



STEADY GROWTH SOUND PROSPECTS





CONTENTS

01	Corporate Profile	12	Operations and Financial Review
02	Our Products	16	Board of Directors
04	Chairman's Statement	19	Senior Management
09	Financial Highlights	20	Corporate Information



CORPORATE PROFILE

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, Huepeden, 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' six production plants are strategically located in five provinces in the PRC, namely Shandong, Shanxi, Yunnan, Hubei 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 41.9% in FY2011 due to strong sales growth of the own-branded beverage segment.

Steady
Growth



In view of increasing urbanisation, steady growth in retail sales, rising disposable income for urban residents as well as increasing awareness and demand for health-promoting products, the Group remains optimistic about the growth prospects of its own-branded Garden Fresh juices which are predominantly sold in Chinese cities.

RMB 401.7 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.

Our Products

Own-Branded Bottled Juice



Own-Branded Canned Fruits



Canned Long Beans



Canned Asparagus



Canned Mushrooms



CHAIRMAN'S STATEMENT



A Record Year And New Milestone As Beverage Segment Became Largest Contributor To Group Revenue in FY2011

Huang Yupeng
Chairman and CEO

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am delighted to present Sino Grandness Food Industry Group Limited's annual report for the financial year ended 31 December 2011 ("FY2011").

Despite the uncertainties and volatilities faced by major economies around the world in FY2011, I am pleased to say that both our export sales of canned food as well as domestic sales of 鲜绿园® ("Garden Fresh") bottled juices within the China market have not been affected as evidenced by the strong performance the Group delivered over the year in review.

For the export business, we are able to deliver growth through honing our competitive edge which enables us to gain market share as well as expand our global network. For the domestic sales of Garden Fresh juice, the phenomenal growth thus far is achieved through on-going investments in brand building initiatives, network expansion plans as well as product development efforts. We will continue to execute our growth strategies based on the strong foundation which we have built over the years in order to achieve sustainable growth.

RECORD PERFORMANCE AND NEW MILESTONE

FY2011 was an outstanding year for us as we reported record revenue and net profit for the Group. It was also a new milestone for the Group as our beverage segment became the largest contributor to Group revenue for the first time.

In FY2011, Group revenue increased by 58.1% to reach a record high of RMB1,019.7 million from RMB645.1 million in the same period last year ("FY2010") as the Group recorded higher sales across the board. The Group's core export products such as asparagus, long beans and mushrooms recorded positive

growth as a result of increased production capacities and higher orders secured from existing major overseas customers.

BEVERAGE SEGMENT DELIVERED STRONGEST GROWTH

Compared to other segments, sales of the beverage segment, which comprised mainly of own-branded Garden Fresh juices increased the most, surging 123.7% to RMB401.7 million in FY2011 from RMB179.6 million in FY2010 due to rapid expansion of our distribution network in China and positive response to our new range of loquat juices.

Driven by strong growth momentum of own-branded Garden Fresh bottled juices from the beverage segment, net profit attributable to equity holders increased by 29.3% to reach a historical high of RMB151.5 million in FY2011 from the RMB117.2 million achieved in FY2010.

GAINING BRAND RECOGNITION

The Group's brand building initiatives have yielded positive results in FY2011 as Garden Fresh gained growing acceptance and was given due recognition by the market. In July and September 2011, the Group's wholly-owned subsidiary Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited was accorded the prestigious title "10 Best In-House Brands in Guangdong Province for 2010" ("2010 年度广东省十佳自主品牌") as well as the "Excellent Value of Chinese Brand" award ("中国品牌价值冠军").

Subsequently in the Food and Beverage Trade Exhibition held in Shenyang, Liaoning Province PRC in October 2011, the Garden Fresh brand was accorded the "Most Competitive Brand For Retail Market" award ("最具市场(终端)竞争力品牌奖").

EXPANDING PRODUCTION CAPACITY FOR BEVERAGE SEGMENT

In January 2012, the Group announced that it has secured a new external supplier in Zhejiang Province, China to produce its own-branded Garden Fresh bottled juices in anticipation of strong order growth in 2012. Together with the existing supplier from Fujian Province, China the combined output capacity allocated by both external suppliers for Garden Fresh bottled juices are expected to double from approximately 70,000 tonnes per annum to 140,000 tonnes per annum. By securing a new external supplier for the production of Garden Fresh bottled juices while waiting for our new internal production facilities in China's Sichuan and Hubei provinces to be fully operational progressively, this will relieve supply pressure and allow us to focus on expanding our distribution network. The Group expects its new internal juice production facilities in Sichuan Province to commence production by April 2012.

CHINA MARKET AND OWN-BRANDED PRODUCTS TO BE KEY GROWTH DRIVERS

In view of increasing urbanisation, steady growth in retail sales, rising disposable income for urban residents as well as increasing awareness and demand for health-promoting products, the Group remains optimistic about the growth prospects of its own-branded Garden Fresh juices which are predominantly sold in Chinese cities.

To capitalise on the potential growth opportunities ahead for Garden Fresh juices, the Group will focus on four key areas to drive growth, namely:

1. Advertising and promotional ("A&P") activities to further increase awareness and brand value of Garden Fresh juices;
2. Sales and marketing efforts to expand its distribution network in the China market;
3. Expansion of production capacity; and
4. Research and Development ("R&D") efforts to expand its range of juices in order to appeal to a broader group of consumers.

