

Delivering Solutions to Meet Market Needs

Sino Grandness Food Industry Group Limited



2010 ANNUAL REPORT

Key Facts

Sino Grandness Food Industry Group Limited
2010 Annual Report

Revenue RMB645.1m*	Increase by 43.2%
Net Profit After Tax RMB116.9m	Increase by 76.5%

Contents	Page
Corporate Profile	01
Our Products	02
Chairman's Statement	04
Financial Highlights	09
Operations and Financial Review	12
Board of Directors	16
Senior Management	18
Corporate Information	19

* Higher sales from all product segments attributed to maiden contribution from own-branded juices, increased production capacities and orders secured from our existing major customers in Europe and new customers in Australia and Singapore

Corporate Profile

Headquartered in Shenzhen China, Sino Grandness is an integrated manufacturer and distributor of canned fruits and vegetables as well as bottled juices.



Headquartered in Shenzhen China, Sino Grandness is an integrated manufacturer and distributor of canned fruits and vegetables as well as bottled juices. Since its establishment in 1997, the Group has rapidly grown to become one of the leading exporters of canned asparagus, long beans and mushrooms from the PRC.

The Group serves globally renowned customers across Europe, North America and Asia, such as Lidl, Rewe, Carrefour, Walmart, Huelpeden, Coles and Metro.

With stringent quality control and procedures implemented in its manufacturing processes, Sino Grandness' manufacture and sale of canned products are compliant with international standards, including Hazard Analysis and Critical Control Point ("HACCP") food safety system, British Retail Consortium ("BRC"), International Food Standard ("IFS") and International

Organization for Standardization ("ISO") certifications. As such, Sino Grandness is able to export its canned products to customers globally including the European Union, which has enforced import restrictions (commonly known as "Green Barriers") since 2000 on the grounds of environmental and food safety issues.

Sino Grandness' five production plants 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.

In March 2010, the Group successfully launched its own-branded bottled juices, "鲜绿园™", comprising mixed-fruit juice and vegetable-fruit juice to target the huge domestic consumer base in the PRC. As a percentage to Group revenue, sales from the PRC market have surged from 4.8% in FY2008 to 32.3% in FY2010 due to strong sales growth of the own-branded beverage segment.

Our Products

Own-Branded Bottled Juice



Canned Products

Including Sweet Corn and Fruits



Canned Long Beans



Canned Asparagus



Canned Mushrooms



Focus on the Future

As part of our strategic expansion, we added own-branded bottled fruit and vegetable juices in our product line-up and this boosts our revenue and further strengthens our market presence in the PRC market.

RMB 179.6 million in revenue from beverage segment alone

due to the successful commercialisation of new products and sustained expansion of the Group's distributor base in China.

More than 30 distributors

across few provinces in the PRC as at 31st January 2011.



Chairman's Statement

Delivering Solutions to Meet Market Needs



On behalf of the Board of Directors, I am pleased to present Sino Grandness Food Industry Group Limited's annual report for the financial year ending 31 December 2010 ("FY2010").

In FY2010, we embarked on a new phase of growth. Grounded in sturdy fundamental values and equipped with strong operational and financial capabilities, we will further solidify our reputation as an esteemed manufacturer and supplier of canned fruits and vegetables both domestically and internationally.

A STRONG PERFORMANCE

Driven by higher orders throughout all product segments, the Group achieved a revenue increase of 43.2%, growing from approximately RMB450.6 million in FY2009 to RMB645.1 million in FY2010. A key contributor was the beverage segment, which saw a surge of 246.4%, from RMB51.9 million in FY2009 to RMB179.6 million in FY2010.

Alongside high Group revenue, net profit attributable to equity holders rose approximately 76.7% to RMB116.9 million in FY2010 from RMB66.2 million in FY2009. The strong growth is attributed by our continuous efforts to enhance our sales and distribution network and the ability to diversify our income stream by providing a wider range of products. Our growth was further affirmed by the successful launch of our newly-introduced 鲜绿园™ juices which gained positive responses in the domestic market and contributed significantly to the Group's performance.

EXCELLENCE IN QUALITY AND MANUFACTURING PROCESSES

At Sino Grandness, we believe in delivering products of the highest quality by enforcing stringent standards. We also provide relevant training and support to farmers to keep them attuned to our stringent requirements. By maintaining a close and mutually-beneficial relationship with the farmers, we can encourage better standardisation and prevent pesticide misuse, thereby upholding quality excellence in our products.

Our commitment for quality is further exhibited in the certifications we've attained for our high manufacturing and quality standards. The manufacturing of our canned products has been certified ISO 9001:2000 compliant while our production bases are compliant with the HACCP food safety system.

We have also obtained IFS certification for our production bases in Shanxi, Shandong and Yunnan provinces, which allows our products to be exported into the European Union in spite of the import restrictions (commonly known as the "Green Barriers"). The BRC certification obtained for our production bases in Sichuan, Shandong and Shanxi, has also opened up export channels into British Commonwealth countries. These internationally recognised certifications and standards serve as barriers of entry to our competitors and provide us with a competitive advantage in the industry.

Customers worldwide including hypermarkets, large retail chains, food retailers and distributors such as Lidl, Aldi, REWE, Carrefour, Walmart, Coles and Metro, recognise our standards and are assured of our products' quality. They are hence confident in branding our products under their various house-brands.

GROWING OUR NETWORK

With our growing global reputation, we are always ready to seize opportunities to expand our network in both the domestic and international markets.

Within the PRC, canned beverages as well as canned fruits and vegetables are developed and marketed under our own brand names. With more successful product launches in the pipeline, we recently boosted our sales and marketing headcount for the China market to a 200 staff strong team to facilitate the expansion of our footprint in the PRC.

In August 2010, we expanded our distributor base by securing distributorship agreements to market 鲜绿园™ juices with 16 distributors across few provinces in the PRC, including Guangdong, Hunan, Hubei, Jiangxi, Xinjiang and Gansu provinces. In January 2011 our distributor base has grown further to more than 30 distributors. We will continue to increase the number of retail point for 鲜绿园™ juices, first by entering

With the increasing affluence and growing awareness of health in the PRC, we expect our newest in-house brand of fruit and vegetable juices 鲜绿园™, to continue contributing significantly to the Company's growth in 2011.

into convenience stores in FY2010 before delving into major supermarkets from 2011. With these distribution plans on the agenda, we expect 鲜绿园™ juices will enter into most large-scale supermarkets by the end of 2011.

Internationally, our products are supplied through reputable distributors and retailers across Europe, North America (namely Mexico) and Asia. The Group will continue to build on our well-established network of distributors such as Compare, Golden Gate, I Schmidt and Huepeden, as well as retailers such as Lidl, Siplec and REWE. In FY2010, we leveraged on our existing network and received higher orders from existing major customers in Europe, as well as new customers in Australia and Singapore.

BOOSTING OUR PRODUCTION CAPACITY

With our network constantly growing, we are anticipating a steady increase in the demand for our products. There is thus a need for higher production capacity to serve the needs of the new and current markets.

In 2010, our wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd ("Shenzhen Grandness"), entered into a cooperation agreement with Dang Yang Municipal Government of Hubei Province. The agreement is such that Shenzhen Grandness invests RMB150 million to construct a production plant with an annual capacity of 30,000 tonnes to produce canned products and beverages, while the government provides assistance and support in land acquisition and infrastructure, as well as necessary administrative services to facilitate the project. Construction work is expected to be completed in 2013.

Currently, we have five production plants strategically located in four provinces in the PRC, namely Shandong, Shanxi, Yunnan and Sichuan. Once the new plant in Hubei Province is completed, the added capacity will ready us for the expanding customer base and boosted demand. Not only are our production plants set in the key agricultural belts of the PRC, they are also in different climatic regions to ensure that production activities can be carried out throughout the year. The close proximity of these plants to the raw materials also ensures freshness and minimised transportation costs.

LOOKING FORWARD

With the increasing affluence and growing awareness of health in the PRC, we expect our newest in-house brand of fruit and vegetable juices 鲜绿园™, to continue contributing significantly to the Company's growth in 2011.

In January 2011, we successfully launched our new 鲜绿园™ loquat juice. With its throat-soothing properties and refreshing taste, it was well-received by the market. Moving ahead, we will continue to intensify Research & Development ("R&D") efforts as we seek to launch new juice products by the end of FY2011. Our R&D efforts for the 鲜绿园™ juices so far has enabled us to achieve the "Innovative, Outstanding and Nutritious Award", conferred by the PRC Food Industry.

To further capitalise on the growth potential of 鲜绿园™ juices, we will heighten advertising and promotional activities to increase brand awareness and product value, and expand our sales and distribution network through consistent marketing efforts. Our participation in trade exhibitions will also allow us to explore cross-selling opportunities and expand market share in new and existing markets, encouraging further growth potential both locally and overseas.

PROPOSED DIVIDENDS

In view of the positive results and to reward the shareholders for their support, the Board of Directors has proposed a final dividend of RMB0.044 per ordinary share, to be approved by shareholders at the forthcoming Annual General Meeting.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude and appreciation to my fellow directors, management team, staff and business partners, for their support and dedication to the Company. Your every contribution has been instrumental in the Group's strong performance thus far, and I trust that it will continue to propel us to new heights.

Huang Yupeng
Chairman and CEO

主席献辞

勇于创新、锐意进取 适应明天的市场需求

尊敬的各位股东，

我谨代表董事会，欣然提呈中华食品工业集团有限公司2010 财政年度（“2010财年”）的年度报告。

2010财年中，我们步入一个崭新的增长阶段。凭借牢固的基本经营价值和强大的营运能力与财力，我们将能进一步巩固我们作为一家备受推崇的罐装水果与蔬菜制造商和供应商在国内外的良好声誉。

业绩强劲

在所有产品的订单均强劲增加的带动下，本集团的营业额取得了43.2%的增长，从2009财年的4.506亿元人民币上升至2010财年的6.451亿元人民币，增幅主要来自饮料产品的销售。此部分在2010财年的营业额达到1.796亿元人民币，比起2009财年的5.190万元人民币，激增了246.4%。

营业额的大幅度提高也促使股东应占净利取得约76.7%的增长，由2009财年的6.620 万元人民币增至2010财年的1.169亿元人民币。这股强劲的增长力量不仅是因为我们一直以来坚持不懈地努力提高销售以及扩大分销网络，我们通过拓宽产品范围、实现收益流多元化的能力也正推动我们的成长。此外，我们新产品鲜绿园™果汁的成功推出，在国内市场受到广泛的热烈的反应，进一步增强本集团的业绩表现。

优良品质、卓越制造

在中华食品，我们坚信，厉行严格的品质标准才能交付最高品质的产品。我们也向农民提供相关培训和支持，使之符合我们的严格要求。通过与广大农民保持亲密且互利的关系，我们能更好地鼓励原材料维持统一标准、防止农药的滥用，从而确保产品的优良品质。

另外，我们对品质的承诺，还体现在我们因恪守生产的高品质和标准所获得的各项认证。我们不但在罐头产品制造过程中，通过ISO 9001:2000的品质认证，我们的生产基地也符合HACCP食品安全体系的要求。

此外，我们在山西、山东及云南诸省的生产基地，也受到了IFS的认可。因此尽管面对各种进口限制（通称“绿色壁垒”），我们的产品仍可出口到欧盟。不仅如此，我们在四川、山东和山西的生产基地也获得BRC认证，打通了我们的产品出口英联邦国家的渠道。这些国际认可的各类认证和标准，对我们的竞争对手设立进入壁垒，无疑为我们提供了竞争优势。

我们世界各地的客户，包括特大超市、大型零售连锁店、食品零售商和经销商如Lidl、Aldi、REWE、家乐福、沃尔玛、科尔斯和麦德龙，都认可了我们的标准，也对我们的产品品质感到放心。因此，他们才会有信心将我们的产品纳入他们个别的自家品牌。

