in Russia and break into new overseas markets such as the USA by seeking alliances with existing customers and relying upon their distribution networks to distribute our products in new markets.

We have been consistently rolling out new products to the market, such as canned mushrooms in 2006, preserved bamboo shoots in 2007 and more recently, canned herbal

beverage – all of which are well-received by our customers. By leveraging on our strong research and product development capabilities, we will continue to widen our product offering to meet the increased competition and the need for product differentiation.

Outlook

We expect that China, as a leading exporter of canned asparagus, long beans and mushrooms, will benefit from the resilient demand for canned fruits and vegetables spurred by strong overseas consumption. Since 2000, countries such as those in the EU have set up import restrictions, or commonly known as "Green Barriers", which resulted in greater scrutiny of import of agricultural based products. These "Green Barriers" will continue to favor leading players such as Sino Grandness, who can meet the stringent international standards.

The PRC market is an emerging market. The vibrant food industry and huge population in the PRC, coupled with rising affluence and heightened awareness of health, will continue to facilitate our sales in the PRC.

Riding on a favourable operating landscape, and together with our exciting growth plan, we believe the Group is well poised to deliver good value to our investors.

Dividends

In our IPO Prospectus dated 13 November 2009, we have put forth our intention to distribute at least 20% of our net profits attributable to Shareholders in FY2009 and FY2010 as dividends.



In line with our promise, the Board has recommended a tax-exempt one-tier dividend of RMB0.054 per ordinary share for approval at our upcoming Annual General Meeting.

Acknowledgment

We are thankful for all of your support, and for choosing to believe in the clear growth strategies of Sino Grandness. While we have done well in FY2009 despite the global financial turmoil, we intend to leverage on our leading market position to bring our Group to even greater heights.

I wish to take this opportunity to express my sincere appreciation to my fellow directors, management team, staff and business partners for their dedication, commitment and contribution to the continued growth of our Group; to the IPO team for their inputs to our successful listing on Mainboard of the SGX-ST; and to our shareholders for your confidence and trust in our Group. We certainly look forward to your continued support.

Riding on a favourable operating landscape, and together with our exciting growth plan, we believe the Group is well poised to deliver good value to our investors.

Huang Yupeng
Chairman and CEO

主席献词

尊敬的各位股东，

我谨代表董事会，我很高兴向大家呈上中华食品工业集团有限公司的第一份年报，报告截至2009年12月31日的财政年度的业绩。

总体来说，2009年是成功的一年，我们跨越了重要的企业里程碑，成为新加坡交易所的一家上市公司。我们的上市活动，获得了众多机构投资者和高资产价值投资者的青睐。此次共发售8552万献售股，每股新币0.29元，筹集到约新币1910万的资金，用于将来业务拓展。

随着公司上市，现在我们已经准备好要把中华食品推向新的发展阶段。自从1997年公司成立以来，我们已经证明了我们实现业务和财务双增长的能力。我们从一个罐头产品贸易公司，成长为一家知名的罐头水果和蔬菜制造商和供应商。公司在2008年成为中国最大的罐头芦笋和刀豆出口商，以及中国三大罐头蘑菇出口商之一¹，我们感到无比自豪。

我们的产品销往欧洲，北美（墨西哥）和亚洲的知名分销商和零售商。我们已经建立了广泛销售网络，包括分销商例如Compare, Golden Gate, I Schmidt, B&P 和 Huepeden，以及零售商例如Lidl, Siplec和REWE。

严格的品质控制和生产过程

作为一家食品生产商，我们产品的品质尤为重要。公司的严格品质保证，得到全球客户的认可，包括超级市场，大型连锁零售店，食品零售商和分销商等。这就是我们能以他们的公司名称（例如Lidl, Aldi, REWE, Carrefour, Walmart和Metro），或者他们的品牌（包括I Schmidt下属的“Mikado”品牌和Siplec下属的“ECO+”品牌）生产的原因。

我们的罐头产品生产和销售获得ISO 9001:2000认证，我们所有的生产基地都符合HACCP食品安全体系标准。欧盟从2000年以来就环境和食品安全的问题，设立进口限制（通常称为“绿色壁垒”）。我们在山西，山东和云南的生产基地获得IFS认证，让我们可以向欧盟出口罐头产品。此外，我们在四川，山东和山西的生产基地也获得了出口英联邦国家所要求的BRC认证。这些国际认证对于我们的出口竞争对手来说，是一个进入门槛。

我们相信产品的品质控制从供应链的第一步开始，也就是我们采购原材料的时候。因此，我们和农民保持密切的合作关系，通常免费给他们供应杀虫剂，以鼓励标准化生产和防止滥用杀虫剂。此外，我们也为种植刀豆和蘑菇的农民提供种子，并指定芦笋种植使用的肥料。我们积极为农民提供培训和技术支持，这样他们就会对我们的严格要求更熟悉。

我们的厂房

截至2009年12月31日，我们的五个厂房总年产能达32,657吨，位于中国四个省份，即山东，山西，云南和四川 - 全部都是中国的主要农业带。我们的生产基地覆盖不同的气候地区，这样全年都可以进行生产活动。

山西和山东是中国两个最大的芦笋种植区，而四川和云南是最大的刀豆种植区之一。四川也是中国最大的蘑菇种植区之一。这对我们来说非常重要，因为我们靠近原材料供应地，保证原材料的新鲜，并能降低运输成本。

罐头水果和蔬菜的出口仍然是我们的主要业务，同时我们也为中国市场新开发了饮料产品，2009年11月成功投放市场，并获得了令人鼓舞的销售额（2009年总销售额的11.5%）。

¹ 根据北京华经纵横咨询有限公司的中国果蔬罐头行业市场研究咨询报告。

2009年获得有史以来最高的盈利

我们稳健的基础和新产品的推出让我们在2009财年获得有史以来最高的盈利和更高的利润率。由于罐头芦笋和蘑菇的销售额提高，总销售额上升36.4%达人民币4亿5060万，净利润上涨25.6%达人民币6620万。若除去一次性的上市费用，我们的净利润增长将高达56.0%。

拓展我们的全球和国内网络，增加产品种类

我们在2009年的强劲财务表现，证明了公司有能满足客户需求，并在不同产品领域和各大地区面对竞争。

在客户方面，针对海外和国内市场，我们采取了两方面的策略。在国内，我们以自己的品牌，开发和试销产品，包括草本饮料和罐头产品例如竹笋。

因为我们的产品主要出口到欧洲和北美（墨西哥），我们计划拓展海外市场的分销网络。我们将增加市场营销活动，以拓展俄罗斯市场，并进入新的海外市场例如美国。我们的计划是和现有的客户合作，通过他们的分销网络在新的市场销售我们的产品。

我们一直在努力推出新产品，例如2006年推出罐头蘑菇，2007年推出腌制竹笋，最新的是草本饮料 - 全部都在市场获得良好反应。我们会依靠内部强大的产品研发能力，继续增加产品种类，以满足产品多样化的需要。

前景

由于海外市场对罐头芦笋，刀豆和蘑菇有巨大需求，中国作为领先出口国，将从中受惠。2000年以来，欧盟的国家设立了进口限制，通常称为“绿色壁垒”，导致对进口农业产品更严格的审查。这些“绿色壁垒”将继续

有利于像中华食品这样能符合严格国际标准的领先出口商。

中国市场则是一个新兴市场。中国蓬勃的食品行业和巨大的人口数目，加上人民富裕程度提高，对健康的关注，将继续促进我们在国内市场的销售。

在有利的行业大环境下，加上我们的策略性发展计划，我们相信公司一定能继续为投资者提供良好的投资价值。

股息

在2009年11月13日的上市招股书中，我们提出计划把2009年和2010年最少20%的净利润用于派发股息。

和承诺一致，董事会建议派发每股人民币0.054元的免税股息，有待在年度股东大会上通过。

感谢词

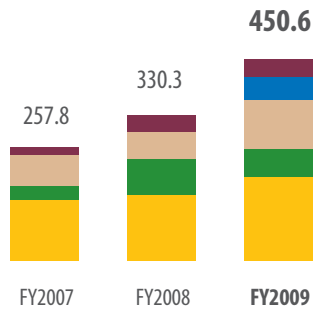
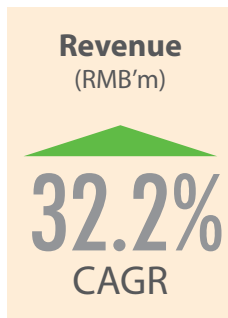
我们感谢大家的支持，感谢大家相信中华食品的清晰发展策略。尽管我们在全球金融海啸的2009年取得了优异的成绩，我们会继续依靠领先的品牌优势，实现公司更大的发展。

我希望借此机会向其他董事，管理团队，员工和业务伙伴表达我诚挚的谢意，感谢他们的奉献，专注，对我们公司持续发展作出的贡献；感谢上市团队为我们在上交所主板成功上市所做的工作；还要感谢我们的股东对公司的信心和信赖。我们也希望你们能继续支持我们。

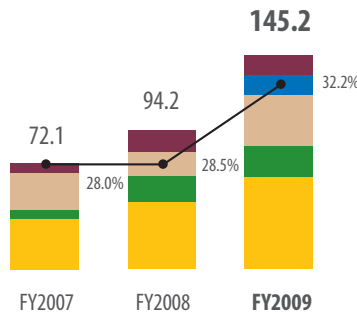
黄育鹏

主席兼首席执行官

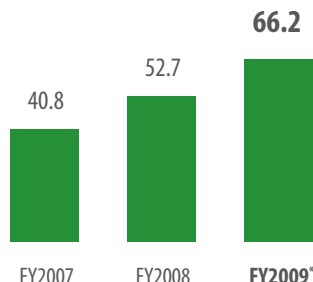
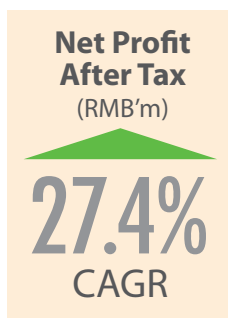
Financial Highlights



■ Asparagus ■ Long beans ■ Mushrooms ■ Beverage ■ Others

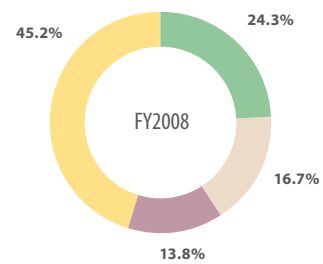
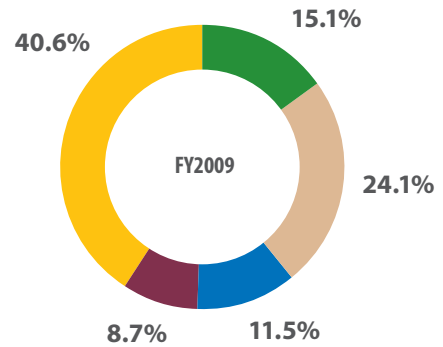


■ Asparagus ■ Long beans ■ Mushrooms ■ Beverage ■ Others
● Gross profit margin



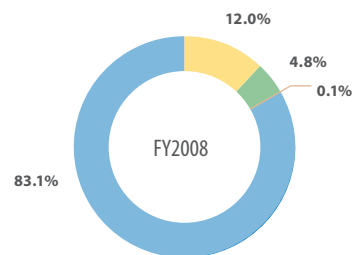
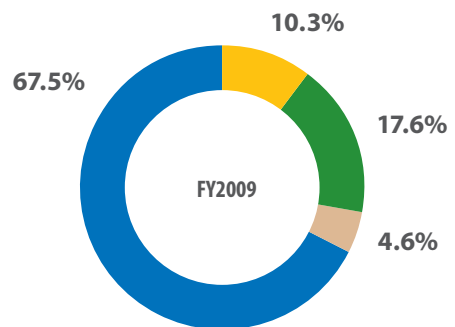
* Excluding the expenses related to the Group's Initial Public Offering amounting to RMB16.0 million, the Group's net profit would have been higher at RMB82.2 million

Revenue Breakdown by Products



■ Asparagus ■ Long beans ■ Mushrooms
■ Beverage ■ Others

Revenue Breakdown by Geographical Locations



■ Europe ■ North America
■ China ■ Others

Accelerating

the pace of value-added products



We have been consistently rolling out new products to the market and all of them are well-received by our customers

Operations & Financial Review

Income Statement

	FY2009 RMB'000	FY2008 RMB'000	Change %
Revenue	450,597	330,268	36.4
Cost of sales	(305,409)	(236,083)	29.4
Gross profit	145,188	94,185	54.2
Other operating income	2,533	3,592	(29.5)
Distribution and selling expenses	(23,019)	(17,849)	29.0
Administrative expenses	(33,961)	(11,610)	192.5
Other operating expenses	(832)	-	100.0
Finance costs	(3,294)	(2,292)	43.7
Profit before income tax	86,615	66,026	31.2
Income tax expenses	(20,381)	(13,306)	53.2
Net profit for the year	66,234	52,720	25.6
Other comprehensive income	-	-	-
Total comprehensive income for the year	66,234	52,720	25.6
Total comprehensive income attributable to:			
Shareholders of the Company	66,155	55,016	
Minority interests	79	(2,296)	
	66,234	52,720	

Revenue

Our revenue increased by 36.4% from RMB330.2 million in FY2008 to RMB450.5 million in FY2009, due to higher sales of canned asparagus and mushrooms, as the Group secured more orders from customers in Europe and North America (namely Mexico).

Segmental Review

On a segmental basis, sales of asparagus contributed most significantly to the Group's total revenue at 40.6%, while long beans and mushrooms comprised 15.1% and 24.1% of total revenue, respectively.

Sales of mushrooms registered the highest growth at 97.3%, while sales of asparagus jumped 22.7% resulting from more orders from Europe and North America. Sales of long beans decreased 15.4% due to lower production as farmers harvested less long beans, partially a result of bad weather.

In November 2009, Sino Grandness commenced sales of canned beverage in the PRC and registered revenue of RMB51.8 million or 11.5% of total revenue, demonstrating the positive public reception for the new product.

Revenue Breakdown by Products

Product segment	FY2009 RMB'000	FY2008 RMB'000	Increase/ (Decrease) %
Asparagus	183,162	149,262	22.7
Long beans	67,890	80,235	(15.4)
Mushrooms	108,638	55,073	97.3
Beverage	51,849	12	NM
Others	39,058	45,686	(14.5)
Total	450,597	330,268	36.4



Geographically, Europe was the largest revenue contributor at 67.5%, while China and North America accounted for 17.6% and 10.3%, respectively. Sales in China recorded the highest jump – 401.5% – because of the launch of the Group’s canned beverage. Europe and North America grew 10.9% and 16.5%, respectively.