The Group's vision is to grow Garden Fresh to become one of the leading juice brands in China and Asia. To achieve this goal, the Group plans to further intensify its A&P activities. These include rolling out new indoor and outdoor advertisements

and marketing activities, deploying new refrigerators at strategic retail points such as food and beverage outlets, as well as new TV commercials for Garden Fresh juices on China's national CCTV channels.

Presently, the Group's retail points are located mainly within first-tier cities in selective provinces within the China market. Apart from expanding its footprint horizontally into new provinces in China, the Group also plan to expand its network vertically into second and third-tier cities within each province. With the recent successful expansion of the product range for Garden Fresh juices, such as new loquat pear juice and icy loquat juice at competitive retail prices, this will enable the Group to gradually introduce its new juices into second and third-tier cities.

In 2012, the Group also intends to leverage on its growing distributor and retail base in China to roll out more own-branded canned products, especially canned fruits under its own-branded "Grandness" ("振鹏达") label. The Group is pleased to note that by launching in-house branded products targeting the huge Chinese consumer base, it is able to reduce dependence on the export market. In FY2011, due to strong domestic sales from Garden Fresh juices, China market sales as a percentage to Group sales have increased further to approximately 41.9% compared with 32.3% in FY2010 and 17.6% in FY2009. Through expanding both in-house branded beverage products as well as canned products in China, sales contribution from the China market to Group sales are expected to increase gradually in the next two years.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude and appreciation to my fellow directors, management team, staffs and business partners for their dedication, commitment and contribution to the continued growth of our Group; and to our shareholders for your confidence and trust in our Group. We certainly look forward to your continued support.

Huang Yupeng
Chairman and CEO

主席献词

2011财政年是一个创纪录和迈向新里程碑的一年 饮料业务成为集团主要收入来源

亲爱的股东们，

我谨代表董事会，很高兴向大家提呈中华食品工业集团有限公司截止2011年12月31日（“2011财政年”）的年度报告。

尽管2011财政年里世界各地的主要经济体系面临不明朗的局势和波动，我欣然看到集团罐头食品的出口销售以及国内销售的鲜绿园®瓶装果蔬饮料稳健的成长。这点可从集团2011财政年中强劲的业绩表现明显的体现出来。

对于出口业务，通过揣摩我们的竞争优势，我们能够取得更多的市场占有率以及持续扩大我们的全球网络。与此同时，于国内销售鲜绿园®饮料的显着增长，主要是通过多方面作出持续的投资，其中包括品牌建立和推广活动，网络扩展计划以及产品研究开发等工作。凭借我们多年来所建立的牢固基础，我们将继续执行集团的发展策略，以取得持续性的增长。

创纪录的表现以及迈向新的里程碑

2011财政年是集团突破性的一年。集团年度报告显示了创纪录的营业额和净利润的同时，饮料业务首次成为集团主要业务的来源，引导集团迈向一个新的里程碑。

在2011财政年，集团总营业额较去年同期（“2010财政年”）取得58.1%的增长，从6亿4千5百万人民币，提升到10亿1千9百万人民币的新高，这是由于集团全线产品的销售都取得增长的缘故。集团的主要出口产品如芦笋、刀豆和蘑菇也取得显著的增长，主要是因为集团提升产能以及海外重大客户增加订单所致。

饮料业务呈现强劲增长

相较于其他业务，饮料业务的销售（主要包括自主品牌鲜绿园®果蔬饮料）增长幅度最高，从2010财政年的1亿7千9百万人民币提升至2011财政年的4亿1百万人民币（或增长123.7%）。这是由于集团迅速扩张国内分销网络以及市场对于新枇杷果汁产品系列的正面反应所致。

在自主品牌鲜绿园®果蔬饮料业务的强劲增长的推动下，集团的全年净利润增长29.3%，由2010财政年的1亿1千7百万人民币提升至2011财政年的1亿5千1百万人民币，创下集团公司的历史新高。

品牌知名度的提升

在2011财政年，集团的品牌建设活动取得了正面成果，鲜绿园®品牌获得了市场大众的认可和肯定。于2011年7月和9月份，集团的全资附属子公司鲜绿园（深圳）果蔬饮料有限公司荣获两个奖项，分别是“2010年度广东省十佳自主品牌”以及“中国品牌价值冠军”。与此同时，同年10月份于中国辽宁省沈阳市主办的秋季食品与饮料贸易展览会中，鲜绿园®品牌也荣获“最具市场（终端）竞争力品牌奖”的荣誉。

扩充饮料业务的产能

2012年1月份，集团宣布于中国浙江省增加了新的外包生产商，生产自主品牌鲜绿园®果蔬饮料，以应付在2012年预期强劲的订单增长。连同现有中国福建省的外包生产商，鲜绿园®瓶装果蔬饮料的综合年产能提升至十四万吨。

集团于中国四川以及湖北省份的自购生产设施尚未全面投入运作之前，稳健的外包产能将缓解集团的供应压力，同时集团能专注于扩展分销网络。集团于四川省的自购生产设施将于2012年4月之前开始生产。



未来主要增长动力源自中国市场及自主品牌产品

由于中国日益城市化，零售业稳步增长，城镇居民可支配收入的提升以及健康意识日益提升而促使保健产品的需求趋势等因素下，集团对自主品牌鲜绿园果蔬饮料的增长潜能和前景持乐观态度。