拓展我们的网络

随着本集团国际声誉的不断提高，我们已做好准备，随时抓住机会，拓展我们在国内和国际市场的业务网络。

在中国，罐装饮料以及罐装水果和蔬菜，是以我们的自家品牌开发和销售的。随着更多的产品即将成功上市，我们已在最近增加了中国市场的销售和营销人员，将销售营销团队的阵容扩大到200人，以助我们不断扩大在中国市场的版图。

2010年8月，我们与中国境内包括广东、湖南、湖北、江西、新疆和甘肃等省份的16家经销商签订推销鲜绿园™ 果汁的经销协议，从而扩大了我们的经销版图。2011年1月，我们的经销商数量进一步增至30多家。我们将继续增加鲜绿园™果汁的零售点数量，初步先在2010财年打入便利商店，然后从2011年起，再进军各大超市。有了这些已经制定的经销策略，我们预计鲜绿园™果汁将在2011年底以前，在各大超市上架。

随着中国人民日渐富裕以及保健意识日益增强，我们预计本集团水果和蔬菜汁的最新自家品牌鲜绿园™将对本集团在2011年的成长继续作出显著贡献

在国际上，我们同欧洲、北美（即墨西哥）和亚洲的知名经销商和零售商保持着良好的合作关系，持续将产品供应到该地区。在2010财年，我们有效地利用了现有的经销网络，从欧洲的现有主要客户以及澳大利亚和新加坡的新客户获得了更高额的订单。本集团将继续利用我们已经确立的经销商网络如Compare、Golden Gate、I Schmidt和Huepeden，以及零售商如Lidl、Siplec和REWE，取得更大收益。

增强我们的产能

随着我们的网络不断扩展，预计市场对本集团产品的需求会稳定提高。因此，我们需要提高生产能力，以满足现有和新兴市场的需求。

2010年，我们的全资子公司深圳振鹏达实业集团有限公司（“深圳振鹏达”）与湖北省当阳市政府签订一份合作协议。根据该协议，深圳振鹏达将投资1.50亿元人民币，建造一座年产能达30,000吨的罐装产品和饮料生产工厂，而当阳市政府则在土地征用和基础设施，以及加快项目进度所需的行政服务方面提供协助和支持。建筑工程预计2013年完工。

目前，我们拥有五个生产工厂，分布在中国的四个省份，即山东、山西、云南和四川。一旦湖北省的新工厂建成，新增产能将使我们为不断扩大的客户群和增长需求做好准备。我们的生产工厂，不仅位于中国的主要农业地带，也分布于不同的气候区域，以确保我们全年都能进行生产活动。这些工厂离原料产地极为靠近，无形中减少了运输费，也对产品的新鲜度提供了保证。

展望未来

随着中国人民日渐富裕以及保健意识日益增强，我们预计本集团水果和蔬菜汁的最新自家品牌鲜绿园™将对本集团在2011年的成长继续作出显著贡献。

2011年1月，我们成功推出新的鲜绿园™枇杷汁。由于它具有润喉爽口的特点，颇受市场欢迎。今后，我们将继续提升研发能力，争取在2011财年底以前推出新的果汁产品。至今，我们在鲜绿园™果汁上的研发工作，已使我们荣获中国食品行业颁发的“杰出营养创新奖”。

为进一步利用鲜绿园™果汁的增长潜力，我们将加强广告宣传与促销活动，以提高品牌知名度和产品价值，并通过营销努力，扩大我们的销售与分销网络。此外，我们在贸易展览会的参与，也将能让我们在新市场和现有市场上探索更多的销售机会，扩大市场占有率，从而进一步发掘我们在国内外的增长潜力。

建议派发股息

在此良好的业绩营运环境下，为酬谢各位股东的支持，董事会已建议派发每普通股人民币0.044元的一次性免税股息，但须经各位股东在即将召开的年度股东大会上予以批准。

鸣谢

最后，我谨借此机会衷心感谢我的董事会同仁、管理团队、员工及业务伙伴给予本集团的支持和贡献。各位的每份努力贡献，都是本集团取得今日强劲业绩不可或缺的。这将继续激励我们再创辉煌。

黄育鹏
主席兼总裁

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

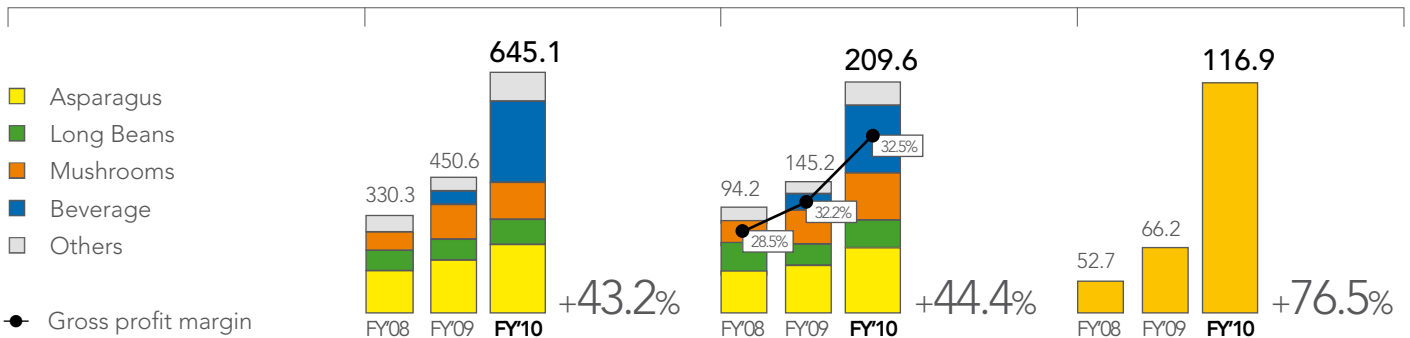


Financial Highlights

Revenue (RMB'000)

Gross Profit & Profit Margin (RMB'000)

Net Profit After Tax (RMB'000)

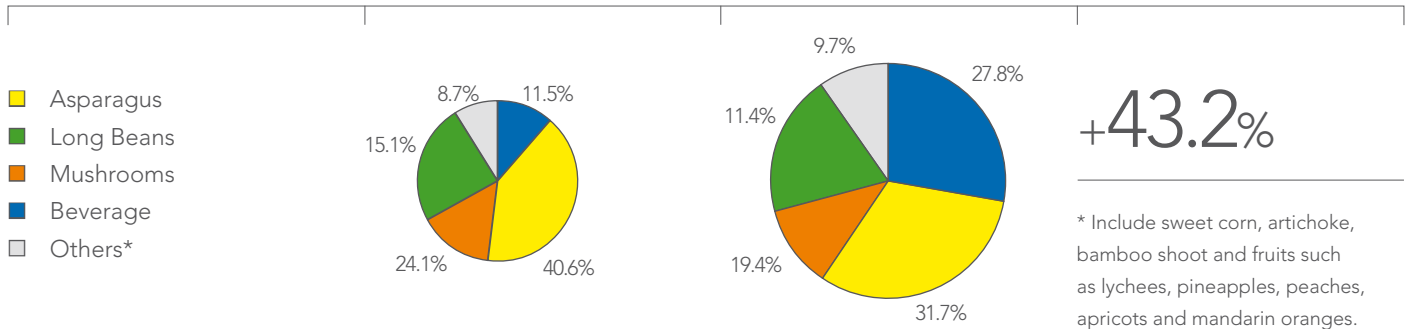


Revenue Breakdown by Products

2009 (RMB'000)

2010 (RMB'000)

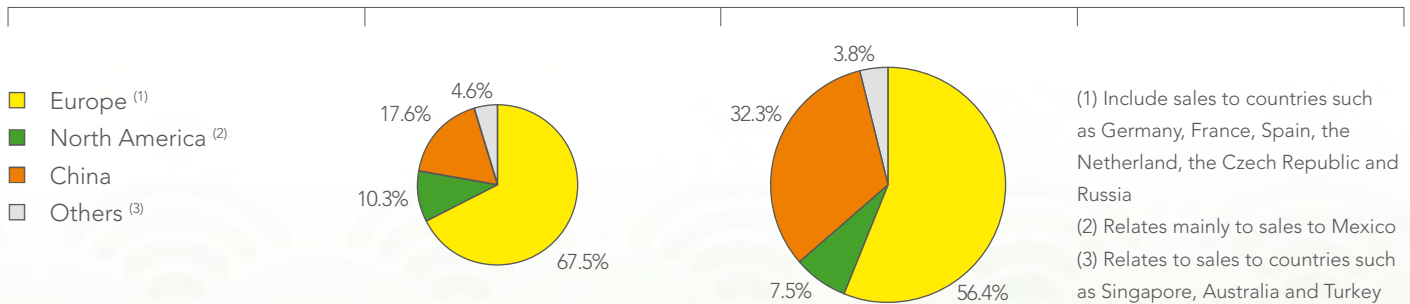
Change (%)



Revenue Breakdown by Geographical Locations

2009 (RMB'000)

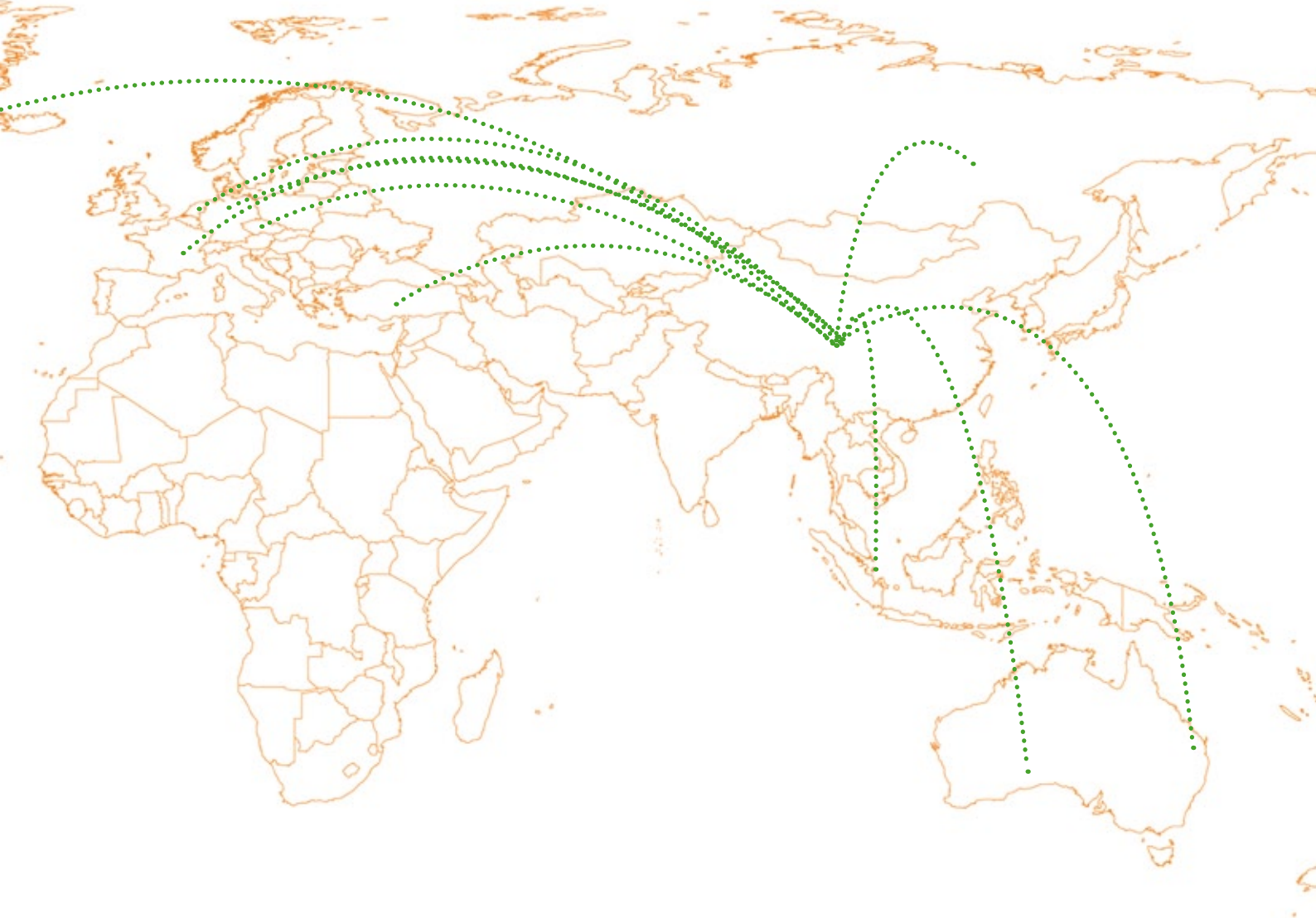
2010 (RMB'000)



Sustainable Growth & Value

We believe our continued success and growth will result from delivering long-term, sustainable value to our customers and shareholders. With innovative new products and technologies, positioning the Company to take advantage of the future opportunities.