Revenue Breakdown by Geographical Locations of Our Customers

Geographical locations	FY2009 RMB'000	FY2008 RMB'000	Increase/ (Decrease) %
Europe ⁽¹⁾	304,321	274,321	10.9
North America ⁽²⁾	46,316	39,773	16.5
China	79,319	15,815	401.5
Others ⁽³⁾	20,641	359	NM
Total	450,597	330,268	36.4

NM – Not meaningful

(1) Includes 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 Singapore, Australia and Turkey

Profitability

Our gross profit increased by 54.2% from RMB94.2 million in FY2008 to RMB145.2 million in FY2009, in line with higher sales of our products. Among our key product segments, gross profits for mushrooms and asparagus improved 111.9% and 36.7% to RMB34.7 million and RMB62.5 million, respectively. Gross profit for long beans increased 16.4% to RMB20.8 million, despite lower sales, demonstrating the Group’s production efficiency.

Gross Profit Breakdown by Products

Product segment	FY2009 RMB'000	FY2008 RMB'000	Increase/ (Decrease) %
Asparagus	62,533	45,738	36.7
Long beans	20,750	17,828	16.4
Mushrooms	34,674	16,360	111.9
Beverage	13,396	4	NM
Others	13,835	14,255	(2.9)
Total	145,188	94,185	54.2

Operations & Financial Review

Gross Profit Margins

Overall gross profit margin expanded by 3.7 percentage points, from 28.5% in FY2008 to 32.2% in FY2009, mainly attributable to a decrease in the cost of raw materials. Gross profit margins for asparagus and mushrooms rose year-on-year from 30.6% and 29.7%, to 34.1% and 31.9%, respectively. In spite of a decline in revenue contribution, margin for long beans was pushed up more significantly to 30.6%, from 22.2% achieved a year ago.

	Asparagus	Long beans	Mushrooms	Beverage	Others	Overall
FY2008	30.6%	22.2%	29.7%	33.4%	31.2%	28.5%
FY2009	34.1%	30.6%	31.9%	25.8%	35.4%	32.2%

Operating Expenses

Distribution and selling costs increased by approximately 29.0% from RMB17.8 million in FY2008 to RMB23.0 million in FY2009, in line with our heightened sales and marketing activities. The increase was less than proportionate to our revenue growth.

Administrative expenses rose by 192.5% to RMB33.9 million in FY2009, compared with RMB11.6 million in the same period last year, as a result of an increase in employee remuneration costs, exchange losses and the expenses related to the Group's Initial Public Offering.

Finance Costs

Finance costs were higher at RMB3.3 million in FY2009, an increase of 43.7% from the year-ago period, arising from higher bank borrowings in the financial year under review.

Profit Before Taxation

Profit before taxation increased by approximately RMB20.6 million, an increase of 31.2% to RMB86.6 million in FY2009. The increase was due to higher gross profit margin but partially offset by the increase in operating expenses and finance costs.

Taxation

Income tax expenses were RMB20.4 million and RMB13.3 million, with effective tax rate of 20.2% and 23.5% in FY2008 and FY2009 respectively. The increase in the effective tax rate was mainly due to an increase in the EIT rate of Shenzhen Grandness from 18% in FY2008 to 20% in FY2009.

Net Profit

After taking into account taxation, our net profit for the year rose 25.6% from RMB52.7 million in FY2008 to RMB66.2 million in FY2009.

Excluding the expenses related to the Group's Initial Public Offering ("IPO") amounting to RMB16.0 million, the Group's net profit would have been higher at RMB82.2 million, representing growth of 56.0%.

Per Share Data

Based on our latest full-year results, Sino Grandness' basic earnings per ordinary share (based on weighted average shares of 183,227,000) is 36.1 RMB cents whilst our net asset value per ordinary share is 115.3 RMB cents as at 31 December 2009.

Balance Sheet

	As at 31 Dec 09 RMB'000	As at 31 Dec 08 RMB'000
Non-current assets	161,920	101,690
Current assets	363,048	161,439
Total assets	524,968	263,129
Current liabilities	156,056	134,956
Non-current liabilities	86,146	43,445
Total liabilities	242,202	178,401
Net assets	282,766	84,728
	As at 31 Dec 09 RMB'000	As at 31 Dec 08 RMB'000
Equity attributable to equity holders of the Company		
Share capital	133,652	1,848
Retained profits	151,983	92,357
Other reserves	(8,891)	(15,420)
Total shareholders' funds	276,744	78,785
Minority interests	6,022	5,943
Total equity	282,766	84,728

Total Assets

- Property, plant and equipment increased by approximately RMB59.8 million to RMB160.6 million in FY2009 as a result of the construction in-progress in Shanxian, Sichuan and Shanxi plants. In addition, we acquired new factory and machinery for our Shanxi and Shanxian plants.
- Inventories decreased by RMB15.7 million to RMB30.8 million in FY2009, attributable to more concerted efforts to control our inventory level by monitoring sales order closely.
- Trade and other receivables were higher from RMB89.2 million in FY2008 to RMB185.7 million in FY2009, following growth in export sales to our existing major customers, and the commencement of domestic sales of canned beverage in November 2009.
- Cash and cash equivalents stood at RMB146.5 million as at 31 December 2009, mainly due to the net proceeds from the Initial Public Offering and net cash flow generated from operations.

Total Liabilities

- Current liabilities grew by RMB21.1 million from FY2008 to FY2009, as a result of our concerted efforts to negotiate more favourable credit terms from our suppliers, an increase in note payable of RMB40.1 million, current tax payable of RMB3.1 million and bank borrowings of RMB3.7 million.
- Non-current liabilities rose by RMB43.0 million from FY2008 to FY2009, mainly attributable to higher bank borrowings of RMB40.0 million and deferred tax liabilities of RMB1.0 million provided on the undistributed profits of the Company's PRC subsidiaries.

Shareholders' Equity

- Shareholders' equity increased from RMB84.7 million as at 31 December 2008, to RMB282.7 million as at 31 December 2009, following the issuance of new shares of RMB131.8 million and net profit of RMB66.1 million in FY2009.

Operations & Financial Review

Cash Flow

	As at 31 Dec 09 RMB'000	As at 31 Dec 08 RMB'000
Net cash generated from operating activities	16,015	50,128
Net cash used in investing activities	(65,155)	(59,501)
Net cash generated from financing activities	139,925	6,527
Net increase/(decrease) in cash and cash equivalents	90,785	(2,846)
Cash and cash equivalents at beginning of year	13,702	16,548
Cash and cash equivalents at end of year	104,487	13,702

In FY2009, operating cash flows before working capital changes amounted to RMB95.4 million. We generated net cash of RMB36.5 million from our operating activities. Working capital changes comprised an increase in operating receivables and payables of RMB84.9 million and RMB50.3 million respectively, and a decrease in inventories of RMB15.7 million and an increase in deposits pledged with banks of RMB40.1 million. As a result, net cash generated from operating activities in FY2009 stood at RMB16.0 million.

Net cash used in investing activities amounted to RMB65.2 million in FY2009, which was due mainly to acquisition of property, plant and equipment.

In addition, we received cash of RMB139.9 million which is significantly derived from the net proceeds of RMB92.5 million on the issues of 70 million new shares less expenses in connection with the invitation and increase in bank borrowings of RMB43.7 million.



Indebtedness

Aggregate amount of the Group's borrowing and debt securities

	As at 31 Dec 09 RMB'000	As at 31 Dec 08 RMB'000
Amount repayable in one year or less or on demand		
Secured	28,730	28,500
Unsecured	6,000	2,500
Amount repayable after one year		
Secured	40,000	-
Unsecured	-	-
	74,730	31,000

Update on Use of IPO Proceeds

As at 24 February 2010, the use of net proceeds from the IPO of approximately S\$16.9 million is as follows:

Use of net proceeds	Amount allocated (S\$m)	Amount utilised (S\$m)	Balance (S\$m)
Expand our production storage capacity:			
1. Shanxi Grandness Purchase machinery and equipment and upgrade existing production facilities	1.4	1.4	-
2. Shanxian Grandness Construct a second production plant and purchase machinery and equipment	2.0	2.0	-
3. Sichuan Grandness Construct an office building and additional warehouse	1.0	1.0	-
Expand our sales and distribution network	1.2	-	1.2
Product development	0.4	-	0.4
Strategic acquisition and investments which might include the acquisition of the remaining equity interests in Sichuan Grandness and Yunnan Grandness	3.0	-	3.0
Working capital	7.9	-	7.9
TOTAL	16.9	4.4	12.5

Board of Directors

Xu Xihua



Huang Yupeng



Huang Yushan



Zhang Gongjun



Soh Beng Keng



Lin Song



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 (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 Financial Controller, 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).

Xu Xihua (徐喜花)

Executive Director

Ms Xu Xihua (徐喜花) is our Executive Director and is responsible for the sales and marketing of our products for our Group. She graduated from Jiangxi Normal University in 2008 after reading English there. In 2000, she joined Hong Kong Fuyuan Industry Manufacturing Co., Ltd and was responsible for heading their Shenzhen representative office. She joined our Group as a manager in 2005 and was responsible for our asparagus business segment.

Zhang Gongjun (张公俊)

Non-Executive Director

Mr Zhang Gongjun (张公俊) is our Non-Executive Director and was appointed on 29 August 2008. Zhang Gongjun is currently the general manager of Sino-Investment. In 1993, he joined Shenzhen Action Electronic Co., Ltd. as the manager of the finance and administration department and was subsequently appointed as its chief finance officer. In 2001, he joined Dongguan City Parry Furniture Co., Ltd as their general manager and was responsible for the daily operation of the company. In 2003, he was appointed vice-president of Zhongxin Investment Consultancy Co., Ltd (Shenzhen) and subsequently in 2005, became the executive director of Shenzhen Yuding. Zhang Gongjun graduated from Ma'anshan Commercial College in 1987 with a diploma in Financial Accounting.

Soh Beng Keng (苏明庆)

Lead Independent Director

Mr Soh Beng Keng 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 29 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 publicly listed company in Singapore. Mr Soh is a full member of the Singapore Institute of Directors and a member of the Institute of Certified Public Accountants of Singapore. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

Lin Song (林松)

Independent Director

Mr Lin Song (林松) is our Independent Director and was appointed on 11 November 2009. Lin Song is currently a partner and co-head of International China Practice with KhattarWong, a firm of advocates and solicitors. Before joining KhattarWong in 2004, he was a foreign lawyer at Stamford Law Corporation. Between 2002 and 2004, he was a senior officer at International Enterprise Singapore (formerly the Trade Development Board of Singapore), where he assisted Singapore companies or multinational companies based in Singapore in venturing into the PRC market. From mid-2000 till last quarter of 2001, Lin Song was taking a Masters of Business Administration course at the Nanyang Technological University. From 1997 to 2000, he was with King Fortune International Trade Co. Ltd, a company in Xiamen, PRC, as an assistant general manager. Lin Song graduated from Xiamen University in 1995 with a Bachelor of Law. He also holds a Master of Business Administration from Nanyang Technological University and is a Chartered Financial Analyst.

Senior Management

Goh Cze Khiang (吴芝强)

Financial Controller

Mr Goh Cze Khiang (吴芝强) was appointed as our Financial Controller in February 2008 and is overall in charge of the financial matters of our Group including overseeing our Group's financial reporting, compliance with post-listing obligations, and company secretarial matters. Goh Cze Khiang has been a Certified Chartered Accountant (FCCA) and a Chartered Accountant since 1998 and 1999, respectively. He has also been a Certified Financial Planner since 2001. At the beginning of 1996, he joined Jardine OneSolution (2001) Sdn Bhd as its southern region manager and was responsible for the entire operations. Since the beginning of 2005, Goh Cze Khiang provided freelance consultancy services through 2 consulting companies, namely Asia Professional Advisory Sdn Bhd and E.D.S. Management Sdn Bhd. In May 2006, he was appointed as financial controller of China Bearing (Singapore) Pte Ltd (now known as China Bearing (Singapore) Ltd), a company listed on the SGX-ST. He left China Bearing (Singapore) Ltd in 2007 and was appointed as non-executive director and freelance consultant for Strategic Advisory & Management Sdn Bhd and Strategic Tax Advisory Services Sdn Bhd, respectively.

Huang Yongwen (黄永文)

Chief Technical Officer

Mr Huang Yongwen (黄永文) is currently the Chief Technical Officer and is in charge of the production technology and quality control of our Group. He has more than 30 years of experience in the production and quality control of canned products. In 1974, he joined Guangxi Yulin Canned Foods Production Factory, where he remained until 2000 and last held the position of vice general manager (production). In 2000, he joined Guangxi Yizhou Oriental Canned Foods Production Factory as vice general manager (production and technology). In 2002, he joined Guangxi Nanning City International Economic Cooperation Company where he was in charge of production supervision. In 2003, he joined Yunnan Pingbian County Hongfa Food Production Co., Ltd. as the general manager (production). In 2005, he joined Sichuan Grandness as Chief Technical Officer. He was selected and included into "Dictionary of Contemporary Chinese Scientists and Inventors" in June 1998 and into "Dictionary of Contemporary Chinese Technology Experts" in March 2001. He was appointed by China Academy of Management Science as a researcher in November 2000. He is currently a member of Guangxi Provincial Academy of Fermented Food.

Sun Yong (孙永)

Vice-President (Production)

Mr Sun Yong (孙永) is currently our Vice-President (Production) who is in charge of the production for our Group. He graduated from Beijing Normal University in 1999 after reading interior design there. In 1988, he joined Rongcheng City Glass Factory where he was employed as a sales personnel and was subsequently promoted to the position of business manager. In 1997, he joined Shandong Huapeng Glass Co., Ltd. as its sales manager. In 2002, he joined Huapeng Glass (Heze) Co., Ltd. where he held the position of sales manager. In 2006, he joined our Group as an assistant to the CEO.

Corporate Information

BOARD OF DIRECTORS

Huang Yupeng (Chairman and CEO)
Huang Yushan (Executive Director)
Xu Xihua (Executive Director)
Zhang Gongjun (Non-Executive Director)
Soh Beng Keng (Lead Independent Director)
Lin Song (Independent Director)

AUDIT COMMITTEE

Soh Beng Keng (Chairman)
Lin Song
Zhang Gongjun

NOMINATING COMMITTEE

Lin Song (Chairman)
Soh Beng Keng
Zhang Gongjun

REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)
Lin Song
Zhang Gongjun

JOINT COMPANY SECRETARIES

Wong Chee Meng Lawrence (LLB) (Hons)
Chew Kok Liang (LLB) (Hons)

REGISTERED OFFICE

80 Raffles Place
#25-01, UOB Plaza 1
Singapore 048624

COMPANY REGISTRATION NO.