为了能够充分把握鲜绿园®果蔬饮料的增长商机，集团将专注于以下四个关键的增长动力：

1. 广告和促销活动以期更进一步强化鲜绿园®果蔬饮料的知名度和品牌价值；
2. 加强销售和营销以图扩大于中国市场的分销网络；
3. 扩充自购产能
4. 加强研究和开发（“研发”）工作以扩大果蔬饮料产品系列，吸引更广泛的消费群。

集团的远景是打造鲜绿园品牌为中国及亚洲的果蔬饮料领导品牌之一。为了实现这个目标，集团计划将进一步加强广告和促销活动。这包括推出新的户内及户外广告和营销活动，在策略性零售点如餐饮场所安置新冰箱，以及在中国国家电视台CCTV频道播放电视广告。

集团目前的零售点主要是集中于中国的一线城市。除了通过横向拓展集团的网络至其他的省份外，集团也计划垂直扩充网络深入各省的二，三线城市。随着鲜绿园®果蔬饮料成功扩展其产品系列，尤其具有价格竞争优势的新系列产品-枇杷雪梨以及冰枇杷，这将让集团更快把其新果汁逐步引入二，三线城市。

在2012年里，集团计划应用于中国逐渐扩张的分销及零售网络来推出更多自主品牌-“振鹏达”的罐头水果。我们认为随着对国内庞大的消费市场继续推出更多自主品牌的产品，这将减底集团对出口市场的依赖。在2011财政年里，在强劲的鲜绿园®销售成长的带动下，中国市场销售额占集团总销售额的比率，从2009财政年及2010财政年的17.6%及32.3%，提升至41.9%。随着持续扩张中国市场的自主品牌饮料产品和罐头产品，集团预计中国市场的销售额占集团总销售额的百分比将于未来两年持续提升。

致谢

对于各位董事，管理团队，员工及合作伙伴对集团公司持续增长所付出的精神，努力和贡献，我想借此机会向大家表示衷心的感谢；同时也感谢股东们对集团公司的信任，也期待您未来的支持。

黄育鹏
主席兼首席执行官

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



Production plants are strategically located in various provinces in the PRC

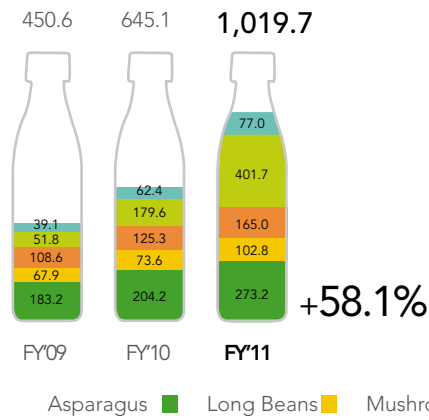


Experienced and dedicated management team

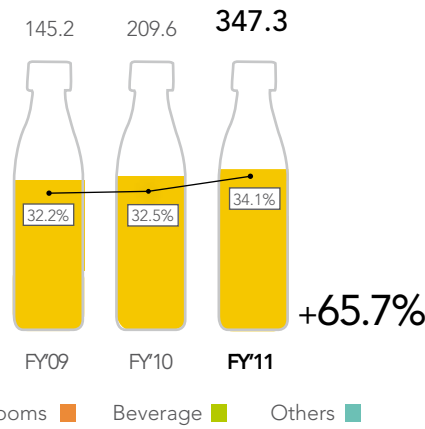


FINANCIAL HIGHLIGHTS

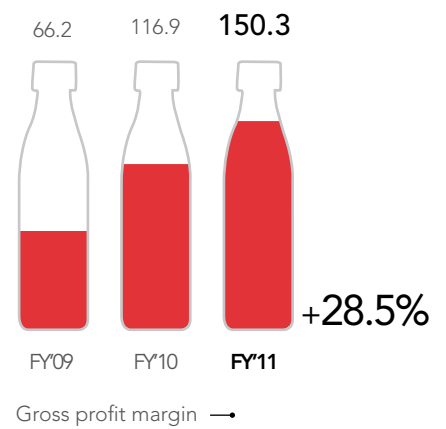
Revenue
(RMB'000)



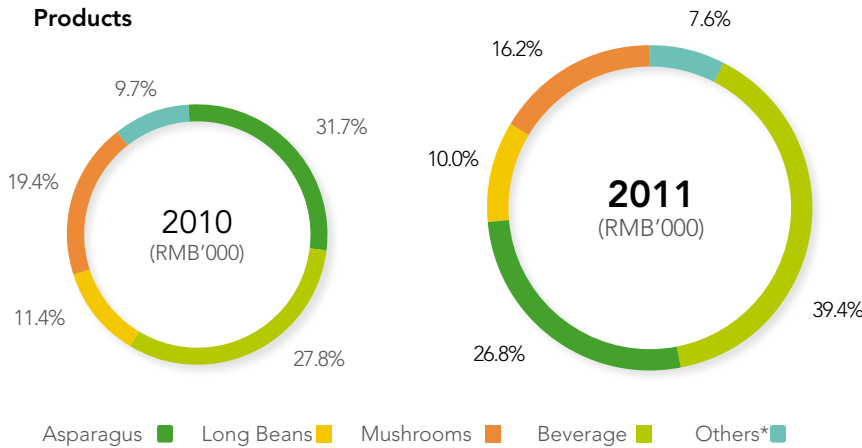
Gross Profit & Profit Margin
(RMB'000)