Geographic Presence

AUSTRALIA
CHINA
FRANCE
GERMANY
MEXICO
RUSSIA

SINGAPORE
SPAIN
THE CZECH REPUBLIC
THE NETHERLANDS
TURKEY

Operations and Financial Review

INCOME STATEMENT	FY2010 RMB'000	FY2009 RMB'000	Change %
Revenue	645,064	450,597	43.2
Cost of sales	(435,438)	(305,409)	42.6
Gross profit	209,626	145,188	44.4
Other operating income	9,523	2,533	275.9
Distribution costs	(26,594)	(23,019)	15.5
Administrative expenses	(33,934)	(33,961)	(0.1)
Other operating expenses	(27)	(832)	(96.7)
Finance costs	(2,720)	(3,294)	(17.4)
Profit before taxation	155,874	86,615	80.0
Taxation	(38,965)	(20,381)	91.2
Net profit for the year	116,909	66,234	76.5
Other comprehensive income	-	-	-
Total comprehensive income for the year	116,909	66,234	76.5

Total comprehensive income attributable to:

Equity holders of the Company	117,241	66,155
Non-controlling interests	332	79
	116,909	66,234

REVENUE

Our revenue increased by approximately RMB194.4 million or 43.2% from RMB450.6 million in FY2009 to RMB645.1 million in FY2010. This increase was mainly attributable to the higher sales across all product segments as increased production capacities and higher orders secured from our existing customers as well as new customers in Australia and Singapore.

SEGMENTAL REVIEW

On a segmental basis, sale of asparagus continues to be the key revenue contributor, making up 31.7% of Group revenue. The beverages segment came in a close second at 27.8%, while mushrooms made up 19.4% of total revenue.

Revenue from the beverages segment saw the greatest growth, leaping 246.4%. This was primarily due to the successful commercialisation of the new 鲜绿园™ bottled juices and sustained expansion of the Group's distributor base in China.

REVENUE BREAKDOWN BY PRODUCTS

PRODUCT SEGMENT	FY2010 RMB'000	FY2009 RMB'000	Increase / (Decrease) %
Asparagus	204,245	183,162	11.5
Long Beans	73,596	67,890	8.4
Mushrooms	125,277	108,638	15.3
Beverage	179,592	51,849	246.4
Others*	62,354	39,058	59.6
Total	645,064	450,597	43.2

*Others – include sweet corn, artichoke, bamboo shoots and fruits such as lychees, pineapples, peaches, apricots and mandarin oranges.

REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATIONS OF OUR CUSTOMERS

Geographically, Europe remained the largest revenue contributor at 56.4%, while the revenue from China made up 32.3%. Sales from the China market continued its tremendous growth, increasing 163.0%. This was largely due to the successful launch of the Group's canned beverage. Sales from Europe and North America grew by 19.5% and 4.1% respectively.

GEOGRAPHICAL LOCATIONS	FY2010 RMB'000	FY2009 RMB'000	Increase / (Decrease) %
Europe ⁽¹⁾	363,668	304,321	19.5
North America ⁽¹⁾	48,228	46,316	4.1
China	208,623	79,319	163.0
Others ⁽³⁾	24,545	20,641	18.9
Total	645,064	450,597	43.2

(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

In line with the increase in our sales, gross profit increased by approximately RMB64.4 million or 44.4% from RMB145.2 million in FY2009 to RMB209.6 million in FY2010.

GROSS PROFIT BREAKDOWN BY PRODUCTS

PRODUCT SEGMENT	FY2010 RMB'000	FY2009 RMB'000	Increase / (Decrease) %
Asparagus	66,546	62,533	6.4
Long Beans	20,873	20,750	0.6
Mushrooms	30,700	34,674	(11.5)
Beverage	67,439	13,396	403.4
Others*	24,068	13,835	74.0
Total	209,626	145,188	44.4

*Others – include sweet corn, artichoke, bamboo shoots and fruits such as lychees, pineapples, peaches, apricots and mandarin oranges.

GROSS PROFIT MARGINS

Gross profit margin improved by 0.3 percentage points, from 32.2% in FY2009 to 32.5% in FY2010. This was largely due to the increase in gross profit margin of the beverage and other products segments, which was partially offset by a decrease in the gross profit margin of asparagus, long beans and mushroom product segments. These decreases were mainly attributable to the increase in raw material costs which were unable to pass on entirely to our customers.

PRODUCT SEGMENT	FY2010	FY2009
Asparagus	32.6%	34.1%
Long Beans	28.4%	30.6%
Mushrooms	24.5%	31.9%
Beverage	37.6%	25.8%
Others*	38.6%	35.4%
Total	32.5%	32.2%

OPERATING EXPENSES

Distribution cost increased by approximately RMB3.6 million or 15.5% from RMB23.0 million in FY2009 to RMB26.6 million in FY2010. This was due mainly to an increase of RMB1.1 million in transportation cost, RMB1.1 million in packaging cost and RMB0.7 million in employee benefit cost which were largely in line with our increased business activities in FY2010.

Administration cost decreased by approximately RMB0.03 million or 0.1% from RMB34.0 million in FY2009 to RMB33.9 million in FY2010. In FY2010, there was increase of RMB1.9 million in employee benefit cost, exchange loss of RMB6.0 million. In FY2009, we have incurred an amount of RMB16.0 million in IPO expenses.

FINANCE COSTS

Finance cost decreased by approximately RMB0.6 million or 17.5% from RMB3.3 million in FY2009 to RMB2.7 million in FY2010. The decrease was mainly due to lower bank borrowings in FY2010.

PROFIT BEFORE TAXATION

Profit before taxation increased by approximately RMB69.2 million or 80.0%, from RMB86.6 million in FY2009 to RMB155.8 million in FY2010. The increase was mainly due to increase in overall gross profit of our products.

TAXATION

Income tax expense were RMB39.0 million and RMB20.4 million with effective tax rate of 25.0% and 23.5% in FY2010 and FY2009 respectively. The increase in the effective tax rate was mainly due to an increase in the EIT rate of Shenzhen Grandness from 20% in FY2009 to 22% in FY2010.

NET PROFIT

Net profit for the year rose 76.5%, from RMB66.2 million in FY2009 to RMB116.9 million in FY2010.

PER SHARE DATA

For FY2010, the Group's earnings per share based on weighted average shares of 249,446,000 is 46.9 RMB cents, while our net asset value per ordinary share is 158.6 RMB cents as at 31 December 2010.



Operations and Financial Review

BALANCE SHEET	As at 31 Dec 10	As at 31 Dec 09
Non-current assets	244,492	161,920
Current assets	320,827	363,049
Total assets	565,319	524,969
Current liabilities	70,830	156,057
Non-current liabilities	73,808	86,146
Total liabilities	144,638	242,203
Net assets	420,681	282,766
Equity attributable to equity holders of the Company		
Share capital	167,897	133,652
Retained profits	245,865	151,983
Other reserves	1,228	(8,891)
Total shareholders' funds	414,990	276,744
Non-controlling interests	5,691	6,022
Total equity	420,681	282,766

Property, plant and equipment increased by approximately RMB82.7 million to RMB228.0 million in FY2010 as a result of the construction in progress in Shanxian and Shanxi plants. In addition, we had acquired new plant and machinery for our Shanxi and Shanxian plants.

Our inventories decreased by RMB0.9 million from RMB30.8 million in FY2009 to RMB29.9 million in FY2010. The decrease in inventories over the period under review was attributable to more concerted efforts to control our inventory level by monitoring sales order secured from our customers.

The trade and other receivables increased by approximately RMB26.3 million from RMB185.7 million in FY2009 to RMB212.0 million in FY2010. The increase was mainly attributable to an increase in export sales to our existing major customers. In addition, we had fully commenced our canned beverage sales domestically in 2010.

Current assets include a deposit for land use rights of RMB46.24 million which mainly relates to the acquisition of land use rights for the new production plant in Hubei Province.

Cash and cash equivalents stood at RMB32.5 million as at 31 December 2010, the decrease in cash and cash equivalents was mainly due to the acquisition of property, plant and equipment and deposit placed for land use rights at Hubei Province, bank loan repayment, dividend payment and net cash used in operation, partially offset by net proceeds from the issuance of placement shares.

TOTAL LIABILITIES

Current liabilities decreased by RMB85.2 million from FY2009 to FY2010. The decrease was mainly attributable to a decrease in trade and other payable of RMB27.2 million, note payable of RMB38.0 million and bank borrowings of RMB26.7 million partially offset by an increase in the current tax payable of RMB6.8 million.

Non-current liabilities decreased by RMB12.3 million from FY2009 to FY2010. The decrease was mainly attributable to a decrease in bank borrowings of RMB12.0 million.

SHAREHOLDERS' EQUITY

Equity holders' interests increased by RMB137.9 million from RMB282.7 million as at 31 December 2009 to RMB420.6 million as at 31 December 2010. The increase was mainly due to the issuance of placement shares of RMB34.2 million and net profit in FY2010 of RMB116.9 million, which was partially offset by dividends paid to the equity holders.

CASH FLOW

(RMB'000)	As at 31 Dec 10	As at 31 Dec 09
Net cash generated from operating activities	77,843	16,015
Net cash used in investing activities	136,165	(65,155)
Net cash (used in) / generated from financing activities	(17,131)	139,925
Net cash (decrease) / increase in cash and cash equivalents	(75,452)	90,785
Cash and cash equivalents at beginning of year	104,487	13,702
Cash and cash equivalents at end of year	29,035	104,487



In FY2010, operating cash flows before working capital changes amounted to RMB166.3 million. We generated net cash of RMB77.8 million from our operating activities. Working capital changes comprised an increase in operating receivables of RMB27.5 million, and a decrease of RMB0.8 million, RMB38.5 million and RMB65.2 million in inventories, deposits pledged with banks and operating payables respectively.

Net cash used in investing activities amounted to RMB136.2 million in FY2010, which was due mainly to acquisition of property, plant and equipment of RMB90.4 million and deposit for land use rights of RMB46.24 million. In addition, net cash used in financing activities amounted to RMB17.1 million which is mainly due to repayment of bank borrowings of RMB48.7 million and payment of dividend of RMB13.2 million partially offset by bank loan obtained of RMB10 million and net proceeds from placement shares issued of RMB34.2 million.