200706801H

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street #11-00
PWC Building
Singapore 048424

AUDITORS AND REPORTING AUDITORS

Foo Kon Tan Grant Thornton LLP
47 Hill Street, #05-01
Singapore Chinese Chamber of Commerce
& Industry Building
Singapore 179365

Partner-in-charge: Yeo Boon Chye
(appointed since financial year ended 2007)
*a member of the Institute of Certified Public
Accountants of Singapore*

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

Shenzhen Ping An Bank Co., Ltd.
Shenzhen Jingtian Branch
1st Floor, Juhao Garden Juyou Tower
18 Jingtian Road, Futian District
Shenzhen City
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 "Board") recognises the importance of and is strongly committed to high standards of corporate governance to protect shareholders' interests, enhance shareholders' value and corporate transparency. This report describes the Company's Corporate Governance policies and practices with specific reference made to each of the principles of the Code of Corporate Governance 2005 (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 half yearly 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 directions, oversees management effectiveness and ensures proper conduct of the Company's business;
- provides the overall strategy of the Group;
- ensures that policies and processes are in place for evaluating the adequacy of internal controls financial reporting, financial performance, risk management and compliance; and
- assumes responsibility of corporate governance framework 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. Each Board committee has its own defined terms of reference and operating procedures.

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

As at the date of this report, the number of Board and Board committee meetings held and attended by each Board member for the financial year ended 31 December 2009 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	2	2	2*	2*	2*	2*	2*	2*
Huang Yushan	2	2	1*	1*	1*	1*	1*	1*
Xu Xihua	2	2	1*	1*	1*	1*	1*	1*
Zhang Gongjun	2	2	2	2	2	2	2	2
Soh Beng Keng	2	2	2	2	2	2	2	2
Lin Song	2	2	2	2	2	2	2	2

* By invitation

The Company's Articles of Association provide for the Directors to participate in Board and Board Committee meetings by means of telephone conference or in such manner as the Board may determine.

The Board has 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. As part of providing updates on the regulatory requirements to the Directors, appropriate seminars and conferences conducted by Singapore Institute of Directors and Singapore Securities Exchange Trading Limited ("SGX-ST") were attended by some of the Directors.

Principle 2 : Board Composition and Balance

The Board of Directors consists of six members, half of whom are non-executive, including two who are Independent Directors.

Corporate Governance Report

Executive Directors

Huang Yupeng (Chairman and Chief Executive Officer)
Huang Yushan
Xu Xihua

Non-Executive Director

Zhang Gongjun

Independent Directors

Soh Beng Keng
Lin Song

The Board considers an "Independent Director" as one who has no relationship with the Company, its related corporations 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 2.1 in the Code and the Guidebook for Audit Committees in Singapore issued by Audit Committee Guidance Committee, requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code. The Nominating Committee has reviewed the forms completed by each Director and is satisfied that one-third of the Board comprises Independent Directors.

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.

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 day-to-day 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 ensures that the Board receives accurate, timely and clear information; board meetings are held as and when necessary; and set the Board's meeting agendas. He ensures that effective communication is maintained with the shareholders.

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.

To strengthen corporate governance, 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 which contact through the normal channels of the Chairman, CEO, Executive Directors or Financial Controller ("FC") has failed to resolve or for which such contact is inappropriate.

Principle 4: Board Membership

The Nominating Committee ("NC") comprises two Independent Directors and a Non-Executive Director. The members of the NC are:

Lin Song (Chairman)
Soh Beng Keng
Zhang Gongjun

The NC is governed by its written terms of reference. In accordance with the definition in the Code, the Chairman of the NC is not directly associated with a substantial shareholder of the Company. The NC makes recommendation to the Board on all nominations for appointment and re-appointment to the Board, and the Board committees. 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 for Audit Committees in Singapore issued by Audit Committee Guidance Committee and any other salient factors.

Corporate Governance Report

Following its annual review, the NC has affirmed the independence of Lin Song and Soh Beng Keng. The NC, in recommending the nomination of any director for a re-election, considers the contribution of the director, which includes his attendance record, overall participation, expertise, strategic vision, business judgment and sense of accountability.

The NC ensures that the Board and its Board committee 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 management to ensure there is an equitable distribution of responsibilities among the directors.

In the nomination and selection process, the NC reviews the composition of the Board, including 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.

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 board representations, and there is presently no need to implement internal guidelines to address the competing time commitments.

Pursuant to the Company's Articles of Association, 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. Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a director.

The NC has reviewed and recommended the re-election of Huang Yupeng, Xu Xihua, Soh Beng Keng and Lin Song who are retiring at the forthcoming Annual General Meeting to be held on 27 April 2010 (the "forthcoming AGM"). The Board has accepted the recommendations and the retiring directors will be offering themselves for re-election.

Key information regarding the Directors are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	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	Not Applicable	Nil	Nil
Huang Yushan	29 August 2008	Not Applicable	Nil	Nil
Xi Xihua	29 August 2008	Not Applicable	Nil	Nil
Zhang Gongjun	29 August 2008	Not Applicable	Nil	Nil
Soh Beng Keng	11 November 2009	Not Applicable	<u>Listed Companies</u> 1. China Haida Ltd. 2. ISDN Holdings Limited 3. Ziwo Holdings Ltd.	Nil
Lin Song	11 November 2009	Not Applicable	<u>Listed Companies</u> 1. China Environment Ltd.	<u>Listed Companies</u> 1. Zhonghui Holdings Ltd

Note: The academic and professional qualifications of the members of the Board are set on pages 18 to 19 of the Annual Report. The Directors' interests in shares are as disclosed on page 31 in paragraph 3 of the Report of the Directors.

Principle 5: Board Performance

With the approval of the Board, the NC had established the evaluation procedures for the assessment of the effectiveness and performance of the Board as a whole. The NC has decided unanimously, that the Directors will not be evaluated individually but factors taken into consideration for their re-nomination are the extent of their attendance, participation and contribution in the proceedings of the meetings.

The NC has decided that a Board evaluation should be done for the year ending 31 December 2010 after taking consideration that this is the first year of operation of the Company since being admitted to the Official List of the SGX-ST.

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.

Corporate Governance Report

Principle 6: Access to Information

To enable the Board to fulfil its responsibility, the Board is provided with management reports containing complete, adequate and timely information prior to Board meetings and on an on-going basis. The Directors are given separate and independent access to the Group's senior management and the Company Secretaries to address any enquiries.

The Company Secretaries or their representatives attend Board and Board Committees meetings and are responsible for ensuring that proper Board procedures at such meetings are followed. Together with the Management, they are responsible for ensuring that the Company complies with the requirements of the Singapore Companies Act, the Listing Manual of the SGX-ST and other rules and regulations that are applicable to the Company. The Directors may seek 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 two Independent Directors and a Non-Executive Director. The members of the RC are:

Soh Beng Keng (Chairman)
Lin Song
Zhang Gongjun

The RC is governed by its written terms of reference. The RC will review the framework of remuneration for the Directors and key executive officers, and determine specific remuneration packages for the CEO, each Executive Director and FC. The recommendations of the RC is made in consultation with the Chairman and submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options 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 remuneration package.

The RC is also empowered to review human resource management policies and the policies governing the compensation of executive officers of the Group. The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises.

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 Annual General Meeting ("AGM").

The RC has full authority to engage any external professional advice 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.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Company will take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Group's relative performance and the performance of individual Directors.

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 performances.

The Company entered into a Service Agreement with our Chairman and CEO, Huang Yupeng. The Service Agreement is for an initial period of three years commencing from the date of admission of the Company to the Official List of the SGX-ST. These agreements currently provide for performance-related elements of remuneration. The Service Agreement is renewable automatically for a further period of 3 years unless terminated by either party by not less than six months' notice in writing.

The remuneration of Non-Executive Directors will be appropriate to the level of contribution, taking into account factors such as effort and time spent in the fulfillment of their duties, as well as the responsibilities of the Non-Executive Directors.

Corporate Governance Report

Principle 9: Disclosure of Remuneration

Company's Directors and key executive officers receiving remuneration from the Group for the financial year ended 31 December 2009 are as follows:

Remuneration Band	Number of Directors	
	2009	2008
Executive Directors		
S\$250,000 to below S\$500,000	1	–
Below S\$250,000	2	3
Total	3	3
Key Executive Officers		
Below S\$250,000	5	3
Total	5	3

A breakdown of each individual Director's and key executive officers' remuneration, in percentage terms showing the level and mix for the financial year ended 31 December 2009, is as follows:

	Fees %	Salary %	Bonus %	Others %	Total %
Directors					
S\$250,000 to S\$500,000					
Huang Yupeng		90	10		100
Zhang Gongjun	3			97	100
Below S\$250,000					
Huang Yushan		100			100
Xu Xihua		100			100
Soh Beng Keng	100				100
Lin Song	100				100
Key Executive Officers					
Below S\$250,000					
Goh Cze Khiang		92	8		100
Huang Yongwen		100			100
Zhu Jun		100			100
Sun Yong		100			100
Sun Enxiao		100			100

There is no employee of the Group who is an immediate family member of a Director or substantial shareholder whose remuneration exceeds S\$150,000 for the financial year ended 31 December 2009.

The RC has reviewed and approved the remuneration packages of the Directors and key executives, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Directors 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 half-yearly announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management currently provides the Board with relevant information on the Group's performance, financial position and prospects on a regular basis.

Corporate Governance Report

Principle 11: Audit Committee

The Audit Committee ("AC") comprises two Independent Directors and a Non-Executive Director. The members of the AC are:

Soh Beng Keng (Chairman)
Lin Song
Zhang Gongjun

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

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

In October 2008, the Audit Committee Guidance Committee issued the Guidebook for Audit Committees in Singapore. The Guidebook was distributed to all members of the AC and the Board. In addition, the terms of reference of the AC, where appropriate, adopts relevant best practices set out in the Guidebook, which will be 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 two times a year to perform, inter alia, the following functions:

(a) Financial Reporting

The AC reviews the half-year 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; to review the independence of the external auditors annually; and to recommend 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) Interested Person Transactions

The AC regularly reviews if the Group will be entering into any interested person transactions 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.

(e) Whistle-blowing

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

The AC has undertaken a review of the independence and objectivity of the external auditors. The AC is satisfied that the external auditors is independent and has recommended to the Board of Directors, the nomination of the external auditors for re-appointment at the forthcoming AGM.

Corporate Governance Report

The AC has met with the external auditors without the presence of Management for the financial year ended 31 December 2009.

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.

As of to-date, there were no reports received through the whistle-blowing mechanism.

The AC has reviewed all Interested Person Transactions during the financial year ended 31 December 2009 and is of the opinion that Chapter 9 of the Listing Manual of the SGX-ST has been complied with.

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

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 12: Internal Controls

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a management structure with defined roles and responsibilities, reporting lines of business and support functions, and delegation of functions to safeguard shareholders' interest and the Group's assets, and to manage risks. The Board recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

The AC will ensure that a review of the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

Principle 13: Internal Audit

The Group intends to outsource the performance of the internal audit function to an internal audit firm for the financial year ending 31 December 2010. Once the function is outsourced, the Internal Auditors' primary line of reporting would be to the Chairman of the AC.

To ensure the adequacy of the internal audit function, the AC will review and approve the internal audit plan on an annual basis. The AC will 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 AC, on an annual basis, will assess the effectiveness of the Internal Audit by examining the scope of the Internal Audit work and its independence, the internal auditor's reports and its relationship with the external auditors.

Principle 14: Communication with Shareholders

In line with the continuous disclosure obligations of the Group, the Company is committed and engaged 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) its first annual report since its admission to the Official List of the SGX-ST;
- (ii) half yearly results announcements;
- (iii) press releases; and
- (iv) 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

Principle 15: Greater Shareholders Participation

The shareholders are encouraged to attend the Company's AGM and Extraordinary General Meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. The chairpersons and/or members of the Board, AC, NC and RC and the external auditors are normally available at the forthcoming AGM to address any relevant queries from the shareholders.

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.

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.

DEALING IN SECURITIES

The Company is guided by Rule 1207(18) of the Listing Manual of the SGX-ST in relation to the dealings in the securities of the Company to its directors and Management. The Company and its officers are not allowed to deal in the Company's shares (i) during the periods commencing one month before the announcement of the Company's half year and full year financial results, 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, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

MATERIAL CONTRACTS

Other than that disclosed in the financial statements, the Company or any of its subsidiary companies 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 2009.

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 75 to 78.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Company has, in its terms of reference of the AC, set out procedures for review and approval of Company's IPTs. 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.

Corporate Governance Report

UPDATE ON THE USE OF IPO PROCEEDS

As announced via SGXNET on 24 February 2010, the Board of Directors of the Company had provided an update as at 24 February 2010 on the use of net proceeds from the IPO of approximately S\$16.9 million as set out below: -

Use of net proceeds	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Expand our production and storage capacity:-			
1. Shanxi Grandness – purchase machinery and equipment and upgrade existing production facilities	1,400	1,400	–
2. Shanxian Grandness – Construct a second production plant and purchase machinery and equipment	2,000	2,000	–
3. Sichuan Grandness – Construct an office building and additional warehouse	1,000	1,000	–
Expand our sales and distribution network	1,200	–	1,200
Product development	400	–	400
Strategic acquisition and investments which might include the acquisition of the remaining equity interests in Sichuan Grandness and Yunnan Grandness	3,000	–	3,000
Working capital	7,900	–	–
Total	16,900	4,400	12,500

As at the date of this report, there is no further utilization of IPO proceeds since the aforesaid announcement on 24 February 2010. The Company will continue to provide periodic updates on the use of the balance of the IPO proceeds.

Directors' Report

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2009.

During the financial year, the Company changed its name from Sino Grandness Food Industry Group Pte. Ltd. to its current name.

Names of directors

The directors in office at the date of this report are:

Huang Yupeng
Huang Yushan
Xu Xihua
Zhang Gongjun
Soh Beng Keng
Lin Song

Arrangements to enable directors to acquire shares or debentures

Since the end of the previous financial year, neither the Company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares or debentures of the Company and its related corporations, except as follows:

	Shares registered in the name of director		Shares in which director is deemed to have an interest	
	As at 1.1.2009	As at 31.12.2009 and 21.1.2010	As at 1.1.2009	As at 31.12.2009 and 21.1.2010
<u>The Company - Sino Grandness Food Industry Group Limited</u>				
Huang Yupeng	350,771	117,448,280 ⁽¹⁾	–	–
Zhang Gongjun	–	–	–	4,151,000 ⁽²⁾

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Huang Yupeng is deemed to have an interest in all the subsidiaries of the Company.

- (1) The interests held by the director at end of year have been adjusted for the sub-division of the Company's share capital from 1 ordinary share into 300 ordinary shares on 11 November 2009.
- (2) Inkatha Group Limited is an investment holding company in the British Virgin Islands. It is wholly-owned by Zhang Gongjun, our Non-Executive Director. Zhang Gongjun is thus interested in the Shares held by Inkatha Group Limited.

Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50, except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 22(e) to the financial statements.

Directors' Report

Share options

No options were granted during the financial year to take up unissued shares of the Company or any subsidiary.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary.

There were no unissued shares under option at the end of the financial year.

Audit committee

The audit committee at the end of the financial year comprises the following members:

Soh Beng Keng (Chairman)
Lin Song
Zhang Gongjun

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

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

- (i) overall scope of external audits and the assistance given by the Company's officers to the auditor. It met with the Company's external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the half-yearly 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 2009 as well as the independent auditor's report thereon; and
- (iii) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The 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 Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The 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 Grant Thornton LLP be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent auditor

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

Directors' Report

Other information required by the SGX-ST

Material information

Apart from the Service Agreement between the Chief Executive Officer and the Company, there are no material contract to which the Company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There were no interested person transactions as defined in Chapter 9 of SGX-ST Manual conducted during the financial year.

On behalf of the Directors

HUANG YUPENG

ZHANG GONGJUN

Dated: 8 March 2010

Statement by Directors

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date and 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.

On behalf of the Directors

HUANG YUPENG

ZHANG GONGJUN

Dated: 8 March 2010

Independent Auditor's Report

to the Members of Sino Grandness Food Industry Group Limited

We have audited the accompanying financial statements of Sino Grandness Food Industry Group Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2009, the consolidated statement of 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) 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 profit and loss account and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial statements 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:

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) 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 Grant Thornton LLP
Public Accountants and
Certified Public Accountants

Singapore, 8 March 2010

Statements of Financial Position

for the year ended 31 December 2009

	Note	The Company		The Group	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
		RMB	RMB	RMB	RMB
ASSETS					
Non-Current					
Property, plant and equipment	5	7,099	9,028	160,658,333	100,885,542
Subsidiy	6	–	–	670,038	804,054
Subsidiaries	7	1,847,996	1,847,996	–	–
Amount owing by subsidiaries	8	58,998,449	37,974,937	–	–
Deferred tax asset	9	–	–	592,000	–
		60,853,544	39,831,961	161,920,371	101,689,596
Current					
Inventories	10	–	–	30,804,058	46,543,777
Trade and other receivables	11	11,034	–	185,680,335	89,234,185
Prepayments	12	–	1,015,552	27,006	10,009,345
Cash and cash equivalents	13	61,880,744	96,296	146,537,548	15,652,499
		61,891,778	1,111,848	363,048,947	161,439,806
Total assets		122,745,322	40,943,809	524,969,318	263,129,402
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	133,652,464	1,848,006	133,652,464	1,848,006
(Accumulated losses)/retained profits		(14,794,026)	(591,906)	151,983,114	92,357,482
Other reserves	15	–	–	(8,891,173)	(15,420,403)
		118,858,438	1,256,100	276,744,405	78,785,085
Minority interests		–	–	6,022,032	5,943,407
		118,858,438	1,256,100	282,766,437	84,728,492
Liabilities					
Non-Current					
Bank borrowings	16	–	–	40,000,000	–
Amount owing to the then shareholders	17	2,048,524	16,505	45,477,003	43,444,984
Deferred tax liability	9	669,000	–	669,000	–
		2,717,524	16,505	86,146,003	43,444,984
Current					
Trade and other payables	18	1,169,360	984,256	69,541,416	57,104,116
Note payables	19	–	–	42,050,000	1,950,000
Non-interest bearing loans	20	–	38,237,900	–	38,237,900
Current tax payable		–	–	9,066,981	5,924,770
Bank borrowings	15	–	–	34,730,000	31,000,000
Amount owing to a subsidiary	8	–	449,048	–	–
Amount owing to related parties	21	–	–	668,481	739,140
		1,169,360	39,671,204	156,056,878	134,955,926
Total equity and liabilities		122,745,322	40,943,809	524,969,318	263,129,402

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB	Year ended 31 December 2008 RMB
Revenue	4	450,596,535	330,268,779
Cost of sales		(305,408,698)	(236,083,298)
Gross profit		145,187,837	94,185,481
Other operating income	22(a)	2,532,595	3,592,090
Distribution costs	22(b)	(23,018,751)	(17,849,484)
Administrative expenses	22(c)	(33,961,751)	(11,609,919)
Other operating expenses		(831,512)	–
Finance costs	22(d)	(3,293,860)	(2,291,832)
Profit before taxation	23	86,614,558	66,026,336
Taxation	24	(20,381,071)	(13,305,961)
Profit for the year		66,233,487	52,720,375
Other comprehensive income	25	–	–
Total comprehensive income		66,233,487	52,720,375
Attributable to :			
Equity holders of the parent		66,154,862	55,015,932
Minority interests		78,625	(2,295,557)
		66,233,487	52,720,375
		Cents	Cents
Earnings per share :	26		
- Basic		36.1	30.0
- Diluted		36.1	30.0

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 2009

	Share capital	Retained profits	Merger reserve	Statutory common reserve	Total attributable to equity holders of the parent	Minority interests	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January 2009	1,848,006	43,294,775	(31,413,600)	10,039,972	23,769,153	8,238,964	32,008,117
Total comprehensive income for the year	–	55,015,932	–	–	55,015,932	(2,295,557)	52,720,375
Transfer to statutory reserve	–	(5,953,225)	–	5,953,225	–	–	–
Balance as at 31 December 2008	1,848,006	92,357,482	(31,413,600)	15,993,197	78,785,085	5,943,407	84,728,492
Total comprehensive income for the year	–	66,154,862	–	–	66,154,862	78,625	66,233,487
Issue of shares	139,107,616	–	–	–	139,107,616	–	139,107,616
Share issue costs	(7,303,158)	–	–	–	(7,303,158)	–	(7,303,158)
Transfer to statutory reserve	–	(6,529,230)	–	6,529,230	–	–	–
Balance as at 31 December 2009	133,652,464	151,983,114	(31,413,600)	22,522,427	276,744,405	6,022,032	282,766,437

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 2009

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
Cash Flows from Operating Activities		
Profit before taxation	86,614,558	66,026,336
Adjustments for:		
Depreciation of property, plant and equipment	5,453,437	3,882,142
Amortisation of subsidy	134,016	134,016
Loss on disposal of property, plant and equipment	11,917	–
Property, plant and equipment written off	–	44,822
Exchange difference on translation	–	(1,940,940)
Interest expense	3,293,860	2,291,832
Interest income	(82,982)	(326,305)
Operating cash flows before working capital changes	95,424,806	70,111,903
(Increase)/decrease in deposits pledged with banks	(40,100,000)	9,650,000
Decrease/(Increase) in inventories	15,739,719	(18,430,374)
(Increase)/decrease in operating receivables	(84,900,277)	17,662,064
Increase/(decrease) in operating payables	50,306,397	(7,750,744)
Cash generated from operations	36,470,645	71,242,849
Income tax paid	(17,161,860)	(18,823,174)
Interest paid	(3,293,860)	(2,291,832)
Net cash generated from operating activities	16,014,925	50,127,843
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(65,291,517)	(59,877,218)
Proceeds from disposal of property, plant and equipment	53,372	–
Proceeds from disposal of long-term investment (Note A)	–	50,000
Interest received	82,982	326,305
Net cash used in investing activities	(65,155,163)	(59,500,913)
Cash Flows from Financing Activities		
Proceeds from share issue	99,784,336	–
Share issue costs	(7,303,158)	–
Bank loans obtained	74,730,000	24,000,000
Bank loans repaid	(31,000,000)	(15,624,493)
Amount owing to related parties	(70,658)	78,079
Amount owing by:		
- third parties	(1,563,534)	3,471,812
Amount owing to:		
- the then shareholders	2,032,019	(5,465,850)
- third parties	3,316,282	67,663
Net cash generated from financing activities	139,925,287	6,527,211
Net increase/(decrease) in cash and cash equivalents	90,785,049	(2,845,859)
Cash and cash equivalents at beginning of year	13,702,499	16,548,358
Cash and cash equivalents at end of year (Note 13)	104,487,548	13,702,499

Note A

This investment relates to funds placed with a financial institution (城关信用社) in 2007.

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 2009

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company was incorporated in the Republic of Singapore on 20 April 2007 as a limited private 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 registered office is located at 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624.

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 Restructuring Exercise

The Group was formed as a result of a restructuring exercise ("Restructuring Exercise") undertaken with the intention of the Company's listing on the SGX-ST. The Restructuring Exercise involved the following:

(a) Incorporation of the Company

The Company was incorporated in Singapore on 20 April 2007 as an investment holding company of the Group with an initial paid-up capital of S\$2.00 comprising 2 ordinary shares allotted and issued to Huang Yupeng.

(b) Acquisition of Shanxi Yongji Huaxin Food Co., Ltd ("Shanxi Grandness") by Grandness (HK) Industry Co., Limited ("Hong Kong Grandness")

On 23 May 2007, Hong Kong Grandness acquired 75% of the registered capital of Shanxi Grandness from Shenzhen Grandness Industry Groups Co., Ltd. ("Shenzhen Grandness") for a cash consideration of RMB9.0 million. The acquisition consideration was determined based on 75% of the registered capital of Shanxi Grandness then. This resulted in Shanxi Grandness becoming a wholly-owned subsidiary of Hong Kong Grandness.

(c) Acquisition of Hong Kong Grandness by the Company

On 25 July 2007, the Company acquired 95% of the issued and paid-up shares in the capital of Hong Kong Grandness from Huang Yupeng and the remaining 5% from Huang Zhoupeng, for a consideration of S\$350,769 and S\$18,461, respectively. The aggregated acquisition consideration of S\$369,230 was determined based on the unaudited consolidated NTA of Hong Kong Grandness as at 31 May 2007, and was satisfied by the issuance of an aggregate of 369,230 Shares at S\$1.00 each to Huang Yupeng and Huang Zhoupeng, with 350,769 Shares to Huang Yupeng and 18,461 Shares to Huang Zhoupeng.

(d) Disposal of a subsidiary, Shenzhen Yaxinda Import Export Co., Ltd. (深圳雅鑫达进出口有限公司) ("Shenzhen Yaxinda"), by Shenzhen Grandness

On 12 September 2007, Shenzhen Grandness and Zong Liping (Huang Yupeng's wife) disposed of 90% and 10%, respectively, of the total registered capital of Shenzhen Yaxinda to Lin Junjin (林俊金), in trust for Huang Yupeng, for a cash consideration of RMB3.0 million. The disposal consideration was determined based on the amount of the contributed registered capital of Shenzhen Yaxinda then. The principal activities of Shenzhen Yaxinda were dealing in technical development of electronic products and system integration, local (PRC) trading, import and export trading.

Notes to the Financial Statements

for the year ended 31 December 2009

2 Restructuring Exercise (cont'd)

(e) Acquisition of Shenzhen Grandness by Shanxi Grandness

On 14 September 2007, Shanxi Grandness acquired 90% of the registered capital in Shenzhen Grandness from Huang Yupeng and the remaining 10% of the registered capital from Huang Zhoupeng, for an aggregate cash consideration of RMB74,413,600.

The fair value of the acquisition of Shenzhen Grandness was arrived at based on the net asset value as at 30 June 2007, determined in accordance with the PRC accounting principles and relevant financial regulations.

The fair value of assets acquired of and liabilities assumed were as follows:

	RMB'000
Net assets acquired	
Property, plant and equipment	5,132
Investment in subsidiaries	15,960
Inventories	98
Trade and other receivables	92,547
Cash and cash equivalents	4,544
Trade and other payables	(9,567)
Borrowings	(34,300)
	<u>74,414</u>

The difference between the purchase consideration and the carrying value of the share capital acquired in Shenzhen Grandness was accounted as a merger reserve. The resultant reserve was a deficit of RMB 31,414,000 [Note 15].

(f) Acquisition of Grandness (Shanxian) Food Co., Ltd. ("Shanxian Grandness") by Shenzhen Grandness

On 12 December 2007, Shenzhen Grandness acquired 25% of the registered capital in Shanxian Grandness from Huang Yupeng for nil consideration.

3(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"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated financial statements of the Group for the financial year were prepared in a manner similar to the "pooling of interest" method under the Restructuring Exercise. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established and the conversion of non-interest bearing convertible loans into equity from the Pre-IPO investors, other than two subsidiaries, Grandness (Sichuan) Foods Co., Ltd. and Yunnan Shizong Zhenhua Food Co., Ltd. which are accounted for under the acquisition method.

Significant accounting estimates and 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.

Notes to the Financial Statements

for the year ended 31 December 2009

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

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

Depreciation of property, plant and equipment

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 50 years except for land use rights which are depreciated over the period of the grant of originally 50 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2009 are RMB160,658,333. 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.

Taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax and deferred taxation. There are certain transactions and computations for which the ultimate tax determination is uncertain during the course of business. The Company and the Group recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. When 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, if any in the period in which such determination is made [See Note 24]. The extent of deferred taxation provided on the undistributed profits of the Company's PRC subsidiaries is disclosed in Note 9 to the financial statements.

Critical judgements 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(d), management had made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade 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 carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed [See Note 11].

Allowance for inventory obsolescence

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 realizable 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.

The carrying amounts of inventories at the financial position date are disclosed in Note 10 to the financial statements.

3(b) Interpretations and amendments to published standards effective in 2009

On 1 January 2009, the Company and the Group adopted the new or amended FRSs and Interpretations to FRSs ("INT 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 and INT FRSs.

Notes to the Financial Statements

for the year ended 31 December 2009

3(b) Interpretations and amendments to published standards effective in 2009 (cont'd)

The following are the new or amended FRSs and INT FRSs that are relevant to the Company and the Group:

FRS 1 (Revised)	Presentation of Financial Statements
FRS 2 (Revised)	Inventories
FRS 7 (Revised)	Cash Flow Statements
FRS 8 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 16 (Revised)	Property, Plant and Equipment
FRS 19 (Revised)	Employee Benefits
FRS 23 (Revised)	Borrowing Costs
FRS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to FRS 27 and FRS 101	Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 33 (Revised)	Earnings per Share
FRS 34 (Revised)	Interim Financial Reporting
FRS 36 (Revised)	Impairment of Assets
Amendments to FRS 39 and FRS 107	Amendments relating to Reclassification of Financial Assets
Amendments to FRS 107	Amendments relating to Improving Disclosures about Financial Instruments
FRS 108	Operating Segments
Improvements to FRSs 2008	

The Company and the Group has adopted all the new and amended FRSs and INT FRSs that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The adoption of these new/revised FRSs and INT FRSs did not result in substantial changes to the Company's and the Group's accounting policies nor any significant impact on these financial statements except for the following:

FRS 1 (Revised) Presentation of Financial Statements

The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income. Components of comprehensive income are presented in the primary statement of comprehensive income, comprising profit or loss for the year and other comprehensive income.