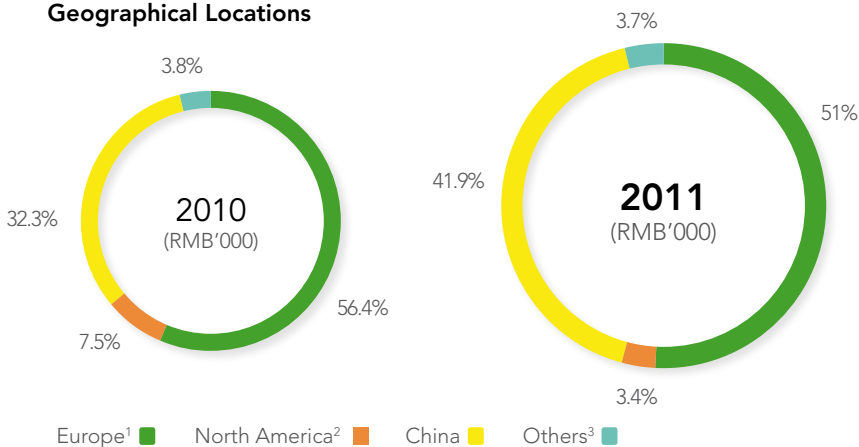
Net Profit After Tax
(RMB'000)



Revenue Breakdown by Products



Revenue Breakdown by Geographical Locations



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

Sound

Prospects





We are optimistic about our business. As a leading manufacturer and distributor of canned fruits and vegetables as well as bottled juices in first tier Chinese cities, we are leveraging on the increasing health consciousness of customers and growing our brand equity. This positions us well as we expand into new provinces and second and third tier cities.

Geographic Presence

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

OPERATIONS AND FINANCIAL REVIEW

REVENUE

Group revenue increased by 58.1% from RMB 645.1 million in FY2010 to RMB 1.0 billion in FY2011 as the Group recorded higher sales across the board.

This increase is attributable to the Group recording higher sales across the board for all product segments, with the Group's core export products such as asparagus, long beans and mushrooms recording a positive growth as a result of increased production capacities and higher orders secured from existing major overseas customers. In addition, the increase in sales volume of the beverage segment is mainly due to expansion of distribution network in PRC.

PRODUCT SEGMENT	FY2011 RMB'000	FY2010 RMB'000	Increase %
Asparagus	273,155	204,245	33.7
Long Beans	102,845	73,596	39.7
Mushrooms	165,019	125,277	31.7
Beverage	401,659	179,592	123.7
Others*	77,003	62,354	23.5
Total	1,019,681	645,064	58.1

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

SEGMENTAL REVIEW

Asparagus and long beans sales rose by 33.7% and 39.7% respectively from RMB 204.2 million and RMB 73.6 million in FY2010 to RMB 273.2 million and RMB 102.8 million in FY2011 respectively. The increase in sales volume is mainly due to increased production capacities and increased orders secured from our existing major overseas customers.

Separately, the exemption from the anti-dumping tariff in Australia since early 2011 has enhanced the Group's cost competitiveness leading to mushroom export sales rising by 31.7% from RMB 125.3 million in FY2010 to RMB 165.0 million in FY2011.

Among all the segments, the sales of the beverage segment which comprised mainly of the Company's house brand 鲜绿园® ("Garden Fresh") juices, experienced the most improvement, surging by 123.7% from RMB 179.6 million in FY2010 to RMB 401.7 million in FY2011. This increase can be attributed to the rapid expansion of our distribution network in China combined with the positive response to the new range of loquat juices.

GROSS PROFIT AND GROSS PROFIT MARGINS

Largely in line with the increase in sales, gross profit for the Group surged 65.7% from RMB 209.6 million in FY2010 to RMB 347.2 million in FY2011. Overall gross profit margin (GPM) improved by 1.6%, from 32.5% in FY2010 to 34.1% in FY2011. The improvement of overall GPM was a result of an increase in GPM of the long beans and mushrooms



product segments, partially offset by a decrease in GPM of asparagus and other products. The decrease in GPM of the asparagus segment was mainly due to increase in the cost of raw materials. In addition, GPM of beverage segment had also improved from 37.6% in FY2010 to 40.9% in FY2011.

increase in domestic sales of beverage products in PRC as well as more export sales order being conducted on Cost and Freight ("CFR") instead of Free on Board ("FOB") basis (whereby the buyers are responsible for transportation costs) in FY2010.

PRODUCT SEGMENT	FY2011 RMB'000	FY2010 RMB'000	Increase %
Asparagus	81,435	66,546	22.4
Long Beans	30,597	20,873	46.6
Mushrooms	50,845	30,700	65.6
Beverage	164,201	67,439	143.5
Others*	20,181	24,068	(16.2)
Total	347,259	209,626	65.7

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

OPERATING EXPENSES

Distribution and selling expenses increased by 210.3%, from RMB 26.6 million in FY2010 to RMB 82.5 million in FY2011. This was due to an increase of RMB 2.4 million in employee benefit costs, RMB 30.0 million in transportation costs, RMB 6.7 million in packaging costs and RMB 16.6 million in advertising and promotion expenses. Increase in transportation cost in FY2011 was mainly attributed to an

Administrative expenses increased by 58.0% from RMB 33.9 million in FY2010 to RMB 53.6 million in FY2011. This was mainly due to increase of RMB 1.2 million in depreciation, RMB 5.7 million in rental costs, RMB 1.9 million in employee benefit costs, RMB 5.2 million in taxation of land use rights, RMB 2.0 million in professional and legal fees and RMB 3.3 million in exchange loss which is mainly due to appreciation of RMB during the period under review.