INDEBTEDNESS

Aggregate amount of the Group's borrowing and debt securities

(RMB'000)	As at 31 Dec 10	As at 31 Dec 09
Amount repayable in one year or less or on demand		
Secured	8,000	28,730
Unsecured	-	6,000
Amount repayable after one year		
Secured	28,000	40,000
Unsecured	-	-
	36,000	74,730

UPDATE ON USE OF NET IPO AND PLACEMENT PROCEEDS

USE OF NET IPO PROCEEDS

Expand our production storage capacity:

	Amount allocated (S\$m)	Amount utilised (S\$m)	Balance (S\$m)
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	-	-
Working capital	7.9	7.9	-
TOTAL	16.9	13.9	3.0

USE OF NET PROCEEDS FROM PLACEMENT OF SHARES

Initial construction cost for the new plant in Hubei Province, the PRC	2.0	2.0	-
Working capital	4.7	4.7	-
TOTAL	6.7	6.7	-

Board of Directors



Huang Yupeng, Huang Yushan, Xu Xihua, Soh Beng Keng, Zhang Gongjun, 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 Kiang (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 Kiang 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 Kiang 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.

CHEN SHUICHENG (陈水成)

Chief Technical Officer

Mr Chen Shuicheng (陈水成) is currently the Chief Technical Officer and is in charge of the production technology and quality control of our Group. He had more than 20 years of experience in production and quality control of canned products. In 1990, he joined Yun Xiao County State Owned Canning Factory, where he remained until 1995 and last held position of technical manager (production and technology). In 1995, he joined Yun Xiao County Chang Long Canning Factory as factory manager (production and quality control). In 2001, he joined Zhang Zhou Fu Min Food Factory as factory manager (production and quality control). In 2004, he joined Shanxi Yongji Huaxin Food Co., Ltd, one of our subsidiaries as factory manager and subsequently promoted to technical and quality manager of our Group.

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

Financial Contents

Corporate Governance Report	21
Directors' Report	35
Statement by Directors	38
Independent Auditor's Report	39
Statement of Financial Position	41
Consolidated Statement of Comprehensive Income	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
Notes to the Financial Statements	46
Statistics of Shareholdings	91
Notice of Annual General Meeting	93
Proxy Form	



Corporate Governance Report

Sino Grandness Food Industry Group Limited (the "Company" and together with its subsidiaries, the "Group") is committed to setting in place corporate governance practices which are in line with the recommendations of the Singapore Code of Corporate Governance 2005 (the "Code") to provide the structure through which protection of the interests of its shareholders and enhancement of shareholders' value and corporate transparency are met. This report sets out the corporate governance practices of the Company during the financial year with specific reference to the principles of the Singapore 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 quarterly and as warranted by particular circumstances, as deemed appropriate by the members of the Board.

The principal functions of the Board include the following: -

- provides entrepreneurial leadership, sets strategic 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.

Corporate Governance Report

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 2010 is set out as follows:

Types of Meetings Names of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Huang Yupeng	4	4	4*	4*	2*	2*	2*	2*
Huang Yushan	4	4	4*	4*	2*	2*	2*	2*
Xu Xihua	4	4	4*	4*	2*	2*	2*	2*
Zhang Gongjun	4	4	4	4	2	2	2	2
Soh Beng Keng	4	4	4	4	2	2	2	2
Lin Song	4	4	4	4	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. During the financial year ended 31 December 2010, at least one Board meeting was held in the People's Republic of China ("PRC") where the Group has significant operations. During such occasions, the Board may meet with local management personnel to gain further insight of the Group's operations and businesses in PRC. 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, the majority of whom are non-executive, including two who are Independent Directors.

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

Corporate Governance Report

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.

In line with corporate governance best practices, 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

Corporate Governance Report

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-election 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.

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 assessment to ensure there is an equitable distribution of responsibilities among the directors.

In the nomination and selection process, the NC reviews the composition of the Board by taking into consideration the mix of expertise, skills and attributes of existing Board members, to identify desirable competencies for a particular appointment. In so doing, it strives to source for candidates who possess the skills and experience that will further strengthen the Board, and are able to contribute to the Company in relevant strategic business areas, in line with the growth and development of the Group.

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. The CEO, as a Director, is subject to the same retirement by rotation provisions as the other Directors and such provisions will not be subject to any contractual terms that he may have entered into with the Company. 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 Yushan, and Zhang Gongjun who are retiring at the forthcoming Annual General Meeting to be held on 18 April 2011 (the "forthcoming AGM"). The Board has accepted the recommendations and the retiring directors will be offering themselves for re-election.

Corporate Governance Report

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	27 April 2010	Nil	Nil
Huang Yushan	29 August 2008	Not Applicable	Nil	Nil
Xi Xihua	29 August 2008	27 April 2010	Nil	Nil
Zhang Gongjun	29 August 2008	Not Applicable	Nil	Nil
Soh Beng Keng	11 November 2009	27 April 2010	<u>Listed Companies</u> 1. China Haida Ltd. 2. ISDN Holdings Limited 3. Ziwo Holdings Ltd. 4. Yamada Green Resources Limited	Nil
Lin Song	11 November 2009	27 April 2010	<u>Listed Company</u> 1. China Environment Ltd.	<u>Listed Companies</u> 1. Zhonghui Holdings Ltd

Note: The profile and relevant information of the members of the Board are set on pages [I] to [I] of the Annual Report. The Directors' interests in shares are as disclosed in paragraph [I] of the Report of the Directors.

Principle 5: Board Performance

With the approval of the Board, the NC had implemented and continued with an annual performance evaluation process to assess the effectiveness of the Board as a whole. The purpose of the evaluation process is to increase the overall effectiveness of the Board. 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.

Each Director was requested to complete evaluation forms to assess the overall effectiveness of the Board as a whole. The appraisal process focused on the evaluation of factors such as the size and composition of the Board, the Board's access to information, Board processes and accountability, communication with Senior Management and Directors' standards of conduct. The results of the evaluation are used constructively by the NC to identify areas of improvements and recommend to the Board the appropriate action.

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

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 at all times.

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 Singapore Exchange Securities Trading Limited ("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 CEO 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.

Corporate Governance Report

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 would take into account the Group's relative performance and the performance of individual Directors.

The remuneration for the Executive Director comprises a basic salary component and a variable component, namely the annual bonus and it also takes into account their contribution including participation in the board activities. The annual bonus is based on the performance of the Group as a whole and their individual performance.

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.

Principle 9: Disclosure of Remuneration

Company's Directors and key executive officers receiving remuneration from the Group for the financial year ended 31 December 2010 are as follows:

Remuneration Band	Number of Directors	
	2010	2009
Executive Directors		
S\$500,001 to S\$750,000	1	–
S\$250,000 to below S\$500,000	–	1
Below S\$250,000	2	2
Total	3	3
Key Executive Officers		
Below S\$250,000	6	5
Total	6	5

Corporate Governance Report

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 2010, is as follows:

	Fees %	Salary %	Bonus %	Total %
Directors				
S\$500,001 to S\$750,000				
Huang Yupeng		54	46	100
Below S\$250,000				
Huang Yushan		100		100
Xu Xihua		100		100
Zhang Gongjun	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
Sun Yong		100		100
Zhu Jun		100		100
Sun Enxiao		100		100
Bao Junfeng		100		100

Other than the Chairman and CEO, Mr Huang Yupeng, who is the brother of Huang Yushan, an Executive Director, there is no employee of the Group who is an immediate family member of a Director or substantial shareholder whose remuneration exceeds S\$150,000 for the financial year ended 31 December 2010.

The RC has reviewed and approved the remuneration packages of the Executive 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 Executive Directors and key executives are adequately but not excessively remunerated.

Principle 10: Accountability

The Board understands its accountability to the shareholders on the Group's position and performance. In this respect, in the discharge of its duties to the shareholders, the Board, when presenting annual audited financial statements and quarterly results announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. 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 quarterly, half-yearly and annual results announcements with management and external auditors before submission to the Board for approval, focusing in particular on significant financial reporting issues and judgments; changes in accounting policies and practices, major risk areas; significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements.

(b) External Audit

The AC reviews, with the external auditors, the audit plans, the audit report and Management's response and actions to correct any noted deficiencies; to discuss problems and concerns, if any, arising from the review and audits; 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.

Corporate Governance Report

(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.

In July 2010, the Singapore Exchange Limited and Accounting and Corporate Regulatory Authority had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance.

The AC has also undertaken a review of the independence and objectivity of the external auditors. The AC is satisfied that the external auditors are independent and the external auditors had also provided a confirmation of their independence to the AC. Having assessed the external auditors based on factors such as performance and quality of their audit and their independence, the AC has recommended to the Board of Directors, the nomination of the external auditors for re-appointment at the forthcoming AGM.

Save for professional fees and miscellaneous expenses occurred for audit services, the Company does not pay any other non-audit fee, to the external auditors during financial year ended 31 December 2010.

The AC direct access to the internal and external auditors and met with them without the presence of Management for the financial year ended 31 December 2010.

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

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.

Corporate Governance Report

The AC has reviewed all Interested Person Transactions during the financial year ended 31 December 2010 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 participating in the proceedings in relation to that particular transaction and voting on that particular resolution.

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

Principle 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. This review will be carried out by the Company's internal auditors on an annual basis.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and the review performed by Management, the AC and the Board are of the opinion that the Group's internal controls are adequate and are satisfactory for the nature and scope of the Group's operations.

Principle 13: Internal Audit

The AC has outsourced the performance of the internal audit functions of the Group to Crowe Howarth First Trust Risk Advisory Pte. Ltd.. The internal auditors will report directly to 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 internal auditors provide adequate staffing with relevant experience to conduct the internal audits.

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.

Corporate Governance Report

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 and that information is communicated to shareholders on a timely basis and is made through:

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

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

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

In line with Rule 1207(18) of the Listing Manual of SGX-ST, the Company has in place a policy prohibiting share dealings by Directors and employees of the Group for the periods (i) commencing two weeks before the announcement of the Company's quarterly financial results and one month before the full financial year 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.

Corporate Governance Report

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 2010.

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 87 to 90.

INTERESTED PERSON TRANSACTIONS

The Company has an Interested Persons Transactions ("IPT") policy and sets 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.

Save for disclosed under IPTs in the Company's prospectus dated 13 November 2009, there were no IPT entered between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2010.

Corporate Governance Report

UPDATE ON THE USE OF NET IPO AND PLACEMENT PROCEEDS

As announced via SGXNET on 21 February 2011, the Board of Directors of the Company had provided an update as at 21 February 2011 on the use of net proceeds from the IPO of approximately S\$16.9 million and Placement of approximately S\$6.7 million as set out below: -

	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Use of net IPO proceeds			
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	7,900	–
Total	16,900	13,900	3,000
Use of net proceeds from Placement of shares			
Initial construction cost for the new plant in Hubei Province, the PRC	2,000	2,000	–
Working capital	4,700	4,700	–
Total	6,700	6,700	–

As at the date of this report, there is no further utilization of IPO proceeds since the aforesaid announcement on 21 February 2011. 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 2010.

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 Singapore 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 1.1.2010	As at 31.12.2010 and 21.1.2011	As at 1.1.2010	As at 31.12.2010	As at 21.1.2011
	The Company - <u>Sino Grandness Food Industry Group Limited</u>				
Huang Yupeng	117,448,280	117,448,280	–	–	–
Zhang Gongjun	–	–	4,151,000 ⁽¹⁾	151,000 ⁽¹⁾	– ⁽¹⁾

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) 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. Inkatha Group Limited disposed its shares of 4,000,000 and 151,000 in Sino Grandness Food Industry Group Limited on 13 October 2010 and 19 January 2011 respectively.

Directors' Report

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 Singapore 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.

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 Committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Group's independent auditor and any recommendations on internal accounting controls arising from the statutory audit; and
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2010 as well as the independent auditor's report thereon; and
- (iv) 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.

Directors' Report

Audit committee (cont'd)

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.