The "balance sheets" and "cash flow statement" have been re-titled to "statements of financial position" and "statement of cash flows" respectively.

FRS 108 Operating Segments

The Group has adopted FRS 108 with effect from its annual period beginning on 1 January 2009 and FRS 14 – Segment Reporting will be superseded thereafter. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As the Group has one principal line of business, this new Standard is a disclosure Standard and would not result in a change in reportable segment arising from the need to do a redesignation of the Group's reportable segments.

Notes to the Financial Statements

for the year ended 31 December 2009

3(c) FRS and INT FRS issued but not yet effective 尚未实行会计政策

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's and the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Company and the Group has not early adopted. The following FRS and INT FRS that are applicable to the company are set out below:

		Effective date (Annual periods beginning on or after)
FRS 24 (Revised)	Related Party Disclosures	1.1.2011
FRS 27 (Revised)	Consolidated and Separate Financial Statements	1.7.2009
FRS 103 (Revised)	Business Combinations	1.7.2009
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1.7.2010
Improvements to FRSs 2009		22.6.2009

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the other FRSs, INT FRSs and amendments to FRSs that were issued but effective only in future periods will not have a material impact on the financial statements of the Company and the Group in the period of their initial adoption.

Subsidiaries and principles of consolidation

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in the income statement.

3(d) Summary of significant accounting policies

Common control business combination outside the scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The restructuring exercise described in Note 2(b) resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of FRS 103. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting year in which the common control combination occurs, and for any comparative years disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination.

Notes to the Financial Statements

for the year ended 31 December 2009

3(d) Summary of significant accounting policies (cont'd)

Common control business combination outside the scope of FRS 103 (cont'd)

The carrying amounts are included as if such consolidated financial statements had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated statement of financial position within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income statement.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of minority interests.

Details of its subsidiaries are given in Note 7.

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 utilising the straight-line method to write off the cost of the assets after deducting the residual value over the estimated useful lives as follows:

Factory and warehouse premises	20 to 40 years
Office units	50 years
Renovation	3 to 5 years
Plant and machinery	10 years
Motor vehicles	10 years
Office equipment	5 to 10 years

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

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each financial position date. The useful life and depreciation method are reviewed at each financial year-end 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.

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.

Notes to the Financial Statements

for the year ended 31 December 2009

3(d) Summary of significant accounting policies (cont'd)

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

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

Land use rights are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of land use rights, using the straight-line method, over the period of 50 years.

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 statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Financial assets

Financial assets include cash and financial instruments. 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 investments 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 Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each financial position date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Other than loans and receivables, the Group does not designate any financial assets at fair value through profit or loss, held-to-maturity investment or available-for-sale.

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 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 financial position date. These are classified as non-current assets, if any.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less provision for impairment, if any. Any change in their value is recognised in the consolidated income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the consolidated income statement.

Receivables are provided against when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

Loans and receivables include trade and other receivables, related party balances and deposits held in banks.

Notes to the Financial Statements

for the year ended 31 December 2009

3(d) Summary of significant accounting policies (cont'd)

Inventories

Inventories are carried 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 inventories, 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.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

Financial liabilities

The Group's financial liabilities include borrowings, provisions, trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the consolidated income statement. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Gains and losses are recognised in the consolidated income statement 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 consolidated income statement 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 financial position date are included in current borrowings in the statement 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 financial position date. 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 financial position date are included in non-current borrowings in the statement of financial position.

Trade and other payables 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 payable.

Share capital

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

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained 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.

Notes to the Financial Statements

for the year ended 31 December 2009

3(d) Summary of significant accounting policies (cont'd)

Financial guarantees

The Group has issued corporate guarantees to banks for bank borrowings of related companies. These guarantees are financial guarantee contracts as they require the Group to reimburse the banks if the related company fails to make principal or interest payments when due in accordance with the terms of its borrowings.

Financial guarantee contracts, if any, are initially recognised at their fair value plus transaction costs.

Financial guarantee contracts are subsequently amortised to the consolidated income statement over the period of the related company's borrowings, unless the Group has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

Borrowing costs

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

Provisions

Provisions are recognised when the Company and the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The management review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, if any, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision is due to the passage of time is recognised as finance costs.

Operating leases

Rentals on operating leases are charged to the consolidated income statement 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 consolidated income statement when incurred.

Income taxes

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

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

Deferred income tax is measured:

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

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

Notes to the Financial Statements

for the year ended 31 December 2009

3(d) Summary of significant accounting policies (cont'd)

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 it has 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, which applies to the majority of the employees. The contributions to national pension schemes are charged to the consolidated income statement in the period 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.

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

Related parties are entities with one or more common direct/indirect shareholders and/or directors and in which one party has the ability to control or exercise significant influence over the other party in financial and operating decision making.

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 each financial position date 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 assets belong will be identified.

For the purpose 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.

All 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, if any, 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.

An impairment loss is charged to the consolidated income statement.

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

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

A reversal of an impairment loss is credited as income in the consolidated income statement.

Notes to the Financial Statements

for the year ended 31 December 2009

3(d) Summary of significant accounting policies (cont'd)

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 fruits 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 is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognized as a reduction of rental income over the lease term on a straight-line basis.

Functional currency

Items included in the consolidated financial statements of the Company and the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company and the Group ("the functional currency"). The consolidated financial statements of the Company and the Group are presented in RMB, which is also the functional currency of the Company and the Group.

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 financial position date are recognised in the consolidated income statement.

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.

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, 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 30.

Operating segments

For the financial year presented, the Group has one operating segment, which is the manufacturing and sale of canned vegetables and fruits. The Group's manufacturing activities operate predominantly in the PRC.

For management purposes, operating segments are organised based on their product lines 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.

Information for geographical segment revenue is based on where the customers are located.

Notes to the Financial Statements

for the year ended 31 December 2009

4 Revenue

The Group	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
Sale of		
- canned asparagus	183,162,136	149,262,238
- canned long beans	67,890,127	80,234,731
- canned mushrooms	108,637,787	55,073,434
- beverage	51,849,138	12,444
- others	39,057,347	45,685,932
	450,596,535	330,268,779

5 Property, plant and equipment

The Company	Office equipment RMB
Cost	
At 1 January 2007 and 31 December 2007	-
Additions	10,154
At 31 December 2008	10,154
Additions	-
At 31 December 2009	10,154
Accumulated depreciation	
At 1 January 2007 and 31 December 2007	-
Depreciation for the year	1,126
At 31 December 2008	1,126
Depreciation for the year	1,929
At 31 December 2009	3,055
Net book value	
At 31 December 2009	7,099
At 31 December 2008	9,028

Notes to the Financial Statements

for the year ended 31 December 2009

5 Property, plant and equipment (cont'd)

The Group	Factory and warehouse premises RMB	Land use rights RMB	Office units RMB	Renovation RMB	Plant and machinery RMB	Motor vehicles RMB	Office equipment RMB	Construction- in-progress RMB	Total RMB
Cost									
At 1 January 2008	20,923,594	9,677,750	2,728,907	2,995,811	8,536,122	3,267,460	679,607	2,601,848	51,411,099
Additions	1,140,196	6,543,901	-	28,310	3,034,957	6,420	389,301	48,734,133	59,877,218
Disposals	(40,068)	-	-	-	(7,880)	(4,881)	(9,770)	-	(62,599)
Reclassifications	34,457,917	-	-	-	1,046,299	27,000	173,514	(35,704,730)	-
At 31 December 2008	56,481,639	16,221,651	2,728,907	3,024,121	12,609,498	3,295,999	1,232,652	15,631,251	111,225,718
Additions	299,672	40	-	59,222	25,574,230	124,022	76,053	39,158,278	65,291,517
Disposals	-	-	-	-	(80,007)	(7,949)	(3,485)	-	(91,441)
Reclassifications	5,858,000	-	-	-	-	-	-	(5,858,000)	-
At 31 December 2009	62,639,311	16,221,691	2,728,907	3,083,343	38,103,721	3,412,072	1,305,220	48,931,529	176,425,794
Accumulated depreciation									
At 1 January 2008	1,342,499	339,293	116,660	1,633,336	1,610,500	1,196,314	237,209	-	6,475,811
Depreciation for the year	1,601,136	234,185	51,850	470,043	901,891	467,665	155,372	-	3,882,142
Disposals	(1,964)	-	-	-	(4,677)	(4,394)	(6,742)	-	(17,777)
Reclassifications	(583)	-	-	-	(65,303)	2,835	63,051	-	-
At 31 December 2008	2,941,088	573,478	168,510	2,103,379	2,442,411	1,662,420	448,890	-	10,340,176
Depreciation for the year	2,434,780	323,081	51,850	480,512	1,500,241	462,781	200,192	-	5,453,437
Disposals	-	-	-	-	(16,977)	(6,977)	(2,198)	-	(26,152)
At 31 December 2009	5,375,868	896,559	220,360	2,583,891	3,925,675	2,118,224	646,884	-	15,767,461
Net book value									
At 31 December 2009	57,263,443	15,325,132	2,508,547	499,452	34,178,046	1,293,848	658,336	48,931,529	160,658,333
At 31 December 2008	53,540,551	15,648,173	2,560,397	920,742	10,167,087	1,633,579	783,762	15,631,251	100,885,542

(a) Depreciation is charged to:

The Group	Year ended 31 December 2009 RMB	Year ended 31 December 2008 RMB
Cost of sales	673,254	1,574,270
Distribution costs	590,093	415,436
Administrative expenses	4,190,090	1,892,436
	5,453,437	3,882,142

Notes to the Financial Statements

for the year ended 31 December 2009

5 Property, plant and equipment (cont'd)

(b) 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 People's Republic of China (邛崃市临邛镇邛新路侧)	50 years (expiring on 2 March 2055)	134,289.91
#2 Danfeng Town, Shizong County, Yunnan Province People's Republic of China (云南省师宗县单凤镇)	50 years (expiring on 9 April 2055)	66,366.30
#3 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)	50 years (expiring on 30 December 2057)	70,895.00

These land use rights are acquired from:

- #1 邛崃市人民政府;
- #2 师宗县人民政府; and
- #3 单县人民政府

(c) Factory and warehouse premises are located at:

The Group	Year ended 31 December 2009 RMB	Year ended 31 December 2008 RMB
<u>At cost</u>		
Factory and warehouse premises		
- #1 [Note 5(b)]	12,723,587	12,712,531
- #2 [Note 5(b)]	7,134,835	7,134,835
- #3 [Note 5(b)]	35,364,970	35,076,354
- *	7,415,919	1,557,919
	62,639,311	56,481,639

* relate to the following lands:

Location	Land area (sq m)	Ownership	Effective date	Expiry date
山西省永济市南郊粮库内	1,909.41	永济市粮食局	1 January 2008	31 December 2026
永济市蒲州镇	10,025.13	永济市蒲州镇西 文学村村民委员会	26 November 2008	20 November 2015

* The respective ownerships to the properties have the right to sub-lease the said factory and warehouse premises to a subsidiary, Shanxi Yongji Huaxin Food Co., Ltd.

Additional information on lease on factory and warehouse premises at Shanxi is further discussed in Note 28.

Notes to the Financial Statements

for the year ended 31 December 2009

5 Property, plant and equipment (cont'd)

(d) Office units comprise:

Location	Description	Built-in area (sq m)	Tenure
No. 3013 Yitian Road, Futian District Tower B Southern International Plaza, Shenzhen People's Republic of China (滨河路与益田路3013号南方国际广场B座深圳市福田区)	6 office units (Unit 2115-2120)	265.68	70 years commencing 29 April 2000

The title deeds to these office units which are registered in the name of a director of the Group, Huang Yupeng (黄育鹏) are held in trust for Shenzhen Grandness.

(e) As at the financial position date, property, plant and equipment of the Group which have been pledged to financial institutions to secure bank facilities are as follows:

The Group	Notes	Year ended 31 December 2009 RMB	Year ended 31 December 2008 RMB
<u>At cost</u>			
Factory and warehouse premises	16 (c)	7,134,835	7,134,835
Factory and warehouse premises	16 (b) and (d)	12,723,587	12,712,531
Factory and warehouse premises	16 (e)	35,364,970	–
Office units	16 (a) and (e)	2,728,907	2,728,907
Land use rights	16 (b) and (d)	4,028,700	4,028,700
Land use rights	16 (c)	3,757,250	3,757,250
		65,738,249	30,362,223
Net book value		60,051,777	28,000,969

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

	Estimated Date of completion
(i) the construction of the factory at 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);	30 September 2010
(ii) the 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); and	30 September 2010
(iii) The construction of the administration building and warehouse, at Qiongxin Road Side, Linqiong Town, Qionglai City (邛崃市临邛镇邛新路侧).	30 September 2010

Notes to the Financial Statements

for the year ended 31 December 2009

6 Subsidy

The Group	31 December 2009	31 December 2008
	RMB	RMB
Subsidy	1,236,102	1,236,102
Less: Amortisation		
Balance at beginning of year	432,048	298,032
Amortisation for the year	134,016	134,016
Balance at end of year	566,064	432,048
	670,038	804,054

The subsidy relates to money paid to farmers to provide financial assistance and support of vegetables farming. The governmental related agency, 邛崃市刀豆产业发展领导小组, also participates in the said contribution to ease certain subsidiaries in PRC in rendering financial assistance to the farmers.