FINANCE COSTS

Finance costs increased by 122.4% from RMB 2.7 million in FY2010 to RMB 6.0 million in FY2011 due to higher bank borrowings and interest on convertible loan in FY2011 compared to FY2010.

PROFIT BEFORE INCOME TAX

Profit before income tax increased by 37.9% from RMB 155.9 million in FY2010 to RMB 215.0 million in FY2011 due to an increase in revenue offset by an increase in operating expenses and finance costs.

NET PROFIT

Net profit for the year in review rose 28.5% from RMB 116.9 million in FY2010 to RMB 150.3 million in FY2011.

OPERATIONS AND FINANCIAL REVIEW

PER SHARE DATA

For FY2011, the basic earnings per share based on a weighted average number of ordinary shares in issue of 265,172,000 is 57.1 RMB cents while the net asset value per ordinary share as of 31 December 2011 is 210.9 RMB cents.

REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATIONS OF OUR CUSTOMERS

GEOGRAPHICAL LOCATIONS	FY2011 RMB'000	FY2010 RMB'000	Increase / (Decrease) %
Europe ⁽¹⁾	520,441	363,669	43.1
North America ⁽¹⁾	33,627	48,228	(30.3)
China	427,709	208,623	105.0
Others ⁽³⁾	37,904	24,544	54.4
Total	1,019,681	645,064	58.1

⁽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

REVIEW OF STATEMENT OF FINANCIAL POSITION

Property, plant and equipment increased by approximately RMB 143.2 million from RMB 228.1 million in FY2010 to

RMB 371.3 million in FY2011 as a result of the construction in progress in Sichuan, Shanxian and Hubei plants. Land use rights increased by approximately RMB 45.8 million from RMB 15.0 million in FY2010 to RMB 60.8 million in FY2011 as a result of the new land use rights acquired for Hubei plant.

Our inventories increased by approximately RMB 6.1 million from RMB 30.0 million in FY2010 to RMB 36.1 million in FY2011. The increase in inventories over the period under review was in line with our increased business activities.

Trade and other receivables increased by approximately RMB 85.5 million from RMB 212.0 million in FY2010 to RMB 297.5 million in FY2011 due to our increased business activities in the period under review.

Cash and cash equivalents stood at RMB 81.5 million as of 31 December 2011, where the increase in cash and cash equivalent is mainly due to the issuance of convertible bonds and bank loans obtained during the period under review partially offset by acquisition of property, plant and equipment, bank loan repayments, dividend payment and net cash used in operations.

TOTAL LIABILITIES

Current liabilities increased by RMB 98.3 million from RMB 67.5 million in FY2010 to RMB 165.8 million in FY2011. The increase is mainly attributable to an increase of RMB 14.6



million in trade and other payables, RMB 12.9 million in note payables, increase in tax payable of RMB 3.1 million and RMB 67.7 million in bank borrowings.

Non-current liabilities increased by RMB 47.2 million from RMB 77.2 million in FY2010 to RMB 124.4 million in FY2011. The increase is mainly attributable to the issuance of convertible bonds of RMB 82.5 million and RMB 3.8 million in deferred tax liabilities partially offset by a decrease in bank borrowings of RMB 28.0 million and repayment to the then shareholders of RMB 9.3 million.

SHAREHOLDERS' EQUITY

Equity holders interest increased by RMB 139.8 million from RMB 415.0 million to RMB 554.8 million as of 31 December 2011. The increase is mainly attributable to net profit in FY2011 which was partially offset by dividends paid to the equity holders.

REVIEW OF CASH FLOW STATEMENT

In FY2011, operating cash flows before working capital changes amounted to RMB 231.8 million where the Group utilised net cash of RMB 74.5 million in operating activities. Working capital changes comprised an increase in deposit pledged with bank of RMB 8.9 million and operating payables of RMB 25.5 million, an increase in inventories of RMB 6.1 million and operating receivables of RMB 85.1 million. Net cash used in investing activities amounted to

RMB 153.4 million in FY2011, due mainly to construction in progress in Sichuan, Shanxian and Hubei plants. In addition, net cash generated from financing activities amounted to RMB 99.3 million in FY2011, mainly due to issuance of convertible bonds and bank loan obtained of RMB 81.0 million and RMB 47.7 million respectively, and partially offset by repayment of bank loans and the then shareholders of RMB 8.0 million and payment of dividend of RMB 11.7 million.



BOARD OF DIRECTORS

Huang Yupeng



Huang Yushan



Xu Xihua



Soh Beng Keng



Lin Song



Zhu Jun



Zeng Ming



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 Kiang, 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.