Other information required by the SGX-ST

Material information

Apart from the Service Agreements between the executive directors 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: 14 March 2011

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 2010 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: 14 March 2011

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 2010, 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 of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

Independent Auditor's Report

to the Members of Sino Grandness Food Industry Group Limited (Cont'd)

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 2010 and of 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, 14 March 2011

Statement of Financial Position

for the year ended 31 December 2010

	Note	The Company		The Group	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009
		RMB	RMB	RMB	RMB
ASSETS					
Non-Current					
Land use rights	5	–	–	15,001,780	15,325,132
Property, plant and equipment	6	16,459	7,099	228,050,653	145,333,201
Subsidy	7	–	–	536,022	670,038
Subsidiaries	8	1,847,996	1,847,996	–	–
Amount owing by subsidiaries	9	143,324,702	58,998,449	–	–
Deferred tax asset	10	–	–	903,460	592,000
		<u>145,189,157</u>	<u>60,853,544</u>	<u>244,491,915</u>	<u>161,920,371</u>
Current					
Inventories	11	–	–	29,955,716	30,804,058
Trade and other receivables	12	11,049	11,034	212,031,435	185,680,335
Deposit for land use rights	13	–	–	46,240,000	–
Prepayments		–	–	74,855	27,006
Cash and cash equivalents	14	13,665,438	61,880,744	32,525,095	146,537,548
		<u>13,676,487</u>	<u>61,891,778</u>	<u>320,827,101</u>	<u>363,048,947</u>
Total assets		<u>158,865,644</u>	<u>122,745,322</u>	<u>565,319,016</u>	<u>524,969,318</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	167,896,912	133,652,464	167,896,912	133,652,464
(Accumulated losses)/retained profits		(13,063,516)	(14,794,026)	245,865,359	151,983,114
Other reserves	16	–	–	1,227,763	(8,891,173)
		<u>154,833,396</u>	<u>118,858,438</u>	<u>414,990,034</u>	<u>276,744,405</u>
Non-controlling interests		<u>–</u>	<u>–</u>	<u>5,690,488</u>	<u>6,022,032</u>
		<u>154,833,396</u>	<u>118,858,438</u>	<u>420,680,522</u>	<u>282,766,437</u>
Liabilities					
Non-Current					
Bank borrowings	17	–	–	28,000,000	40,000,000
Amount owing to the then shareholders	18	–	2,048,524	45,139,428	45,477,003
Other payables	19	–	–	3,375,000	3,375,000
Deferred tax liability	10	669,000	669,000	669,000	669,000
		<u>669,000</u>	<u>2,717,524</u>	<u>77,183,428</u>	<u>86,521,003</u>
Current					
Trade and other payables	19	3,363,248	1,169,360	38,908,094	66,166,416
Note payables	20	–	–	4,090,000	42,050,000
Current tax payable		–	–	15,922,108	9,066,981
Bank borrowings	17	–	–	8,000,000	34,730,000
Amount owing to related parties	21	–	–	534,864	668,481
		<u>3,363,248</u>	<u>1,169,360</u>	<u>67,455,066</u>	<u>152,681,878</u>
Total equity and liabilities		<u>158,865,644</u>	<u>122,745,322</u>	<u>565,319,016</u>	<u>524,969,318</u>

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 2010

		Year ended 31 December 2010	Year ended 31 December 2009
	Note	RMB	RMB
Revenue	4	645,064,111	450,596,535
Cost of sales		(435,438,475)	(305,408,698)
Gross profit		209,625,636	145,187,837
Other operating income	22(a)	9,523,425	2,532,595
Distribution costs	22(b)	(26,594,459)	(23,018,751)
Administrative expenses	22(c)	(33,934,137)	(33,961,751)
Other operating expenses		(26,546)	(831,512)
Finance costs	22(d)	(2,719,464)	(3,293,860)
Profit before taxation	23	155,874,455	86,614,558
Taxation	24	(38,965,508)	(20,381,071)
Profit for the year		116,908,947	66,233,487
Other comprehensive income	25	–	–
Total comprehensive income		116,908,947	66,233,487
Attributable to :			
Equity holders of the parent		117,240,491	66,154,862
Non-controlling interests		(331,544)	78,625
		116,908,947	66,233,487
Earnings per share :	26	Cents	Cents
- Basic		46.9	36.1
- Diluted		46.9	36.1

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 2010

	Share capital	Retained profits	Merger reserve	Statutory common reserve	Total attributable to equity holders of the parent	Non-controlling interests	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January 2009	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
Total comprehensive income for the year	–	117,240,491	–	–	117,240,491	(331,544)	116,908,947
Dividend distribution (Note 27)	–	(13,239,310)	–	–	(13,239,310)	–	(13,239,310)
Issue of shares	35,576,800	–	–	–	35,576,800	–	35,576,800
Share issue costs	(1,332,352)	–	–	–	(1,332,352)	–	(1,332,352)
Transfer to statutory reserve	–	(10,118,936)	–	10,118,936	–	–	–
Balance as at 31 December 2010	167,896,912	245,865,359	(31,413,600)	32,641,363	414,990,034	5,690,488	420,680,522

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 2010

	Year ended 31 December 2010	Year ended 31 December 2009
	RMB	RMB
Cash Flows from Operating Activities		
Profit before taxation	155,874,455	86,614,558
Adjustments for:		
Depreciation of property, plant and equipment	7,636,062	5,130,356
Amortisation of land use rights	323,352	323,081
Amortisation of subsidy	134,016	134,016
Loss on disposal of property, plant and equipment-net	9,939	11,917
Property, plant and equipment written off	43,256	-
Interest expense	2,719,464	3,293,860
Interest income	(481,606)	(82,982)
Operating cash flows before working capital changes	166,258,938	95,424,806
(Increase)/decrease in deposits pledged with banks	38,560,000	(40,100,000)
Decrease in inventories	848,342	15,739,719
(Increase) in operating receivables	(27,477,277)	(84,900,277)
(Decrease)/increase in operating payables	(65,205,282)	50,306,397
Cash generated from operations	112,984,721	36,470,645
Income tax paid	(32,421,841)	(17,161,860)
Interest paid	(2,719,464)	(3,293,860)
Net cash generated from operating activities	77,843,416	16,014,925
Cash Flows from Investing Activities		
Additions to land use rights	-	(40)
Acquisition of property, plant and equipment	(90,442,903)	(65,291,477)
Deposit for land use rights	(46,240,000)	-
Proceeds from disposal of property, plant and equipment	36,194	53,372
Interest received	481,606	82,982
Net cash used in investing activities	(136,165,103)	(65,155,163)

Consolidated Statement of Cash Flows

for the year ended 31 December 2010 (Cont'd)

	Year ended 31 December 2010	Year ended 31 December 2009
	RMB	RMB
Cash Flows from Financing Activities		
Proceeds from share issue	35,576,800	99,784,336
Share issue costs	(1,332,352)	(7,303,158)
Dividend paid	(13,239,310)	–
Bank loans obtained (Note A)	10,000,000	74,730,000
Bank loans repaid	(48,730,000)	(31,000,000)
Amount owing to related parties	(133,617)	(70,658)
Amount owing by:		
- third parties	1,078,328	(1,563,534)
Amount owing to:		
- the then shareholders	(337,575)	2,032,019
- third parties	(13,040)	3,316,282
Net cash (used in)/generated from financing activities	(17,130,766)	139,925,287
Net (decrease)/increase in cash and cash equivalents	(75,452,453)	90,785,049
Cash and cash equivalents at beginning of year	104,487,548	13,702,499
Cash and cash equivalents at end of year (Note 14)	29,035,095	104,487,548

Note:

A. Shanxi Yongji Huaxin Food Co., Ltd obtained a loan of RMB 10,000,000 in FY 2010. The loan was fully repaid in June 2010.

Notes to the Financial Statements

for the year ended 31 December 2010

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2010 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 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 8 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. Details of the Restructuring Exercise have been explained and disclosed in FY 2009 Annual Report.

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.

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.

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

Amortisation of land use rights 土地使用权摊销

Land use rights are amortised on a straight-line basis over their estimated useful lives. The Group has been granted rights of use of land of 50 years. The carrying amount of the Group's land use rights as at 31 December 2010 is RMB15,001,780 (2009 - RMB15,325,132) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of land use rights, therefore future amortisation charges could be revised (Note 5).

Notes to the Financial Statements

for the year ended 31 December 2010

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

Significant accounting estimates and judgements (Cont'd)

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. The carrying amounts of the Group's property, plant and equipment as at 31 December 2010 are RMB228,050,653 (2009 - RMB145,333,201). 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 (Note 6).

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 10 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 12).

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 realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

The carrying amounts of inventories at the financial position date are disclosed in Note 11 to the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2010

3(b) Interpretations and amendments to published standards effective in 2010

On 1 January 2010, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. This includes the following FRS and INT FRS, which are relevant to the Group:

FRS 27	Consolidated and Separate Financial Statements
FRS 39	Amendments to INT FRS 109 and FRS 39 - Embedded Derivatives
FRS 103	Business Combinations
Amendments to INT FRS 109	Amendments to INT FRS 109 and FRS 39 - Embedded Derivatives
INT FRS 119 (Revised)	Extinguishing Financial Liabilities with Equity Instruments
Improvements to FRSs 2009	

The adoption of these new/revised FRS and INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for presentation or additional disclosures in the financial statements.

3(c) FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 24 (Revised)	Related Party Disclosures	1.1.2011
Amendments to FRS 32	Classification of Right Issues	1.2.2010
Amendments to FRS 101	Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters	1.7.2010
Amendments to INT FRS 114	Prepayments of a Minimum Funding Requirement	1.1.2011
INT FRS 115 (Revised)	Agreements for the Construction of Real Estate	1.1.2011
Improvements to FRSs 2010		

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

The management does not anticipate that the adoption of other FRSs and INT FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for amendments to FRS 24 - Related Party Disclosures.

Notes to the Financial Statements

for the year ended 31 December 2010

3(c) FRS and INT FRS issued but not yet effective (Cont'd)

FRS 24 (revised) Related Party Disclosures

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. However, the revised definition of a related party will also mean that some entities will have more related parties and will be required to make additional disclosures.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

3(d) Summary of significant accounting policies

Subsidiaries and principles of consolidation Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 8.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated profit or loss from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Where accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Non-controlling 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 statement of comprehensive income. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this result in the non-controlling interests having deficit balances.

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 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.

Notes to the Financial Statements

for the year ended 31 December 2010

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

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

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.

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.

Non-controlling 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 non-controlling interests.

Details of its subsidiaries are given in Note 8.

Notes to the Financial Statements

for the year ended 31 December 2010

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

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the consolidated income statement using the straight-line basis over the lease term of the land use rights of fifty years.

Property, plant and equipment and depreciation

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

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

For acquisitions and disposals during the financial year, depreciation is provided from the month 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.

The depreciation methods, useful lives and residual values of property, plant and equipment are reviewed and adjusted as appropriate at end of each reporting date. The depreciation methods and useful lives 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.

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

Notes to the Financial Statements

for the year ended 31 December 2010

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

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 Company and 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 end of each reporting period 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 end of reporting period. These are classified as non-current assets.

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

Notes to the Financial Statements

for the year ended 31 December 2010

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, trade payables, accruals and other payables, and related parties balances.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in the 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 profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the 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 end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are considered as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the 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.

Notes to the Financial Statements

for the year ended 31 December 2010

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

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.

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.

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 consolidated income statement in the period they are incurred.

Notes to the Financial Statements

for the year ended 31 December 2010

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

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.

Where the Group is the lessor, rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Income taxes

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

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

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 end of the reporting period; and
- (b) based on the tax consequence that will follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in 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 2010

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 end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the 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.

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.

Notes to the Financial Statements

for the year ended 31 December 2010

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

Impairment of non-financial assets (Cont'd)

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.

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 and beverage 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.

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 end of the reporting period 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.

Notes to the Financial Statements

for the year ended 31 December 2010

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

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.