7 Subsidiaries

The Company	2009	2008
	RMB	RMB
Unquoted equity investments, at cost	1,847,996	1,847,996

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of equity held		Principal activities
		2009	2008	2009	2008	
		RMB	RMB	%	%	
<u>Held by the Company</u>						
Grandness (HK) Industry Co., Limited * (振鹏达(香港)实业有限公司)	Hong Kong	1,847,996	1,847,996	100	100	Investment holding
Balance carried forward		1,847,996	1,847,996			

Notes to the Financial Statements

for the year ended 31 December 2009

7 Subsidiaries (cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of equity held		Principal activities
		2009	2008	2009	2008	
		RMB	RMB	%	%	
Balance brought forward		1,847,996	1,847,996			
<u>Held by Grandness (HK) Industry Co., Limited</u> (振鹏达(香港)实业有限公司)						
Yunnan Shizong Zhenhua Food Co., Ltd. * (云南师宗振华食品有限公司)	People's Republic of China	–	–	51	51	Production and sale of canned vegetables and fruits
Shanxi Yongji Huaxin Food Co., Ltd. * (山西永济华鑫食品有限公司)	People's Republic of China	–	–	100	100	Production and sale of canned vegetables and fruits
<u>Held by Shanxi Yongji Huaxin Food Co., Ltd.</u> (山西永济华鑫食品有限公司)						
Shenzhen Grandness Industry Groups Co., Ltd. * (深圳振鹏达实业集团有限公司)	People's Republic of China	–	–	100	100	Sale of canned vegetables and fruits
<u>Held by Shenzhen Grandness Industry Groups Co., Ltd.</u> (深圳振鹏达实业集团有限公司)						
Grandness (Sichuan) Foods Co., Ltd. * (四川振鹏达食品有限公司)	People's Republic of China	–	–	81	81	Production and sale of canned vegetables and fruits
Dongpeng (Chengdu) Agricultural Development Co., Ltd. * (成都东鹏农业发展有限公司)	People's Republic of China	–	–	100	100	Research and development
Grandness (Shandong) Food Co., Ltd. * (山东振鹏达食品有限公司)	People's Republic of China	–	–	–	100	De-registered on 22 December 2008
Grandness (Shanxian) Food Co., Ltd. * (山东单县振鹏达食品有限公司)	People's Republic of China	–	–	100	100	Production and sale of canned vegetables and fruits
		1,847,996	1,847,996			

* Audited by Foo Kon Tan Grant Thornton LLP for purpose of FRS reporting

Notes to the Financial Statements

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8 Amount owing by/(to) subsidiaries

(i) Amount owing by subsidiaries

The Company

	31 December 2009	31 December 2008
	RMB	RMB
<u>Non-trade</u>		
- Grandness (HK) Industry Co., Limited	54,514,188	30,849,937
- Shenzhen Grandness Industry Groups Co., Ltd.	4,484,261	7,125,000
	58,998,449	37,974,937

(a) The non-trade amounts owing by subsidiaries, which are quasi-equity loans, represent extension of net investment in the subsidiaries, are unsecured and interest-free. There are no fixed terms of repayment and the settlements are neither planned nor likely to be settled in the foreseeable future. Accordingly, it is not practicable to determine the fair value of these amounts owing.

(b) The non-trade amounts owing by subsidiaries are denominated in the following currencies:

	31 December 2009	31 December 2008
	RMB	RMB
<u>Non-trade</u>		
- Singapore dollar	44,996,712	37,974,937
- Renminbi	14,001,737	-
	58,998,449	37,974,937

(ii) Amount owing to a subsidiary

The Company

	31 December 2009	31 December 2008
	RMB	RMB
<u>Non-trade</u>		
- Shenzhen Grandness Industry Groups Co., Ltd. (2008 - S\$94,896)	-	449,048

(a) The non-trade amount owing to a subsidiary in 2008 refers to advances made which were unsecured, interest-free and were fully repaid in 2009.

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for the year ended 31 December 2009

9 Deferred taxation

9a Deferred tax asset

	The Company		The Group	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RMB	RMB	RMB	RMB
Balance at beginning of year	-	-	-	-
Transfer from income statement (Note 24)	-	-	592,000	-
Balance at end of year	-	-	592,000	-
The balance comprises tax on excess of tax written down value of property, plant and equipment over net book value				
	-	-	592,000	-

9b Deferred tax liability

	The Company		The Group	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RMB	RMB	RMB	RMB
Balance at beginning of year	-	-	-	-
Transfer from income statement (Note 24)	669,000	-	669,000	-
Balance at end of year	669,000	-	669,000	-

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui [2008] No.001, which states that the distribution of dividends after 1 January from pre-2008 profits will be exempted from withholding tax on distribution to foreign investors. As a result, there should be no deferred tax liabilities arising from undistributed profits of the Company's PRC subsidiaries accumulated up to 31 December 2007. Provision for deferred tax liabilities, however, would be required to the extent per FRS 12.39 on profits accumulated from 1 January 2008 onwards.

During the financial year, the Company and the Group recorded a deferred tax liability of RMB 669,000 on undistributed profits of the Company's PRC subsidiaries to the sum of RMB 13,380,000, from the effect of the withholding tax on dividend distribution.

Notes to the Financial Statements

for the year ended 31 December 2009

10 Inventories

The Group	31 December 2009	31 December 2008
	RMB	RMB
Finished goods, at net realisable value	27,108,350	41,964,852
Work-in-progress, at cost	–	261,324
Packaging materials, at cost	2,634,091	3,162,187
Raw materials, at cost	1,061,617	1,155,414
	30,804,058	46,543,777
Included in cost of sales are inventories charged of:	298,773,626	231,758,419
Write-down of inventories to its recoverable amounts	223,529	–
Write-off of inventories due to quality of products	–	386,576
Reversal of inventories written down	258,277	–

The ageing of the inventories turnover approximates 46 (2008 - 58) days.

The write-off of inventories relate to normal loss which is the course of normal business operations where certain goods were discarded due to quality control purpose. No provision for stock obsolescence is required during the financial year.

The write-down of inventories was reversed to the consolidated income statement due to the recovery of selling prices of finished goods.

11 Trade and other receivables

	The Company		The Group	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RMB	RMB	RMB	RMB
Trade receivables				
- External parties	–	–	145,319,475	57,232,786
Other receivables				
Advances to				
- contractors	–	–	73,540	17,540
- suppliers of property, plant and equipment	–	–	4,540	164,586
- suppliers	–	–	2,705,039	927,815
- employees	–	–	645,214	493,603
- third parties	–	–	2,674,294	1,110,760
深圳市诚兴旺进出口有限公司	–	–	1,120,370	1,120,370
Advances to farmers	–	–	193,084	150,409
Advances to a minority shareholder of a subsidiary	–	–	–	44,400
VAT receivable	–	–	18,110,877	12,182,823
Export tax refunds	–	–	13,469,240	15,764,179
Deposits	11,024	–	1,227,548	23,364
Others	10	–	137,114	1,550
	11,034	–	40,360,860	32,001,399
	11,034	–	185,680,335	89,234,185

Notes to the Financial Statements

for the year ended 31 December 2009

11 Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RMB	RMB	RMB	RMB
<u>Trade</u>				
United States dollar	-	-	58,367,466	51,004,828
Renminbi	-	-	86,804,026	4,557,088
Euro	-	-	-	1,670,870
Singapore dollar	-	-	147,983	-
	-	-	145,319,475	57,232,786
<u>Non-trade</u>				
United States dollar	-	-	86,834	86,834
Renminbi	-	-	40,262,992	31,914,565
Singapore dollar	11,034	-	11,034	-
	11,034	-	40,360,860	32,001,399
	11,034	-	185,680,335	89,234,185

Trade receivables are usually due within 60 - 90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers. The ageing analysis of the trade receivables approximates 82 (2008 - 81) days. No allowance for impairment has been considered necessary.

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

	The Group	
	31 December 2009	31 December 2008
	RMB	RMB
Within 1 month	82,842,322	41,098,353
Past due over 1 month but not over 2 months	48,946,349	15,947,886
Past due over 2 months but not over 3 months	8,219,199	12,997
Past due over 3 months but not over 4 months	4,873,681	1,300
Past due over 4 months	437,924	172,250
	145,319,475	57,232,786

The advances made to:

- contractors relate to the construction of existing factory and warehouse;
- suppliers of property, plant and equipment relate to the purchase of machinery;
- suppliers relate to the purchase of packing materials;
- the farmers relate to the cost of seedlings for vegetable farming; and
- third parties relate to temporary fund extended for working capital.

These advances are unsecured, interest-free and repayable on demand.

The advances made to employees are for business purpose.

Advances to 福建省成功果蔬食品有限公司, a minority shareholder of a subsidiary, are unsecured, interest-free and repayable on demand.

Export tax refunds relate to tax refunds which is calculated at 2% (2008 - 4%) on overseas sales.

Notes to the Financial Statements

for the year ended 31 December 2009

12 Prepayments

These relate to pre-IPO costs incurred for the proposed listing of Sino Grandness Food Industry Group Pte. Ltd. and other prepaid operating expenses. The amounts have been charged to the consolidated income statement upon the listing of Sino Grandness Food Industry Group Limited in 2009.

13 Cash and cash equivalents

	The Company		The Group	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RMB	RMB	RMB	RMB
Cash on hand	–	–	146,488	38,777
Bank balances	61,880,744	96,296	146,391,060	15,613,722
	61,880,744	96,296	146,537,548	15,652,499
Deposits placed in banks for notes payable	–	–	(42,050,000)	(1,950,000)
	61,880,744	96,296	104,487,548	13,702,499

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RMB	RMB	RMB	RMB
United States dollar	2,048,554	–	698,890	160,201
Renminbi	–	–	61,943,158	14,994,035
Singapore dollar	59,832,190	96,296	83,874,680	96,788
Euro	–	–	15,014	397,249
Canadian	–	–	4,912	4,226
Hongkong dollar	–	–	894	–
	61,880,744	96,296	146,537,548	15,652,499

14 Share capital

	Number of shares		The Company and the Group	
	2009	2008	31 December 2009	31 December 2008
			RMB	RMB
Issued and fully paid with no par value:				
Balance at beginning of year	369,232	369,232	1,848,006	1,848,006
Issue of ordinary shares	30,768	–	1,512	–
	400,000	369,232	1,849,518	1,848,006
Sub-division of every 1 share into 300 shares upon listing	120,000,000	–	–	–
Being allotment of issue of 55,172,414 shares to bond holders for conversion of convertible loan of S\$8 million	55,172,414	–	39,323,280	–
Issue of new shares	70,000,000	–	99,782,824	–
Share issue costs	–	–	(7,303,158)	–
Balance at end of year	245,172,414	369,232	133,652,464	1,848,006

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 2009

15 Other reserves

	31 December 2009	31 December 2008
The Group	RMB	RMB
Statutory common reserve		
Balance at beginning of year	15,993,197	10,039,972
Movement during the year	6,529,230	5,953,225
Balance at end of year	22,522,427	15,993,197
Merger reserve		
Balance at beginning and end of year	(31,413,600)	(31,413,600)
Grand total	(8,891,173)	(15,420,403)

Statutory common reserves

According to the PRC Company Law, the subsidiaries in PRC are required to transfer between 10% and 50% of their profit 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 profit 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.

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 in the restructuring exercise undertaken with the intention of the Company's listing on the SGX-ST.

16 Bank borrowings

		31 December 2009	31 December 2008
The Group	Note	RMB	RMB
Bank loans			
- 中国农业发展银行师宗县支行		7,000,000	7,000,000
- 深圳平安银行景田支行		-	24,000,000
- 中国建设银行深圳市分行		6,000,000	-
- 广东发展银行有限公司深圳南海大道支行		21,730,000	-
- 交通银行股份有限公司深圳海连分行		40,000,000	-
		74,730,000	31,000,000

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16 Bank borrowings (cont'd)

	Note	31 December 2009 RMB	31 December 2008 RMB
<u>Comprises</u>			
Bank loans (secured)			
- #1	(a)	-	4,300,000
- #2	(b)	-	17,200,000
- #3	(c)	7,000,000	7,000,000
- #4	(d)	21,730,000	-
- #5	(e)	40,000,000	-
	A	68,730,000	28,500,000
Bank loans (unsecured)			
- #6	(f)	-	2,500,000
- #7	(g)	6,000,000	-
	B	6,000,000	2,500,000
	A + B	74,730,000	31,000,000
Amount repayable:			
Not later than one year		34,730,000	31,000,000
Later than one year and not later than five years		40,000,000	-
Later than five years		-	-
		74,730,000	31,000,000

a. The secured bank loan facility #1 of RMB5,500,000 granted to Shenzhen Grandness was fully repaid on 19 June 2009. These loans are secured by, inter-alia:

- (i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏)
- (ii) a corporate guarantee provided by an institution, 深圳市中小企业担保中心有限公司 who was then guaranteed by the following:
 - personal guarantees by a director of the Group, Huang Yupeng (黄育鹏) and his spouse Zong Liping (宗丽萍);
 - corporate guarantees provided by the following:
 - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
 - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
 - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司);
 - Grandness (Shanxian) Food Co., Ltd (山东单县振鹏达食品有限公司); and
 - a mortgage over the Shenzhen Grandness's office units costing RMB 2,728,907 [Note 5(e)].

Interest was charged at 7.47% per annum.

Notes to the Financial Statements

for the year ended 31 December 2009

16 Bank borrowings (cont'd)

- b. The secured bank loan facility #2 of RMB18,000,000 granted to Shenzhen Grandness was fully repaid on 19 November 2009. These loans were secured by, inter-alia:
- (i) personal guarantees by a director of the Group, Huang Yupeng (黄育鹏);
 - (ii) a corporate guarantee provided by an institution ,深圳市中心中小企业担保中心有限公司 who was then guaranteed by:
 - corporate guarantees provided by the following:
 - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
 - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
 - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司);
 - Grandness (Shanxian) Food Co., Ltd (山东单县振鹏达食品有限公司); and
 - land use rights costing RMB4,028,700 and factory and warehouse premises costing RMB12,712,531 belonging to Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司), a subsidiary [Note 5(e)].

Interest was charged at 6.66% per annum.

- c. The secured bank loan facility #3 of RMB7,000,000 granted to Yunnan Grandness was fully repaid on 22 April 2009. On 1 July 2009, a secured bank loan facility of RMB7,000,000 has been granted to Yunnan Grandness and is repayable on or before 29 June 2010. Both loans are secured by a mortgage over the company's factory and warehouse premise costing RMB7,134,835 (2008 - RMB7,134,835) and land use rights costing RMB3,757,250 (2008 - RMB3,757,250) [Note 5(e)].

Interest is charged at 5.31% (2008 - 7.02%) per annum.

- d. The secured bank loan facility #4 of RMB21,730,000 granted to Shenzhen Grandness comprises four trenches of RMB13,000,000, RMB1,000,000, RMB1,000,000 and RMB6,730,000 and were repayable on or before 13 November 2010, 1 December 2010, 2 December 2010 and 7 June 2010 respectively. These loans and the export letters of credit are granted with security provided by, inter-alia:
- (i) land use rights costing RMB4,028,700 and factory and warehouse premises costing RMB12,723,587 belonging to a subsidiary, Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司) [Note 5(e)]; and
 - (ii) personal guarantee provided by a director of the Company, Huang Yupeng (黄育鹏).

Interest is charged between 4.37% - 4.78% per annum.

- e. The secured bank loan facility #5 of RMB40,000,000 granted to Shenzhen Grandness is repayable on or before 10 June 2012. This loan is secured by a mortgage over the company's office units RMB 2,728,907 [Note 5(e)] and factory and warehouse premises costing RMB 35,364,970 belonging to a subsidiary, Grandness (Shanxian) Foods Co., Ltd (山东单县振鹏达食品有限公司) [Note 5(e)].

Interest is charged at 5.67% per annum.