BOARD OF DIRECTORS

SOH BENG KENG (苏明庆)

Lead Independent Director

Mr Soh Beng Keng (苏明庆) is our Lead Independent Director and was appointed on 11 November 2009. He is also the independent director of several other listed companies currently. Mr Soh has more than 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 at RHT Law Taylor Wessing LLP, a firm of advocates and solicitors. Before that he was a partner and co-head of International China Practice with KhattarWong. 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.

ZHU JUN (朱俊)

Executive Director

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

ZENG MING (曾明)

Independent Director

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

SENIOR MANAGEMENT

GOH CZE KHIANG (吴芝强)

Financial Controller

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

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 ENXIAO (孙恩效)

Deputy Chief Production Officer

Mr Sun Enxiao (孙恩效) is currently the Deputy Chief Production Officer and is in charge of the production for our Group. He had more than 15 years of experience in production of canned products. In 1997, he joined Shanxi Weinan Ya Qiao Food Co., Ltd., where he remained until 2004 and last held position of general manager. He joined Shanxi Weinan China Food Company as general manager in 2004. In 2007, he joined Grandness (Shanxian) Food Co., Ltd., one of our subsidiaries as deputy general manager and subsequently promoted to production and technical advisor of our Group.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Huang Yupeng (Chairman and CEO)
Huang Yushan (Executive Director)
Xu Xihua (Executive Director)
Zhang Gongjun (Non-Executive Director)
– resigned on 19 January 2012
Soh Beng Keng (Lead Independent Director)
Lin Song (Independent Director)
Zhu Jun (Executive Director)
– appointed on 19 January 2012
Zeng Ming (Independent Director)
– appointed on 19 January 2012

AUDIT COMMITTEE

Soh Beng Keng (Chairman)
Lin Song
Zeng Ming

NOMINATING COMMITTEE

Lin Song (Chairman)
Soh Beng Keng
Zeng Ming

REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)
Lin Song
Zeng Ming

JOINT COMPANY SECRETARIES

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

REGISTERED OFFICE

Six Battery Road
#10-01
Singapore 049909

COMPANY REGISTRATION NUMBER

200706801H

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

AUDITORS AND REPORTING AUDITORS

Foo Kon Tan 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	22
DIRECTORS' REPORT	33
STATEMENT BY DIRECTORS	36
INDEPENDENT AUDITOR'S REPORT	37
STATEMENTS OF FINANCIAL POSITION	38
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	39
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	40
CONSOLIDATED STATEMENT OF CASH FLOWS	41
NOTES TO THE FINANCIAL STATEMENTS	42
STATISTICS OF SHAREHOLDINGS	88
NOTICE OF ANNUAL GENERAL MEETING	90
PROXY FORM	

CORPORATE GOVERNANCE REPORT

The Board of Directors of Sino Grandness Food Industry Group Limited (the “Company”) and together with its subsidiaries, the “Group”) is committed to setting in place corporate governance practices which are in line with the recommendations of the Code of Corporate Governance 2005 (the “Code”) to provide a structure through which protection of the interest of its shareholders, enhancement of shareholders’ value and corporate transparency are met.

This report sets out the Group’s main corporate governance practices which were in place for the financial year ended 31 December 2011 (“FY2011”).

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, and ensures proper conduct of the Company’s business;
- provides the overall strategy of the Group;
- establishes a framework of prudent and effective controls which enables risks to be assessed and managed;
- reviews Management performance; and
- sets the Company’s values and standards, and ensures that obligations to shareholders and other stakeholders are understood and met

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. These Board committees have their own defined terms of references and operating procedures.

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

As at the date of this report, the number of Board and Board committee meetings held and attended by each Board member for the financial year ended 31 December 2011 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	7	7	5*	5*	2*	2*	2*	2*
Huang Yushan	7	7	5*	5*	2*	2*	2*	2*
Xu Xihua	7	7	5*	5*	2*	2*	2*	2*
Zhang Gongjun ⁽¹⁾	6	6	4	4	2	2	1	1
Soh Beng Keng	7	7	5	5	3	3	2	2
Lin Song	7	7	5	5	3	3	2	2
Zhu Jun ⁽²⁾	1	1	1*	1*	1*	1*	1*	1*
Zeng Ming ⁽²⁾	1	1	1	1	1	1	1	1

(1) Resigned on 19 January 2012

(2) Appointed on 19 January 2012

* By invitation

CORPORATE GOVERNANCE REPORT

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

Directors are encouraged to attend seminars which are aimed at providing them with the latest updates changes in the relevant regulations, accounting standards and corporate governance practices so as to enable them to better discharge their duties and responsibilities.

The Board has received relevant training to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore. Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses and operations of the Group.

Matters Requiring Board Approval

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

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

Principle 2: Board Composition and Balance

The Board of Directors consists of seven members, four of whom are Executive Directors and three whom are Independent Directors. The Directors of the Company are:-

Executive Directors

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

Independent Directors

Soh Beng Keng
Lin Song
Zeng Ming

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 ("Guidebook") in October 2008, 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.

CORPORATE GOVERNANCE REPORT

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 Group Financial Controller ("FC") has failed to resolve or for which such contact is inappropriate.

Principle 4: Board Membership

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

Lin Song (Chairman)
Soh Beng Keng
Zeng Ming

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 of Directors 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 and any other salient factors.

Following its annual review, the NC has affirmed the independence of Soh Beng Keng, Lin Song and Zeng Ming. 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.