4 Revenue

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Sale of		
- canned asparagus	204,244,548	183,162,136
- canned long beans	73,596,378	67,890,127
- canned mushrooms	125,276,544	108,637,787
- beverage	179,592,112	51,849,138
- others	62,354,529	39,057,347
	645,064,111	450,596,535

Notes to the Financial Statements

for the year ended 31 December 2010

5 Land use rights 土地使用权

		2010	2009
The Group		RMB	RMB
Cost	成本		
Balance at beginning of year	年初余额	16,221,691	16,221,651
Additions	增加	–	40
Balance at end of year	年末余额	16,221,691	16,221,691
Accumulated amortisation	累计摊销		
Balance at beginning of year	年初余额	896,559	573,478
Amortisation for the year	本年摊销	323,352	323,081
Balance at end of year	年末余额	1,219,911	896,559
Net book value	净值	15,001,780	15,325,132

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 (云南省师宗县单风镇)	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

Notes to the Financial Statements

for the year ended 31 December 2010

5 Land use rights (Cont'd) 土地使用权 (续)

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

The Group	Note	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
At cost			
Land use rights	17 (a)	–	3,757,250
Land use rights	17 (b)	–	4,028,700
		–	7,785,950
Net book value		–	6,982,935

6 Property, plant and equipment

The Company

	Office equipment RMB
<u>Cost</u>	
At 1 January 2009	10,154
Additions	–
At 31 December 2009	10,154
Additions	12,474
At 31 December 2010	22,628
<u>Accumulated depreciation</u>	
At 1 January 2009	1,126
Depreciation for the year	1,929
At 31 December 2009	3,055
Depreciation for the year	3,114
At 31 December 2010	6,169
<u>Net book value</u>	
At 31 December 2010	16,459
At 31 December 2009	7,099

Notes to the Financial Statements

for the year ended 31 December 2010

6 Property, plant and equipment (cont'd)

	Factory and warehouse premises	Office units	Renovation	Plant and machinery	Motor vehicles	Office equipment	Construction- in-progress	Total
The Group	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Cost								
At 1 January 2009	56,481,639	2,728,907	3,024,121	12,609,498	3,295,999	1,232,652	15,631,251	95,004,067
Additions	299,672	–	59,222	25,574,230	124,022	76,053	39,158,278	65,291,477
Disposals	–	–	–	(80,007)	(7,949)	(3,485)	–	(91,441)
Reclassifications	5,858,000	–	–	–	–	–	(5,858,000)	–
At 31 December 2009	62,639,311	2,728,907	3,083,343	38,103,721	3,412,072	1,305,220	48,931,529	160,204,103
Additions	304,693	–	433,004	6,973,462	177,415	131,710	82,422,619	90,442,903
Disposals	–	–	–	(368,846)	(17,097)	(39,723)	–	(425,666)
Write off	–	–	–	(55,700)	–	–	–	(55,700)
Reclassifications	49,936,152	–	–	42,456	–	–	(49,978,608)	–
At 31 December 2010	112,880,156	2,728,907	3,516,347	44,695,093	3,572,390	1,397,207	81,375,540	250,165,640
Accumulated depreciation								
At 1 January 2009	2,941,088	168,510	2,103,379	2,442,411	1,662,420	448,890	–	9,766,698
Depreciation for the year	2,434,780	51,850	480,512	1,500,241	462,781	200,192	–	5,130,356
Disposals	–	–	–	(16,977)	(6,977)	(2,198)	–	(26,152)
At 31 December 2009	5,375,868	220,360	2,583,891	3,925,675	2,118,224	646,884	–	14,870,902
Depreciation for the year	3,025,796	51,849	407,061	3,595,549	355,453	200,354	–	7,636,062
Disposals	–	–	–	(332,185)	(15,387)	(31,961)	–	(379,533)
Write off	–	–	–	(12,444)	–	–	–	(12,444)
At 31 December 2010	8,401,664	272,209	2,990,952	7,176,595	2,458,290	815,277	–	22,114,987
Net book value								
At 31 December 2010	104,478,492	2,456,698	525,395	37,518,498	1,114,100	581,930	81,375,540	228,050,653
At 31 December 2009	57,263,443	2,508,547	499,452	34,178,046	1,293,848	658,336	48,931,529	145,333,201

(a) Depreciation is charged to:

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Cost of sales	2,057,857	673,254
Distribution costs	681,474	590,093
Administrative expenses	4,896,731	3,867,009
	<u>7,636,062</u>	<u>5,130,356</u>

Notes to the Financial Statements

for the year ended 31 December 2010

6 Property, plant and equipment (cont'd)

(b) Factory and warehouse premises are located at:

The Group	Year ended	Year ended
	31 December	31 December
	2010	2009
	RMB	RMB
At cost		
Factory and warehouse premises		
- #1 [Note 5]	12,723,587	12,723,587
- #2 [Note 5]	7,142,195	7,134,835
- #3 [Note 5]	48,546,455	35,364,970
- *	44,467,919	7,415,919
	112,880,156	62,639,311

* 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.

(c) 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.

Notes to the Financial Statements

for the year ended 31 December 2010

6 Property, plant and equipment (cont'd)

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

The Group	Note	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
<u>At cost</u>			
Factory and warehouse premises	17 (a)	–	7,134,835
Factory and warehouse premises	17 (b)	–	12,723,587
Factory and warehouse premises	17 (c)	48,546,455	35,364,970
Office units	17 (c)	2,728,907	2,728,907
		<u>51,275,362</u>	<u>57,952,299</u>
Net book value		<u>46,867,930</u>	<u>53,068,842</u>

- (e) 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 2011
(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 2011
(iii) The construction of the administration building and warehouse, at Qiongxin Road Side, Linqiong Town, Qionglai City (邳州市临邳镇邳新路侧).	30 September 2011

7 Subsidy

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Subsidy	1,236,102	1,236,102
Less: Amortisation		
Balance at beginning of year	566,064	432,048
Amortisation for the year	134,016	134,016
Balance at end of year	<u>700,080</u>	<u>566,064</u>
	<u>536,022</u>	<u>670,038</u>

Notes to the Financial Statements

for the year ended 31 December 2010

7 Subsidy (Cont'd)

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.

8 Subsidiaries

The Company	Year ended 31 December 2010 RMB	Year ended 31 December 2009 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 of equity held		Principal activities
		2010	2009	2010	2009	
		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
<u>Held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)</u>						
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
Shenzhen Grandness Industry Groups Co., Ltd. * (深圳振鹏达实业集团有限公司)	People's Republic of China	–	–	58.3	–	Sale of canned vegetables and fruits

Notes to the Financial Statements

for the year ended 31 December 2010

8 Subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of of equity held		Principal activities
		2010	2009	2010	2009	
		RMB	RMB	%	%	
<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	–	–	41.7	100	Sale of canned vegetables and fruits
Grandness (Sichuan) Foods Co., Ltd. * (四川振鹏达食品有限公司)	People's Republic of China	–	–	4.78#	–	Production and 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	–	–	66.99#	81.33	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 (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
<u>Held by Grandness (Shanxian) Food Co., Ltd</u> (单县振鹏达食品有限公司)						
Grandness (Sichuan) Foods Co., Ltd. * (四川振鹏达食品有限公司)	People's Republic of China	–	–	4.78#	–	Production and sale of canned vegetables and fruits

Notes to the Financial Statements

for the year ended 31 December 2010

8 Subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of equity held		Principal activities
		2010	2009	2010	2009	
		RMB	RMB	%	%	
<u>Held by Dongpeng (Chengdu) Agricultural Development Co., Ltd</u> (成都东鹏农业发展有限公司)						
Grandness (Sichuan) Foods Co., Ltd. *	People's Republic of China	–	–	4.78#	–	Production and sale of canned vegetables and fruits
		<u>1,847,996</u>	<u>1,847,996</u>			

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

Together with other wholly-owned subsidiaries of Sino Grandness Food Industry Group Limited, the effective interest in Grandness (Sichuan) Food Industry Co. Ltd remained at 81.33%.

9 Amount owing by subsidiaries

(i) Amount owing by subsidiaries

The Company	Year ended	Year ended
	31 December 2010	31 December 2009
	RMB	RMB
Non-trade		
- Grandness (HK) Industry Co., Limited	133,356,000	54,514,188
- Shenzhen Grandness Industry Groups Co., Ltd.	9,968,702	4,484,261
	<u>143,324,702</u>	<u>58,998,449</u>

(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.

Notes to the Financial Statements

for the year ended 31 December 2010

9 Amount owing by subsidiaries (Cont'd)

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

The Company	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Non-trade		
- Singapore dollar	123,215,756	44,996,712
- United States dollar	129,284	–
- Renminbi	19,979,662	14,001,737
	143,324,702	58,998,449

10 Deferred taxation

10a Deferred tax asset

	The Company		The Group	
	31 December 2010 RMB	31 December 2009 RMB	31 December 2010 RMB	31 December 2009 RMB
Balance at beginning of year	–	–	592,000	–
Transfer from income statement (Note 24)	–	–	311,460	592,000
Balance at end of year	–	–	903,460	592,000
The balance comprises tax on excess of tax written down value of property, plant and equipment over net book value	–	–	903,460	592,000

Notes to the Financial Statements

for the year ended 31 December 2010

10b Deferred tax liability

	The Company		The Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Balance at beginning of year	669,000	–	669,000	–
Transfer from income statement (Note 24)	–	669,000	–	669,000
Balance at end of year	<u>669,000</u>	<u>669,000</u>	<u>669,000</u>	<u>669,000</u>

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.

The deferred tax liability comprises the effect of the withholding tax on the proposed final tax-exempt (one-tier) dividend (See Note 27).

11 Inventories

The Group	Year ended 31 December 2010	Year ended 31 December 2009
	RMB	RMB
Finished goods, at net realisable value	25,960,959	27,108,350
Packaging materials, at cost	3,229,673	2,634,091
Raw materials, at cost	765,084	1,061,617
	<u>29,955,716</u>	<u>30,804,058</u>
Included in cost of sales are inventories charged of:	<u>427,542,248</u>	<u>298,773,626</u>
Write-down of inventories to its recoverable amounts	–	223,529
Reversal of inventories written down	<u>75,048</u>	<u>258,277</u>

The ageing of the inventories turnover approximates 25 (2009 - 46) 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.

Notes to the Financial Statements

for the year ended 31 December 2010

12 Trade and other receivables

	The Company		The Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Trade receivables				
- External parties	-	-	173,210,877	145,319,475
Other receivables				
Advances to				
- contractors	-	-	537,878	73,540
- suppliers of property, plant and equipment	-	-	1,540	4,540
- suppliers	-	-	4,886,396	2,705,039
- employees	-	-	324,340	645,214
- third parties	6,153	-	1,595,966	2,674,294
深圳市诚兴旺进出口有限公司	-	-	1,120,370	1,120,370
Advances to farmers	-	-	250,594	193,084
VAT receivable	-	-	19,162,088	18,110,877
Export tax refunds	-	-	8,452,697	13,469,240
Tax recoverable	-	-	315,616	-
Deposits	4,886	11,024	1,388,739	1,227,548
Others	10	10	1,689	137,114
Amount due from customers	-	-	782,645	-
	11,049	11,034	38,820,558	40,360,860
	11,049	11,034	212,031,435	185,680,335

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Trade				
United States dollar	-	-	90,531,494	58,367,466
Renminbi	-	-	82,679,383	86,804,026
Singapore dollar	-	-	-	147,983
	-	-	173,210,877	145,319,475
Non-trade				
United States dollar	-	-	-	86,834
Renminbi	-	-	38,809,509	40,262,992
Singapore dollar	11,049	11,034	11,049	11,034
	11,049	11,034	38,820,558	40,360,860
	11,049	11,034	212,031,435	185,680,335

Notes to the Financial Statements

for the year ended 31 December 2010

12 Trade and other receivables (Cont'd)

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 90 (2009 - 82) 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 2010	31 December 2009
	RMB	RMB
Within 1 month	88,646,291	82,842,322
Past due over 1 month but not over 2 months	63,628,480	48,946,349
Past due over 2 months but not over 3 months	20,793,129	8,219,199
Past due over 3 months but not over 4 months	66,227	4,873,681
Past due over 4 months	76,750	437,924
	<u>173,210,877</u>	<u>145,319,475</u>

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.