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16 Bank borrowings (cont'd)

- f. The unsecured bank loan facility #6 of RMB4,500,000 granted to Shenzhen Grandness was fully repaid on 23 February 2009. These loans were secured by, inter-alia:
- (i) personal guarantee by a director of the company, Huang Yu Peng (黄育鹏);
 - (ii) a corporate guarantee provided by an institution, 深圳市中心中小企业担保心有限公司 who is then guaranteed by:
 - personal guarantees by a director of the Company, Huang Yupeng (黄育鹏) and his spouse Zong Liping (宗丽萍);
 - corporate guarantees provided by the following:
 - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
 - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
 - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
 - assignment of certain assets belonging to Huang Yupeng (黄育鹏), Huang Zhoupeng (黄周鹏), Huang Yuyin (黄育吟), Fong Kunrong (方坤荣), Huang Yuqing (黄育清), Huang Yushan (黄育珊) and Lin Yuxi (林玉喜).

Interest was charged at 7.5% per annum.

- g. The unsecured bank loan facility #7 of RMB8,000,000 was granted to the company, of which RMB2,000,000 has been repaid over a monthly installment of RMB250,000 with effect from 21 May 2009. The balance of RMB 6,000,000 is repayable on or before 9 September 2010. This loan is secured by, inter-alia:
- (i) personal guarantee by a director of the Company, Huang Yupeng (黄育鹏)
 - (ii) a corporate guarantee provided by an institution, 深圳市高新技术投资担保有限公司 who is then guaranteed by:
 - personal guarantees by a director of the Company, Huang Yupeng (黄育鹏) and his spouse Zong Liping (宗丽萍);
 - corporate guarantees provided by the following:
 - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
 - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司); and
 - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
 - Grandness (Shanxian) Foods Co., Ltd. (单县振鹏达食品有限公司); and
 - assignment of certain assets belonging to Huang Yupeng (黄育鹏), Huang Zhoupeng (黄周鹏), Huang Yuyin (黄育吟), Fong Kunrong (方坤荣), Huang Yuqing (黄育清) and Huang Yushan (黄育珊).

Interest is charged at 5.58% per annum.

The table below analyses the maturity profile of the group's borrowings based on contractual undiscounted cash flows.

	31 December 2009	31 December 2009	31 December 2008	31 December 2008
The Group	Carrying Amount	Contractual cash flows	Carrying amount	Contractual cash flows
	RMB	RMB	RMB	RMB
<u>Variable interest rate loans</u>				
Less than one year	34,730,000	35,892,751	31,000,000	32,296,871
Between two to five years	40,000,000	43,341,595	-	-
	74,730,000	79,234,346	31,000,000	32,296,871

Notes to the Financial Statements

for the year ended 31 December 2009

16 Bank borrowings (cont'd)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	The Company		The Group	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RMB	RMB	RMB	RMB
Net debt	(58,662,860)	39,591,413	85,929,352	156,823,641
Total equity	118,858,438	1,256,100	282,766,437	84,728,492
Total capital	60,195,578	40,847,513	368,695,789	241,552,133
Gearing ratio	(97%)	97%	23%	65%

The Group manages the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

17 Amount owing to the then shareholders

The amounts owing which are unsecured and interest-free are as follows:

	The Company		The Group	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RMB	RMB	RMB	RMB
Huang Yupeng (黄育鹏)	2,048,524	16,505	38,127,509	36,095,490
Huang Zhoupeng (黄周鹏)	–	–	7,349,494	7,349,494
	2,048,524	16,505	45,477,003	43,444,984

Pursuant to an undertaking dated 30 December 2008, Huang Yupeng and Huang Zhoupeng had undertaken not to demand payment of the net amount of RMB43,341,000 (the "Loans") owing to them, a interest-free loan, as at 19 December 2008 until the first, second and third anniversary, of the date of admission of the Company to the Official List of the SGX-ST for 30%, 30% and 40% of the Loans. Such repayments shall be subject to the approval of the Audit Committee, taking into account, inter alia, the Group's working capital and gearing positions.

Had the amortised cost been determined on the average of 7% on the prevailing rate applied by the commercial banks in the PRC, the fair value of the liability would be RMB42,293,613 (2008 – RMB40,403,835).

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18 Trade and other payables

	The Company		The Group	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	RMB	RMB	RMB	RMB
Trade payables	-	-	41,818,656	39,158,631
Accruals	996,509	984,256	7,261,582	3,502,053
	996,509	984,256	49,080,238	42,660,684
<u>Other payables</u>				
Amount owing to (non-trade)				
- contractors	-	-	4,844,525	5,033,450
- suppliers of property, plant and equipment	-	-	726,434	950,350
- suppliers	-	-	65,292	101,691
- employees	-	-	669,530	726,735
- third parties	-	-	3,406,634	90,352
- farmers	-	-	280	18,225
Accrual of directors' fees	172,851	-	172,851	-
Liability owing for land premium	-	-	2,757,250	2,757,250
VAT payable	-	-	5,018,073	451,351
Others	-	-	2,800,309	4,314,028
	-	-	20,461,178	14,443,432
	1,169,360	984,256	69,541,416	57,104,116

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statement of financial position to be reasonable approximation of their fair values. The ageing of trade payables approximates 48 (2008 - 61) days.

Accruals relate to liabilities for employee benefit costs, purchase of packaging materials and raw materials and rental of warehouse and factory premises.

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 relate to money withheld for employees' uniform;
- the amount owing to farmers relates to costs of vegetables supplies.

The liability owing for land premium relates to outstanding sum payable to 师宗县人民政府 for the granting of land use rights for the parcel of land located at Danfeng Town, Shizong County, Yunnan Province (云南省师宗县单凤镇) with a land area of 66,366.30 sq m to Yunnan Grandness. The amount owing is interest-free and repayable on 18 August 2010.

19 Note payables

The note payables, which are interest-free, mature at varying dates between 17 May 2010, the earliest date and 8 June 2010, the latest date.

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for the year ended 31 December 2009

20 Non-interest bearing loans

The Company and The Group		31 December 2009		← 31 December 2008 →	
		RMB	Source currency S\$	RMB	
- #1	Philip Ventures Enterprise Fund Ltd.	-	3,980,000	18,833,360	
- #2	Kim Seng Holdings Pte. Ltd.	-	1,500,000	7,098,000	
- #3	Kenmoore Mezzanine Investments Ltd.	-	770,000	3,744,140	
- #4	Lim Joo Boon	-	250,000	1,183,000	
- #5	SkyVen Growth Capital Fund Pte Ltd	-	500,000	2,433,000	
- #6	Inkatha Group Limited	-	860,000	4,246,400	
- #7	Global Top Financial Group Limited	-	140,000	700,000	
		-	8,000,000	38,237,900	

The non-interest bearing loan #1 refers to the granting of convertible loan of S\$3,980,000 to the Company by Philip Ventures Enterprise Fund Ltd under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008.

The non-interest bearing loan #2 refers to the granting of convertible loan of S\$1,500,000 to the Company by Kim Seng Holdings Pte. Ltd. under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008.

The non-interest bearing loan #3 refers to the granting of convertible loan of S\$770,000 to the Company by Kenmoore Mezzanine Investments Ltd under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008.

The non-interest bearing loan #4 refers to the granting of convertible loan of S\$250,000 to the Company by Lim Joo Boon under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008.

The non-interest bearing loan #5 refers to the granting of convertible loan of S\$500,000 to the Company by SkyVen Growth Capital Fund Pte. Ltd. under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008.

The non-interest bearing loan #6 refers to the granting of convertible loan of S\$860,000 to the Company by Inkatha Group Limited under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008.

The non-interest bearing loan #7 refers to the granting of convertible loan of S\$140,000 to the Company by Global Top Financial Group Limited under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008.

The non-interest bearing loans were converted into shares of 55,172,414 upon the listing of the Company with Singapore Exchange Securities Trading Limited [See Note 14].

Notes to the Financial Statements

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21 Amount owing to related parties

	The Company		The Group	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	RMB	RMB	RMB	RMB
Non-trade				
- related parties				
- 福建省成功果蔬食品有限公司	-	-	-	70,659
- 中鹏成都农业发展有限公司	-	-	668,481	668,481
	-	-	668,481	739,140

福建省成功果蔬食品有限公司 is regarded as a related party by virtue of interests held by a minority shareholder, Zheng Jian Cheng (郑建成), of a subsidiary.

成都中鹏农业发展有限公司 in which a director of the Company, Huang Yupeng (黄育鹏), has an interest, represents advances which are unsecured, interest-free and repayable on demand.

22(a) Other operating income

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Sale of scrap	1,581,662	226,369
Sale of packaging materials	62,578	-
Cost of scrap	(1,638,032)	(154,709)
Cost of packaging materials	(61,138)	-
	(54,930)	71,660
Government grants	1,324,855	883,415
Interest income - banks	82,124	326,305
- others	858	-
Exchange gain	225,247	1,828,589
Rental income	954,441	3,000
Miscellaneous income	-	479,121
	2,532,595	3,592,090

The government grant relates to money received from government related agencies to provide financial assistance to the farmers in the vegetable farming and to support the Group in overseas marketing promotion.

The effective interest rate on bank deposits is 0.36% (2008 – 0.72%) per annum.

Notes to the Financial Statements

for the year ended 31 December 2009

22(b) Distribution costs

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Employee benefit costs	1,020,296	1,767,039
Transportation	17,957,306	11,020,868
Entertainment	55,608	461,964
Travelling	167,690	283,257
Consumable expenses	279,817	198,350
Packaging	2,078,703	2,779,227
Inspection and custom	96,070	287,838
Depreciation expense	590,093	415,436
Others	773,168	635,505
	23,018,751	17,849,484

22(c) Administrative expenses

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Employee benefit costs	4,305,083	3,917,590
Motor vehicle expenses	317,508	303,174
Entertainment	832,242	387,259
Travelling expenses	326,382	376,527
Consumable expenses	87,931	15,304
Inspection and custom	171	384,542
Depreciation expense	4,190,090	1,892,436
Exchange loss	2,901,935	–
Rental expenses	290,148	221,300
Property, plant and equipment written off	–	44,822
Property, plant and equipment disposal off	11,917	–
Bank charges	854,551	609,668
Utilities	165,225	245,561
Repair and maintenance	23,682	46,993
IPO expenses	15,976,565	–
Others	3,678,321	3,164,743
	33,961,751	11,609,919

Notes to the Financial Statements

for the year ended 31 December 2009

22(d) Finance costs

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Cost on financial guarantee contract	–	560,000
Interest on bank borrowings	3,293,860	1,731,832
	3,293,860	2,291,832

The effective interest rate on bank loan varies from 4.37% to 7.5% (2008 – 7.02% to 7.08%) per annum.

22(e) Employee benefit costs

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Director's remuneration		
- salaries and related costs	672,151	190,250
- defined contributions	15,236	7,950
Key management personnel		
- salaries and related costs	791,552	44,176
- defined contributions	–	3,600
Other than directors		
- salaries and related costs	12,704,073	13,150,024
- defined contributions	248,555	302,131
	14,431,567	13,698,131

Employee benefit costs are charged to:

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Cost of sales	9,106,188	8,013,502
Distribution costs	1,020,296	1,767,039
Administrative expenses	4,305,083	3,917,590
	14,431,567	13,698,131

Notes to the Financial Statements

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23 Profit before taxation

		31 December 2009	31 December 2008
	Note	RMB	RMB
The Group			
Profit before taxation has been arrived at after charging/(crediting):			
Amortisation of subsidy	6	134,016	134,016
Depreciation of property, plant and equipment	5	5,453,437	3,882,142
Directors' fee		172,851	–
Exchange loss/(gain)		2,685,688	(1,828,589)
Property, plant and equipment written off		–	44,822
Loss on disposal of property, plant and equipment		11,917	–
Rental – factory and warehouse		170,880	199,580
Rental – others		119,268	21,720
Write-down of inventories to its recoverable amounts	10	223,529	–
Reversal of inventories written down	10	(258,277)	–
Write-off of inventories due to quality of products	10	–	386,576

24 Taxation

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Current taxation	20,272,894	13,302,139
Deferred tax asset (Note 9(a))	(592,000)	–
Taxation charge in respect of profit for the financial year	19,680,894	13,302,139
Deferred tax (Note 9(b))	669,000	–
Underprovision in respect of prior year	31,177	3,822
	20,381,071	13,305,961

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:

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Profit before taxation	86,614,558	66,026,336
Tax at statutory rate of 25%	5,149,532	(2,277,000)
Tax at statutory rate of 20%	16,511,514	–
Tax at statutory rate of 18%	–	12,964,000
Tax at statutory rate of 17%	(2,301,000)	–
Tax at statutory rate of 16.5%	–	266,000
Tax at statutory rate of 15%	(289,000)	(512,000)
Tax at statutory rate of 12.5%	(89,416)	231,000
Tax effect on non-taxable income	(220,539)	(269,000)
Tax effect on non-deductible expenses	2,301,000	758,000
Utilisation of deferred tax asset previously not recognised	(1,759,615)	–
Deferred tax asset not recognised	378,418	2,141,139
	19,680,894	13,302,139

Notes to the Financial Statements

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24 Taxation (cont'd)

Certain subsidiaries within the Group obtained a tax holiday exemption where according to the PRC's taxation law, any enterprise with foreign investment of a production nature scheduled to operate for a year of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty percent reduction in the third to fifth year.

The subsidiaries which have been granted such incentive are as follows:

- Shanxi Yongji Huaxin Food Co., Ltd. from 2005 to 2009; and
- Yunnan Shizong Zhenhua Food Co., Ltd. for which such incentive is not effective yet as the company has no taxable profit.

The tax rates are applicable to the following companies in the PRC as follows:

	Rate	Basis
- Grandness (HK) Industry Co., Limited	16.5%	Full tax
- Shenzhen Grandness Industry Groups Co., Ltd.	20%	Concessionary
- Grandness (Sichuan) Foods Co., Ltd.	25%	Full tax
- Shanxi Yongji Huaxin Food Co., Ltd.	12.5%	Concessionary
- Yunnan Shizong Zhenhua Food Co., Ltd.	15%	Concessionary
- Dongpeng (Chengdu) Agricultural Development Co., Ltd.	25%	Full tax
- Grandness (Shanxian) Food Co., Ltd.	25%	Full tax

Shenzhen Grandness Industry Groups Co., Ltd. is taxed at a preferential tax rate of 18% now revised to 20% for financial year beginning 1 January 2009 as it is located in Shenzhen which is one of the Special Economic Zones ("SEZ") in PRC as designated by the Chinese government.

The Group has unabsorbed tax losses amounting to approximately RMB9,289,000 (2008 - RMB14,277,000), 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.

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB1,375,000 (2008 - RMB2,863,000) 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.

25 Other comprehensive income

The Company and the Group did not generate other comprehensive income for the financial years ended 31 December 2009 and 2008.

26 Earnings per share

The Group

The basic earnings per share for the year is calculated based on the Group's profit after taxation attributable to equity holders of the Company of RMB 66,154,862 on the weighted average number of ordinary shares which is computed based on 365 days of pre-invitation number of shares of 175,172,414 and 42 days of new shares issued of 70,000,000. For comparative purpose, the basic earnings per share for year 2008 were calculated based on the pre-invitation share capital of 175,172,414.