CORPORATE GOVERNANCE REPORT

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 Yupeng, Xu Xihua, Zhu Jun and Zeng Ming who are retiring at the forthcoming Annual General Meeting to be held on 25 April 2012 (the "forthcoming AGM"). The Board has accepted the recommendations and the retiring directors who will be offering themselves for re-election. Key information regarding the Directors are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies and Major Appointments	Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments
Huang Yupeng	20 April 2007	27 April 2010	Nil	Nil
Huang Yushan	29 August 2008	18 April 2011	Nil	Nil
Xi Xihua	29 August 2008	27 April 2010	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 Companies</u> 1. China Environment Ltd.	<u>Listed Companies</u> 1. Zhonghui Holdings Ltd
Zhu Jun ⁽¹⁾	19 January 2012	Not Applicable	Nil	Nil
Zeng Ming ⁽¹⁾	19 January 2012	Not Applicable	Nil	Nil

(1) Appointed on 19 January 2012

Note:

The profile and relevant information of the members of the Board are set on pages 17 to 18 of the Annual Report. The Directors' interests in shares are as disclosed in paragraph 3 of the Report of the Directors.

Principle 5: Board Performance

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.

CORPORATE GOVERNANCE REPORT

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.

Principle 6: Access to Information

To allow Directors sufficient time to prepare for the meetings, all Board and Board committee papers are distributed in advance to the Board prior to its meetings. The Management's proposals to the Board for decisions provide background and explanatory information. This facilitates meaningful deliberated discussions to focus on questions that the Directors may have. The Directors are given separate and independent access to the Group's senior Management and the Company Secretaries to address any enquiries at all times.

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

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 three members, all of whom are Independent Directors. The members of the RC are:

Soh Beng Keng (Chairman)
Lin Song
Zeng Ming

The RC is governed by its written terms of reference. The RC has reviewed the framework of remuneration for the Directors and key executive officers, and determines specific remuneration packages for the CEO, each Executive Director and Group 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.

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

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

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Company will take into account the competitiveness of the remuneration packages as compared to the market norms, the Group's performance as well as the contribution and performance of each Director.

CORPORATE GOVERNANCE REPORT

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

The Company 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. It currently provides 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 2011 are as follows:

Remuneration Band	Number of Directors	
	2011	2010
Executive Directors		
S\$500,000 to below S\$750,000	1	1
S\$250,000 to below S\$500,000	–	–
Below S\$250,000	2	2
Total	3	3
Key Executive Officers		
Below S\$250,000	6	6
Total	6	6

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 2011, is as follows:

	Fees %	Salary %	Bonus %	Others %	Total %
Directors					
S\$500,000 to S\$750,000					
Huang Yupeng	–	40	60	–	100
Below S\$250,000					
Huang Yushan	–	100	–	–	100
Xu Xihua	–	100	–	–	100
Zhang Gongjun ⁽¹⁾	100	–	–	–	100
Soh Beng Keng	100	–	–	–	100
Lin Song	100	–	–	–	100
Zhu Jun ⁽²⁾	–	100	–	–	100
Zeng Ming ⁽²⁾	–	–	–	–	–

CORPORATE GOVERNANCE REPORT

	Fees %	Salary %	Bonus %	Others %	Total %
Key Executive Officers					
Below S\$250,000					
Goh Cze Khiang	–	93	7	–	100
Cheng Shuicheng	–	100	–	–	100
Shi Jianyong	–	100	–	–	100
Qiang Xinlu	–	100	–	–	100
Sun Enxiao	–	100	–	–	100
Bao Junfeng	–	100	–	–	100

(1) Resigned on 19 January 2012

(2) Appointed on 19 January 2012

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 2011.

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

Principle 11: Audit Committee

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

Soh Beng Keng (Chairman)
Lin Song
Zeng Ming

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

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

CORPORATE GOVERNANCE REPORT

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

(a) **Financial Reporting**

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

(b) **External Audit**

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

(c) **Internal Audit**

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

(d) **Internal Controls**

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

(e) **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.

(f) **Whistle-blowing**

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

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on an annual basis. Messrs Foo Kon Tan Grant Thornton LLP, the external auditors of the Company and its subsidiaries has confirmed that they are Public Accounting Firms registered with Accounting & Corporate Regulatory Authority and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group. Accordingly, the AC is satisfied that Rule 712 and 715 of the Listing Manual of the SGX-ST is complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

The Company has paid the following aggregate amount of fees Messrs Foo Kon Tan Grant Thornton LLP, the external auditors, for services rendered for FY2011:-

	Amount (RMB)
Services	
Audit service	1,716,341
Non-audit service	Nil
Total	<u>1,716,341</u>

Save for professional fees and miscellaneous expenses incurred for audit services, the Company does not pay any other non-audit fee to the external auditors during financial year ended 31 December 2011.

The AC has direct access to the external auditors and has met with them without the presence of Management for the financial year ended 31 December 2011.

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.

In the year under review, the AC received one report through the whistle-blowing mechanism. Upon receipt of the report, follow up action was undertaken by the AC Chairman and he did not receive any response from the ex-employee as of to-date. The AC deliberated and concluded that the matter was only related to payroll issues and not one of or related to fraud.

The AC has reviewed and noted that there were no interested person transactions entered into by the Group for the financial year ended 31 December 2011.