Export tax refunds relate to tax refunds which is calculated at 2% (2009 - 2%) on overseas sales.

Amount due from customer arose from sale made from packaging materials.

13 Deposit for land use rights

The amount of RMB 46,240,000 relates to a deposit placed with Dang Yang Municipal Government of Hubei Province for the acquisition of land use rights. The registration of legal title of this land use rights is expected to be completed by 2011.

Notes to the Financial Statements

for the year ended 31 December 2010

14 Cash and cash equivalents

	The Company		The Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Cash on hand	–	–	112,686	146,488
Bank balances	13,665,438	61,880,744	32,412,409	146,391,060
	13,665,438	61,880,744	32,525,095	146,537,548
Deposits placed in banks for notes payable	–	–	(3,490,000)	(42,050,000)
	13,665,438	61,880,744	29,035,095	104,487,548

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
United States dollar	–	2,048,554	907,098	698,890
Renminbi	–	–	6,864,662	61,943,158
Singapore dollar	13,665,438	59,832,190	24,737,508	83,874,680
Others	–	–	15,827	20,820
	13,665,438	61,880,744	32,525,095	146,537,548

Notes to the Financial Statements

for the year ended 31 December 2010

15 Share capital

	Number of shares		The Company and The Group	
	2010	2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Issued and fully paid with no par value:				
Balance at beginning of year	245,172,414	369,232	133,652,464	1,848,006
Issue of ordinary shares	–	30,768	–	1,512
	<u>245,172,414</u>	<u>400,000</u>	<u>133,652,464</u>	<u>1,849,518</u>
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
New placement of 20,000,000 ordinary share of S\$0.35 on 18 October 2010	20,000,000	–	35,576,800	–
Share issue costs	–	–	(1,332,352)	(7,303,158)
Balance at end of year	<u>265,172,414</u>	<u>245,172,414</u>	<u>167,896,912</u>	<u>133,652,464</u>

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

16 Other reserves

The Group	Year ended	Year ended
	31 December 2010	31 December 2009
	RMB	RMB
Statutory common reserve		
Balance at beginning of year	22,522,427	15,993,197
Movement during the year	10,118,936	6,529,230
Balance at end of year	<u>32,641,363</u>	<u>22,522,427</u>
Merger reserve		
Balance at beginning and end of year	(31,413,600)	(31,413,600)
Grand total	<u>1,227,763</u>	<u>(8,891,173)</u>

Notes to the Financial Statements

for the year ended 31 December 2010

16 Other reserves (Cont'd)

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.

17 Bank borrowings

		31 December 2010	31 December 2009
	Note	RMB	RMB
The Group			
Bank loans			
- 中国农业发展银行师宗县支行		-	7,000,000
- 中国建设银行深圳市分行		-	6,000,000
- 广东发展银行股份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		36,000,000	40,000,000
		<u>36,000,000</u>	<u>74,730,000</u>
Comprises			
Bank loans (secured)			
- #1	(a)	-	7,000,000
- #2	(b)	-	21,730,000
- #3	(c)	36,000,000	40,000,000
	A	36,000,000	68,730,000
Bank loans (unsecured)			
- #4	(d)	-	6,000,000
	B	-	6,000,000
	A + B	36,000,000	74,730,000
Amount repayable:			
Not later than one year		8,000,000	34,730,000
Later than one year and not later than five years		28,000,000	40,000,000
		<u>36,000,000</u>	<u>74,730,000</u>

Notes to the Financial Statements

for the year ended 31 December 2010

17 Bank borrowings (Cont'd)

- (a) The secured bank loan facility #1 of RMB7,000,000 granted to Yunnan Grandness was fully repaid on 29 June 2010. The loan was secured by a mortgage over the company's factory and warehouse premise costing RMB7,134,835 (Note 6(d)) and land use rights costing RMB3,757,250 (Note 5).

Interest was charged at 5.31% per annum.

- (b) The secured bank loan facility #2 of RMB21,730,000 granted to Shenzhen Grandness comprises four tranches of RMB13,000,000, RMB1,000,000, RMB1,000,000 and RMB6,730,000 and were repaid on 13 July 2010 and 8 August 2010 respectively. These loans and the export letters of credit were granted with security provided by, inter-alia:

(i) land use rights costing RMB4,028,700 (Note 5) 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 6(d)); and

(ii) personal guarantee provided by a director of the Company, Huang Yupeng (黄育鹏).

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

- (c) The secured bank loan facility #3 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 6(d)) and factory and warehouse premises costing RMB 48,546,455 belonging to a subsidiary, Grandness (Shanxian) Foods Co., Ltd (山东单县振鹏达食品有限公司) (Note 6(d)).

Interest is charged at 5.67% per annum.

- (d) The unsecured bank loan facility #4 of RMB8,000,000 was granted to the company, of which RMB2,000,000 had been repaid over a monthly installment of RMB250,000 with effect from 21 May 2009. The balance of RMB 6,000,000 was fully repaid on 19 April 2010. This loan was 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 was charged at 5.58% per annum.

Notes to the Financial Statements

for the year ended 31 December 2010

17 Bank borrowings (Cont'd)

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

The Group	31 December 2010	31 December 2010	31 December 2009	31 December 2009
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	RMB	RMB	RMB	RMB
Variable interest rate loans				
Less than one year	8,000,000	8,283,500	34,730,000	35,892,751
Between two to five years	28,000,000	30,249,100	40,000,000	43,341,595
	<u>36,000,000</u>	<u>38,532,600</u>	<u>74,730,000</u>	<u>79,234,346</u>

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 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Net debt	(10,302,190)	(58,662,860)	95,522,291	85,929,352
Total equity	154,833,396	118,858,438	420,680,522	282,766,437
Total capital	<u>144,531,206</u>	<u>60,195,578</u>	<u>516,202,813</u>	<u>368,695,789</u>
Gearing ratio	<u>(7%)</u>	<u>(97%)</u>	<u>19%</u>	<u>23%</u>

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.

Notes to the Financial Statements

for the year ended 31 December 2010

18 Amount owing to the then shareholders

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

	The Company		The Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Huang Yupeng (黄育鹏)	-	2,048,524	37,789,934	38,127,509
Huang Zhoupeng (黄周鹏)	-	-	7,349,494	7,349,494
	-	2,048,524	45,139,428	45,477,003

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, an 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 RMB41,979,668 (2009 - RMB42,293,613)

Notes to the Financial Statements

for the year ended 31 December 2010

19 Trade and other payables

	The Company		The Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Trade payables	–	–	19,089,366	41,818,656
Accruals	2,384,436	996,509	4,749,574	7,261,582
	2,384,436	996,509	23,838,940	49,080,238
<u>Other payables</u>				
Amount owing to (non-trade)				
- contractors	–	–	908,277	4,844,525
- suppliers of property, plant and equipment	–	–	470,357	726,434
- suppliers	–	–	64,842	65,292
- employees	–	–	858,883	669,530
- third parties	412,659	–	3,806,253	3,406,634
Less: Due after one year	–	–	(3,375,000)	(3,375,000)
Due within one year	412,659	–	431,253	31,634
- farmers	–	–	280	280
Accrual of directors' fees	341,438	172,851	341,438	172,851
Liability owing for land premium	–	–	2,757,250	2,757,250
VAT payable	–	–	8,283,582	5,018,073
Withholding tax payable	224,715	–	224,715	–
Others	–	–	728,277	2,800,309
	978,812	172,851	15,069,154	17,086,178
	3,363,248	1,169,360	38,908,094	66,166,416

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 26 (2009 - 48) 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 is repayable on demand.

Notes to the Financial Statements

for the year ended 31 December 2010

19 Trade and other payables (Cont'd)

The non-trade amount owing to a third party includes an amount of RMB3,375,000 (2009 - RMB3,375,000) due to Financial Bureau of Qionglai City, Sichuan Province (四川省邛崃市财政局). This amount was granted to Grandness (Sichuan) Foods Co., Ltd in support of agricultural business development. The amount is secured by a pledge on the subsidiary's land use rights to the extent of 80mu (equivalent to 53,333 sqm), is interest-free and repayable as follows:

	RMB
Repayable on or before	
- 30 October 2012	1,688,000
- 30 October 2013	1,687,000
	<u>3,375,000</u>

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RMB	RMB	RMB	RMB
Trade				
Renminbi	1,387,249	996,509	22,841,753	49,080,238
Singapore dollar	997,187	-	997,187	-
	<u>2,384,436</u>	996,509	<u>23,838,940</u>	49,080,238
Non-trade				
Renminbi	-	-	17,465,342	20,288,327
Singapore dollar	978,812	172,851	978,812	172,851
	<u>978,812</u>	172,851	<u>18,444,154</u>	20,461,178
	<u>3,363,248</u>	1,169,360	<u>42,283,094</u>	69,541,416

20 Note payables

The note payables, which are interest-free, mature at varying dates between 1 January 2011, the earliest date and 23 June 2011, the latest date.

Notes to the Financial Statements

for the year ended 31 December 2010

21 Amount owing to related parties

	The Company		The Group	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	RMB	RMB	RMB	RMB
Non-trade				
- related parties				
- 福建省成功果蔬食品有限公司	-	-	217	-
- 成都中鹏农业发展有限公司	-	-	534,647	668,481
	-	-	534,864	668,481

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.

The amount owing to 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

The Group	Year ended	Year ended
	31 December	31 December
	2010	2009
	RMB	RMB
Sale of scrap	65,275	1,581,662
Sale of packaging materials	96,940	62,578
Cost of scrap	(96,688)	(1,638,032)
Cost of packaging materials	(113,528)	(61,138)
	(48,001)	(54,930)
Government subsidy	1,072,943	1,324,855
Government grant	2,100,000	-
Interest income - banks	481,606	82,124
- others	-	858
Gain on disposal on property, plant and equipment	2,103	-
Exchange gain	5,819,718	225,247
Rental income	9,000	-
Miscellaneous income	86,056	954,441
	9,523,425	2,532,595

The government subsidy relates to money received from government related agencies to provide financial assistance to the farmers in the vegetable farming and to subsidise construction activities.

The government grant relates to money received from the government to support the Group for listing in Singapore.

Notes to the Financial Statements

for the year ended 31 December 2010

22(b) Distribution costs

The Group	Year ended 31 December 2010	Year ended 31 December 2009
	RMB	RMB
Employee benefit costs	1,708,925	1,020,296
Transportation	18,949,399	17,957,306
Entertainment	31,461	55,608
Travelling	404,436	167,690
Consumable expenses	125,714	279,817
Packaging	3,190,394	2,078,703
Inspection and custom	167,057	96,070
Depreciation expense	681,474	590,093
Others	1,335,599	773,168
	26,594,459	23,018,751

22(c) Administrative expenses

The Group	Year ended 31 December 2010	Year ended 31 December 2009
	RMB	RMB
Employee benefit costs	6,673,352	4,305,083
Motor vehicle expenses	318,525	317,508
Entertainment	861,366	832,242
Travelling expenses	837,546	326,382
Consumable expenses	239,045	87,931
Inspection and custom	–	171
Depreciation expense	4,896,731	3,867,009
Amortisation of land use rights	323,352	323,081
Exchange loss	8,903,596	2,910,935
Rental expenses	366,914	290,148
Property, plant and equipment written off	43,256	–
Loss on disposal of property, plant and equipment	12,042	11,917
Bank charges	470,579	854,551
Utilities	231,133	165,225
Repair and maintenance	54,309	23,682
IPO expenses	224,450	15,976,565
Extension fee	2,750,208	–
Others	6,727,733	3,669,321
	33,934,137	33,961,751

Notes to the Financial Statements

for the year ended 31 December 2010

22(d) Finance costs

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Interest on bank borrowings	2,719,464	3,293,860
	2,719,464	3,293,860

The effective interest rate on bank loan varies from 4.37% to 7.5% (2009 - 4.37% to 7.5%) per annum.