The diluted earnings per share is calculated on the Group's profit after taxation attributable to equity holders of the Company of RMB 66,154,862 on the weighted average number of ordinary shares which is computed based on 365 days of pre-invitation number of shares of 175,172,414 and 42 days of new shares issued of 70,000,000. For comparative purpose, the basic earnings per share for year 2008 were calculated based on the pre-invitation share capital of 175,172,414.

Notes to the Financial Statements

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27 Dividends

At the forthcoming Annual General Meeting, a final tax-exempt (one-tier) dividend of RMB5.4031 cents per share amount to RMB13,246,800 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 ended 31 December 2010.

28 Commitments

Operating lease commitment (non-cancellable)

At the financial position date, the Group was committed to making the following lease rental payment under non-cancellable operating leases for factory, warehouse and office premises:

	Year ended 31 December 2009	Year ended 31 December 2008
The Group	RMB	RMB
Not later than one year	288,343	207,400
Later than one year and not later than five years	684,665	680,000
Later than five years	2,019,109	2,188,000

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)	Effective date	Expiry date	Rental per annum (RMB)
<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	168,000
永济市蒲州镇	10,025.13	26 November 2008	20 November 2015	2,000
<u>Office premises</u>				
福田区南方国际广场	86.34	11 June 2008	10 June 2009	81,600
<u>Employee hostels</u>				
深圳市福田区裕亨路金地名津 9座5G,16G	134.03	1 June 2009	31 July 2010	38,220
深圳市福田区裕亨路金地名津 7座5H,6H,17H,24F,25F	283.74	6 April 2009	31 July 2010	80,904
深圳市福田区雅云轩3A	105.84	25 August 2009	24 August 2010	44,400

Capital commitments

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

	Year ended 31 December 2009	Year ended 31 December 2008
The Group	RMB	RMB
Expenditure contracted for the construction of:		
- factory plant	3,195,807	-
- administration building and warehouse	-	12,000,000
	3,195,807	12,000,000

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29 Statement of operations by segments

The Group is substantially in one business segment, namely manufacturing and sale of canned vegetables and fruits. Accordingly, no business segment information is presented. For geographical segment revenue information, the allocation which is based on the geographical location where the customers are located is as follows:

Geographical segment

	Year ended 31 December 2009	Year ended 31 December 2008
	RMB	RMB
The Group		
Revenue		
- Europe	304,321,019	274,320,669
- America	46,316,467	39,773,880
- China	79,318,646	15,815,060
- Others	20,640,403	359,170
	450,596,535	330,268,779

30 Financial risk management objectives and policies

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. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2009 and 2008, the Group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

30.1 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's operations 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 and Euro dollar. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

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

30.1 Foreign currency risk (cont'd)

A 5% strengthening of the USD, Euro dollar and Singapore dollar against the Renminbi as at 31 December 2009 would have had the following impact on the net profit by the amounts shown below.

31 December 2009	Gain/(loss) RMB'000
United States dollar	2,958
Euro dollar	1
Singapore dollar	4,202
	Gain/(loss)
31 December 2008	RMB'000
United States dollar	2,563
Euro dollar	103
Singapore dollar	5

A 5% weakening of the above currencies against the Renminbi at 31 December 2009 would have the equal but opposite effect on the Renminbi of the amounts shown above.

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 group exposure to currency risk.

30.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk relates principally to its bank borrowings with financial institutions.

No sensitivity analysis is prepared as the management does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on the bank borrowing at the financial position date.

30.3 Credit risk

At the financial position date, the Group's maximum exposure to credit risk is represented by:

- The carrying amounts of trade receivables and other receivables recognised in the statement of financial position.
- A nominal amount of RMB 8,000,000 (2008 – RMB 28,000,000) relating to corporate guarantees provided by the related companies to institutions on a subsidiary's bank loans.

The Group has no other significant concentration of credit risk other than as at 31 December 2009, the five largest trade receivables which represents approximately 67.3% of the total trade receivables at the financial position date. No other financial assets carry a significant exposure to credit risk.

The credit terms granted to customers are recommended by the Group's sales department and approved by the Group's Chairman and Chief Executive Officer, Huang Yupeng and are determined based on the credit worthiness, payment history, transaction volume, financial background, market reputation and the existing relationship that the Group has with the customers.

There is no impairment losses recognised in the relevant periods since all receivables are collected within the credit period granted.

Notes to the Financial Statements

for the year ended 31 December 2009

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

30.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group and Company manages its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cashflows:

The Group	Less than 1 year RMB	Between 2 to 5 years RMB	Total RMB
As at 31 December 2009			
Bank borrowings	35,892,751	43,341,595	79,234,346
Amount owing to the then shareholders	–	45,477,003	45,477,003
Trade and other payables	69,541,416	–	69,541,416
Note payable	42,050,000	–	42,050,000
Amount owing to related parties	668,481	–	668,481
	<u>148,152,648</u>	<u>88,818,598</u>	<u>236,971,246</u>

The Group	Less than 1 year RMB	Between 2 to 5 years RMB	Total RMB
As at 31 December 2008			
Bank borrowings	32,296,871	–	32,296,871
Amount owing to the then shareholders	–	43,444,984	43,444,984
Trade and other payables	57,104,116	–	57,104,116
Note payable	1,950,000	–	1,950,000
Amount owing to related parties	739,140	–	739,140
Non-interest bearing loans	38,237,900	–	38,237,900
	<u>130,328,027</u>	<u>43,444,984</u>	<u>173,773,011</u>

The Company	Less than 1 year RMB	Between 2 to 5 years RMB	Total RMB
As at 31 December 2009			
Amount owing to the then shareholders	–	2,048,524	2,048,524
Trade and other payables	1,169,360	–	1,169,360
	<u>1,169,360</u>	<u>2,048,524</u>	<u>3,217,884</u>

Notes to the Financial Statements

for the year ended 31 December 2009

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

30.4 Liquidity risk (cont'd)

The Company	Less than 1 year RMB	Between 2 to 5 years RMB	Total RMB
As at 31 December 2008			
Amount owing to the then shareholders	–	16,505	16,505
Trade and other payables	984,256	–	984,256
Non-interest bearing loans	38,237,900	–	38,237,900
Amount owing to a subsidiary	449,048	–	449,048
	<u>39,671,204</u>	<u>16,505</u>	<u>39,687,709</u>

31 Critical accounting estimates

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completed and selling expenses. These estimates are based on the current market condition and the historical expense of selling products of "similar nature". It could change significantly as a result of competitors in response to severe industry's cycles.

32 Capital management

The Group's objectives when managing capital are:

- (a) To safeguard the Group's ability to continue as a going concern;
- (b) To support the Group's stability and growth; and
- (c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

Notes to the Financial Statements

for the year ended 31 December 2009

33 Financial instruments

Fair values

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

The Group does not anticipate that the carrying amounts recorded at financial position date would be significantly different from the values that would eventually be received or settled.

Statistics of Shareholding

as at 17 March 2010

SHAREHOLDERS' INFORMATION

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	245,172,414	One vote per share (excluding treasury shares)
Treasury Shares	Nil	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

AS AT 17 MARCH 2010

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 999	0	0.00	0	0.00
1,000 - 10,000	350	26.46	2,703,000	1.10
10,001 - 1,000,000	958	72.41	56,772,634	23.16
1,000,001 and above	15	1.13	185,696,780	75.74
Grand Total	1,323	100.00	245,172,414	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 17 MARCH 2010

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	HUANG YUPENG	117,448,280	47.90
2	PHILLIP VENTURES ENTERPRISE FUND LTD	18,303,000	7.47
3	UOB KAY HIAN PTE LTD	7,341,000	2.99
4	KIM SENG HOLDINGS PTE LTD	7,242,000	2.95
5	HUANG ZHOUPENG	6,000,000	2.45
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,880,000	2.40
7	OCBC SECURITIES PRIVATE LTD	5,397,000	2.20
8	INKATHA GROUP LIMITED	4,151,000	1.69
9	VENSTAR INVESTMENS PTE LTD	3,717,000	1.52
10	PHILLIP SECURITIES PTE LTD	2,664,000	1.09
11	LIM JOO BOON	2,115,500	0.86
12	KIM ENG SECURITIES PTE. LTD.	1,800,000	0.73
13	POON KNG LEE	1,400,000	0.57
14	LIM & TAN SECURITIES PTE LTD	1,123,000	0.46
15	CIMB-GK SECURITIES PTE. LTD.	1,115,000	0.45
16	TAN KENG HOON	900,000	0.37
17	TAN CHENG GUAN	800,000	0.33
18	WEE SOON ANN	750,000	0.31
19	GLOBAL TOP FINANCIAL GROUP LIMITED	675,634	0.28
20	CITIBANK NOMINEES SINGAPORE PTE LTD	625,000	0.25
	TOTAL	189,447,414	77.27

Statistics of Shareholding

as at 17 March 2010

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Huang Yupeng	117,448,280	47.90	–	–
Philip Ventures Enterprise Fund Ltd ⁽¹⁾	18,303,000	7.47	–	–

Notes:

- (1) Phillip Ventures Enterprise Fund Ltd (“PVEF”) is a company incorporated in Singapore. It is a private equity investment fund managed by Phillip Private Equity Pte Ltd on a full discretionary basis. The shareholders of PVEF comprise mainly institutional investors and high net worth individuals. Phillip Private Equity Pte Ltd is ultimately owned by Lim Hua Min and his brothers, who are not related to our Directors, Executive Officers or Substantial Shareholders (save for Phillip Private Equity Pte Ltd). Phillip Private Equity Pte Ltd and Lim Hua Min are both deemed interested in the Shares held by PVEF.

The percentage of shareholding above is computed based on the total issued shares of 245,172,414.

PERCENTAGE OF SHAREHOLDING IN PUBLIC’S HANDS

Based on information available to the Company as at 23 March 2010, approximately 40.49% 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 Suntec Singapore International Convention & Exhibition Centre Meeting, Meeting Room 307, Level 3, 1 Raffles Boulevard Suntec City Singapore 039593 on 27 April 2010 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a one-tier tax exempt final dividend of RMB 0.054 per share for the year ended 31 December 2009. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to the Articles of Association of the Company:
Mr Huang Yupeng (Retiring under Article 91) **(Resolution 3)**
Ms Xu Xihua (Retiring under Article 91) **(Resolution 4)**
Mr Soh Beng Keng (Retiring under Article 97) **(Resolution 5)**
Mr Lin Song (Retiring under Article 97) **(Resolution 6)**
[See Explanatory Note (i)]
4. To approve the payment of Directors' fees of S\$35,000 for the financial year ended 31 December 2009. **(Resolution 7)**
5. To approve the payment of Directors' fees of S\$140,000 for the financial year ending 31 December 2010, to be paid half-yearly in arrears. **(Resolution 8)**
6. To re-appoint Messrs Foo Kon Tan Grant Thornton LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 9)**
7. 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:

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

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

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

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

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

(the "Share Issue Mandate")

Notice of Annual General Meeting

provided that:

- (1) Save for sub-paragraph (2) below, 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 fifty per centum (50%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (3) 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 twenty per centum (20%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (3) below);
- (2) 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 to existing shareholders via a pro-rata renounceable rights issue pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (3) below);
- (3) (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-paragraphs (1) and (2) above, the percentage 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 and subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent consolidation or subdivision of shares;
- (4) 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 Articles of Association of the Company; and
- (5) 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 or (iii) in relation to sub-clause (2) above, 31 December 2010 or such other deadline as may be extended by the SGX-ST whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 10)**

9. **Authority to allot and issue shares and Instruments other than on a pro rata basis at a discount not exceeding 20 per centum (20%)**

That subject to and pursuant to the Share Issue Mandate being obtained in Resolution 6 above, approval be and is hereby given to the Directors of the Company to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as the Directors of the Company may in their absolute discretion deem fit provided that such price shall not represent a discount of more than 20 per centum (20%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST and unless revoked or varied by the Company in a general meeting, such authority shall 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 or 31 December 2010 or such other deadline as may be extended by the SGX-ST whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 11)

By Order of the Board

Chew Kok Liang / Wong Chee Meng Lawrence
Company Secretaries
Singapore, 12 April 2010

Notice of Annual General Meeting

Explanatory Notes:

- (i) Mr Soh Beng Keng will, upon re-election as a Director of the Company, remain as Chairman of Audit and Remuneration Committees and as a member of the Nominating Committee. Mr Soh Beng Keng will be considered independent.

Mr Lin Song will, upon re-election as a Director of the Company, remain as Chairman of Nominating Committee and as a member of the Audit and Remuneration Committees. Mr Lin Song will be considered independent.

- (ii) The Ordinary Resolution 10 above, 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, fifty per centum (50%) of the total number of issued shares (excluding treasury shares), of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to existing shareholders of the Company save that such number shall be up to one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in relation to a pro-rata renounceable rights issue to existing shareholders.

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 Ordinary 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 Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

- (iii) The Ordinary Resolution 11 above is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended by SGX-ST. The Ordinary Resolution 11 above, if passed, will empower the Directors of the Company to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro-rata basis at a discount of not more than twenty per centum (20%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 8 Cross Street #11-00 PWC Building, Singapore 048424 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy Sino Grandness Food Industry Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, _____

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			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting 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 Suntec Singapore International Convention & Exhibition Centre Meeting Room 307, 1 Raffles Boulevard Suntec City Singapore 039593 on 27 April 2010 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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2009		
2	Payment of proposed one-tier tax exempt final dividend of RMB 0.054 per share for financial year ended 31 December 2009		
3	Re-election of Mr Huang Yupeng as a Director		
4	Re-election of Ms Xu Xihua as a Director		
5	Re-election of Mr Soh Beng Keng as a Director		
6	Re-election of Mr Lin Song as a Director		
7	Approval of Directors' fees amounting to S\$35,000 for financial year ended 31 December 2009		
8	Approval of Directors' fees amounting to S\$140,000 for the financial year ending 31 December 2010 to be paid half-yearly in arrears		
9	Re-appointment of Messrs Foo Kon Tan Grant Thornton LLP as Auditors		
10	Authority to issue new shares		
11	Authority to issue new shares other than pro-rata at a discount not more than 20%		

Dated this _____ day of _____ 2010

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

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

*Delete where inapplicable



Notes :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 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 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 appoints two proxies, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified. If the proportion of shareholding is not specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named.
4. 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.
5. 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 8 Cross Street #11-00 PWC Building, Singapore 048424 not less than forty-eight (48) hours before the time appointed for the Meeting.
6. 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.
7. A corporation which is a member may authorise 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.

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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Sino Grandness Food Industry Group Limited

Company Registration No. 200706801H

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