22(e) Employee benefit costs

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Director's remuneration		
- salaries and related costs	2,723,986	672,151
- defined contributions	11,887	15,236
Key management personnel		
- salaries and related costs	612,528	791,552
- defined contributions	6,037	-
Other than directors and key management personnel		
- salaries and related costs	23,879,185	12,704,073
- defined contributions	195,000	248,555
	27,428,623	14,431,567

The salaries and related costs of RMB 23,879,185 (2009 – RMB 12,704,073) includes casual labour costs of RMB 17,427,369 (2009 – RMB 8,063,126) of the PRC entities. These casual labour were engaged through the help of recruitment agencies.

Employee benefit costs are charged to:

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Cost of sales	19,046,346	9,106,188
Distribution costs	1,708,925	1,020,296
Administrative expenses	6,673,352	4,305,083
	27,428,623	14,431,567

Notes to the Financial Statements

for the year ended 31 December 2010

23 Profit before taxation

The Group	Note	31 December 2010 RMB	31 December 2009 RMB
Profit before taxation has been arrived at after charging/(crediting):			
Amortisation of subsidy	7	134,016	134,016
Depreciation of property, plant and equipment	6	7,636,062	5,130,356
Amortisation of land use rights	5	323,352	323,081
Directors' fee		815,938	172,851
Exchange loss - net		3,083,878	2,685,688
Property, plant and equipment written off		43,256	–
Loss on disposal of property, plant and equipment		12,042	11,917
Rental expense - factory and warehouse		170,880	170,880
Rental expense - others		196,034	119,268
Write-down of inventories to its recoverable amounts	11	–	223,529

24 Taxation

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Current taxation	38,772,171	20,272,894
Underprovision in respect of prior year	504,797	31,177
Deferred tax asset [Note 10(a)]	(311,460)	(592,000)
Deferred tax [Note 10(b)]	–	669,000
	38,965,508	20,381,071

Notes to the Financial Statements

for the year ended 31 December 2010

24 Taxation (Cont'd)

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

The Group	Year ended	Year ended
	31 December 2010	31 December 2009
	RMB	RMB
Profit before taxation	155,874,455	86,614,558
Tax at statutory rate of 25%	8,650,075	5,149,532
Tax at statutory rate of 22%	28,567,096	–
Tax at statutory rate of 20%	–	16,511,514
Tax at statutory rate of 17%	–	(2,301,000)
Tax at statutory rate of 15%	–	(289,000)
Tax at statutory rate of 12.5%	–	(89,416)
Tax effect on non-taxable income	–	(220,539)
Tax effect on non-deductible expenses	–	2,301,000
Utilisation of deferred tax asset previously not recognised	(444,386)	(1,759,615)
Withholding tax	1,262,340	–
Deferred tax asset not recognised	446,825	378,418
Underprovision of corporate tax in respect of prior year	504,797	31,177
Others	(21,239)	–
	<u>38,965,508</u>	<u>19,712,071</u>

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.

Notes to the Financial Statements

for the year ended 31 December 2010

24 Taxation (Cont'd)

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

	<u>Rate</u>	<u>Basis</u>
- Grandness (HK) Industry Co., Limited	16.5%	Full tax
- Shenzhen Grandness Industry Groups Co., Ltd.	22%	Concessionary
- Grandness (Sichuan) Foods Co., Ltd.	25%	Full tax
- Shanxi Yongji Huaxin Food Co., Ltd.	25%	Full tax
- Yunnan Shizong Zhenhua Food Co., Ltd.	25%	Full tax
- 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 20% now revised to 22% for financial year beginning 1 January 2010 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 RMB10,361,000 (2009 - RMB9,289,000), 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 RMB2,590,000 (2009 - RMB1,375,000) 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 2010 and 2009.

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 117,240,491 on the weighted average number of ordinary shares which is computed based on 365 days of pre-placement number of shares of 245,172,414 and 78 days of placement shares issued of 20,000,000. For comparative purpose, the basic earnings per share for year 2009 was calculated based on weighted average number of ordinary shares of 183,227,000 which was 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.

The Company had no dilutive equity instruments as at 31 December 2010 and 2009. Therefore, the fully diluted earnings per share for FY 2010 and FY 2009 were the same as the basic earnings per share for FY 2010 and FY 2009 respectively.

Notes to the Financial Statements

for the year ended 31 December 2010

27 Dividend distribution

During the financial year, the Company paid a final tax-exempt (one-tier) dividend of RMB5.4031 cents per share which amounted to RMB13,239,310 in respect of the financial year ended 31 December 2010.

At the forthcoming Annual General Meeting, a final tax-exempt (one-tier) dividend of RMB4.4088 cents per share amount to RMB11,690,900 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 2011.

28 Commitments

Operating lease commitment (non-cancellable)

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

	Year ended 31 December 2010	Year ended 31 December 2009
	RMB	RMB
The Group		
Not later than one year	170,165	288,343
Later than one year and not later than five years	685,609	684,665
Later than five years	1,848,000	2,019,109

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

Notes to the Financial Statements

for the year ended 31 December 2010

28 Commitments (Cont'd)

Capital commitments

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

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Expenditure contracted for the construction of:		
- factory plant	7,101,779	3,195,807
	7,101,779	3,195,807

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

The Group	Year ended 31 December 2010 RMB	Year ended 31 December 2009 RMB
Revenue		
- Europe	363,668,000	304,321,019
- America	48,228,000	46,316,467
- China	208,623,000	79,318,646
- Others	24,545,000	20,640,403
	645,064,000	450,596,535

Notes to the Financial Statements

for the year ended 31 December 2010

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 2010 and 2009, 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 operates and sells its products in several countries other than PRC and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollar. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

A 5% strengthening of the USD and Singapore dollar against the Renminbi as at 31 December 2010 would have had the following impact on the net profit by the amounts shown below.

	Gain/(loss) RMB'000
31 December 2010	
United States dollar	4,572
Singapore dollar	1,139
31 December 2009	
United States dollar	2,958
Singapore dollar	4,202

A 5% weakening of the above currencies against the Renminbi at 31 December 2010 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.

Notes to the Financial Statements

for the year ended 31 December 2010

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 end of the reporting period.

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; and
- A nominal amount of RMB Nil (2009 - RMB 8,000,000) relating to corporate guarantees provided by the related companies to institutions on a subsidiary's bank loans.

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 2010

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:

	Less than 1 year RMB	Between 2 to 5 years RMB	Total RMB
The Group			
As at 31 December 2010			
Bank borrowings	8,283,500	30,249,100	38,532,600
Amount owing to the then shareholders	–	45,139,428	45,139,428
Trade and other payables	38,908,094	3,375,000	42,283,094
Note payable	4,090,000	–	4,090,000
Amount owing to related parties	534,864	–	534,864
	<u>51,816,458</u>	<u>78,763,528</u>	<u>130,579,986</u>
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	66,166,416	3,375,000	69,541,416
Note payable	42,050,000	–	42,050,000
Amount owing to related parties	668,481	–	668,481
	<u>144,777,648</u>	<u>92,193,598</u>	<u>236,971,246</u>
The Company			
As at 31 December 2010			
Trade and other payables	3,363,248	–	3,363,248
	<u>3,363,248</u>	<u>–</u>	<u>3,363,248</u>
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 2010

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.

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 the end of the reporting period would be significantly different from the values that would eventually be received or settled.

Statistics of Shareholdings

as at 9 March 2011

SHAREHOLDERS' INFORMATION

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	265,172,414	One vote per share (excluding treasury shares)
Treasury Shares	Nil	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 999	1	0.08	634	0.00
1,000 - 10,000	459	37.81	3,346,000	1.26
10,001 - 1,000,000	733	60.38	48,044,000	18.12
1,000,001 - and above	21	1.73	213,781,780	80.62
Grand Total	1,214	100.00	265,172,414	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 09 MARCH 2011

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	HSBC (SINGAPORE) NOMINEES PTE LTD	142,349,280	53.68
2	PHILLIP VENTURES ENTERPRISE FUND LTD	12,993,000	4.90
3	CITIBANK NOMINEES SINGAPORE PTE LTD	9,361,000	3.53
4	UOB KAY HIAN PTE LTD	8,966,000	3.38
5	KIM SENG HOLDINGS PTE LTD	7,242,000	2.73
6	DBSN SERVICES PTE LTD	5,801,000	2.19
7	DBS NOMINEES PTE LTD	2,966,000	1.12
8	LIM & TAN SECURITIES PTE LTD	2,885,000	1.09
9	LIM JOO BOON	2,568,500	0.97
10	OCBC SECURITIES PRIVATE LTD	2,309,000	0.87
11	PHILLIP SECURITIES PTE LTD	2,262,000	0.85
12	DBS VICKERS SECURITIES (S) PTE LTD	1,796,000	0.68
13	PANG HENG KWEE	1,696,000	0.64
14	KIM ENG SECURITIES PTE. LTD.	1,654,000	0.62
15	WONG SOI YONG	1,500,000	0.57
16	SUNG YOON CHON	1,401,000	0.53
17	TAN BEE HONG KATRINE	1,400,000	0.53
18	TOE TEOW HENG	1,210,000	0.46
19	ASDEW ACQUISITIONS PTE LTD	1,199,000	0.45
20	TAN CHENG GUAN	1,123,000	0.42
	TOTAL	212,681,780	80.21

Statistics of Shareholdings

as at 9 March 2011

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Huang Yupeng	117,498,280	44.31	–	–

The percentage of shareholding above is computed based on the total issued shares of 265,172,414.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 9 March 2011, approximately 53.43% 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 Room 309, Level 3, 1 Raffles Boulevard Suntec City Singapore 039593 on 18 April 2011 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 2010 together with the Auditors' Report thereon. (Resolution 1)
2. To declare a one-tier tax exempt final dividend of RMB 0.044 per share for the year ended 31 December 2010. (Resolution 2)
3. To re-elect the following Directors of the Company retiring pursuant to the Articles of Association of the Company:

Ms Huang Yushan	(Retiring under Article 91)	(Resolution 3)
Mr Zhang Gongjun	(Retiring under Article 91)	(Resolution 4)

[See Explanatory Note (i)]
4. To approve the payment of Directors' fees of S\$140,000 for the financial year ending 31 December 2011 to be paid half-yearly in arrears. (2010: S\$140,000) (Resolution 5)
5. 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 6)
6. 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:

7. **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

Notice of Annual General Meeting

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

(the "*Share Issue Mandate*")

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the 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;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments

[See Explanatory Note (ii)]

(Resolution 7)

By Order of the Board

Notice of Annual General Meeting

Explanatory Notes:

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

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

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.

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.

PROXY FORM

(Please see notes overleaf before completing this Form)

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 309, Level 3, 1 Raffles Boulevard Suntec City Singapore 039593 on 18 April 2011 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 2010		
2	Payment of proposed one-tier tax exempt final dividend of RMB 0.044 per share for financial year ended 31 December 2010		
3	Re-election of Ms Huang Yushan as a Director		
4	Re-election of Mr Zhang Gongjun as a Director		
5	Approval of Directors' fees amounting to S\$140,000 for the financial year ending 31 December 2011 (2010: S\$140,000)		
6	Re-appointment of Messrs Foo Kon Tan Grant Thornton LLP as Auditors		
7	Authority to issue new shares		

Dated this _____ day of _____ 2011

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.



SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

Unit 2115-2120

21st Floor, Tower B, Southern International Plaza

No. 3013, Yitian Road, Futian District

Shenzhen, The People's Republic of China

Tel: (86-755) 8282-8869

Fax: (86-755) 8282-1934