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

CORPORATE GOVERNANCE REPORT

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

In addition, both the AC and Board reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational and compliance risks affecting the operations.

Based on the reports submitted by the external and internal auditors and the various management controls put in place, the Board with the concurrence of the AC is satisfied that the internal control systems provide reasonable assurance that assets are safeguarded and that proper accounting records are maintained and financial statement are reliable.

Principle 13: Internal Audit

The AC has outsourced the performance of the internal audit functions of the Group to Crowe Horwath First Trust Risk Advisory Pte. Ltd. The internal auditors will report directly to the AC and administratively to the Chairman and CEO of the Company. To ensure the adequacy of the internal audit function, the AC will review and approve the internal audit plan on an annual basis. The AC will assess and ensure that the internal auditors meet or exceed the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors provide adequate staffing with relevant experience to conduct the internal audits.

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

Principle 14: Communication with Shareholders

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

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

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

Principle 15: Greater Shareholders Participation

The shareholders are encouraged to attend the Company's AGMs 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 usually available at the shareholders' meetings to address any shareholders' queries on the conduct of audit and the preparation and contents of the annual report.

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.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

In line with Rule 1207(19) 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.

MATERIAL CONTRACTS

Other than that disclosed in the financial statements, the Company or any of its subsidiaries did not enter into any material contracts involving the interest of the CEO, any Director or the controlling shareholder subsisting at the end of the financial year ended 31 December 2011.

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 82 to 86.

INTERESTED PERSON TRANSACTIONS

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

Save for disclosed under Interested Persons Transactions in the Company's prospectus dated 13 November 2009, there were no interested persons transactions entered between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2011.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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 2011.

Names of directors

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

Huang Yupeng
Huang Yushan
Xu Xihua
Soh Beng Keng (Independent director)
Lin Song (Independent director)
Zhu Jun (appointed on 19 January 2012)
Zeng Ming (appointed on 19 January 2012) (Independent director)
Zhang Gongjun (resigned on 19 January 2012)

Arrangements to enable directors to acquire shares or debentures

During and at the end of the 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 had any interest in the 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 1.1.2011	As at 31.12.2011 and 21.1.2012	As at 1.1.2011	As at 31.12.2011 and 21.1.2012
The Company				
<i>Sino Grandness Food Industry Group Limited</i>				
Huang Yupeng	117,448,280	117,748,280	–	–
Zhang Gongjun	–	–	151,000	– ⁽¹⁾

By virtue of the provisions 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 ex-Non-Executive Director. Zhang Gongjun is thus interested in the Shares held by Inkatha Group Limited. Inkatha Group Limited disposed its shares of 151,000 in Sino Grandness Food Industry Group Limited on 19 January 2011.

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 23(e) to the financial statements.

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Share options

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

No shares were issued during the financial year to which this report relates 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 (resigned on 19 January 2012)
Zeng Ming (appointed on 19 January 2012)

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

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

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2011 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 Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

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

Independent auditor

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

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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 was no interested person transactions as defined in Chapter 9 of SGX-ST Manual conducted during the financial year except as disclosed under "Interested Person Transactions" on the Corporate Governance Report.

On behalf of the Directors

HUANG YUPENG

ZENG MING

Dated: 16 March 2012

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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 2011 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

ZENG MING

Dated: 16 March 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Sino Grandness Food Industry Group Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2011, 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 information.

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 account 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 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 2011 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Certified Public Accountants

Singapore, 16 March 2012

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	The Company		The Group	
		31 December 2011 RMB	31 December 2010 RMB	31 December 2011 RMB	31 December 2010 RMB
ASSETS					
Non-Current					
Land use rights	5	–	–	60,757,360	15,001,780
Property, plant and equipment	6	26,639	16,459	371,292,370	228,050,653
Subsidy	7	–	–	402,006	536,022
Subsidiaries	8	1,847,996	1,847,996	–	–
Amount owing by subsidiaries	9	151,418,669	143,324,702	–	–
Deferred tax assets	10(a)	–	–	1,943,252	903,460
		153,293,304	145,189,157	434,394,988	244,491,915
Current					
Inventories	11	–	–	36,076,397	29,955,716
Trade and other receivables	12	17,612	11,049	297,523,358	212,106,290
Deposit for land use rights	13	–	–	–	46,240,000
Cash and cash equivalents	14	141,222	13,665,438	81,516,417	32,525,095
		158,834	13,676,487	415,116,172	320,827,101
Total assets		153,452,138	158,865,644	849,511,160	565,319,016
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	167,896,912	167,896,912	167,896,912	167,896,912
(Accumulated losses)/retained profits		(28,527,475)	(13,063,516)	373,867,873	245,865,359
Other reserves	16	–	–	12,997,341	1,227,763
		139,369,437	154,833,396	554,762,126	414,990,034
Non-controlling interests		–	–	4,492,607	5,690,488
		139,369,437	154,833,396	559,254,733	420,680,522
Liabilities					
Non-Current					
Bank borrowings	17	–	–	–	28,000,000
Amount owing to the then shareholders	18	–	–	35,819,545	45,139,428
Convertible bonds	19	–	–	82,471,065	–
Other payables	20	–	–	1,687,000	3,375,000
Deferred tax liabilities	10(b)	4,469,000	669,000	4,469,000	669,000
		4,469,000	669,000	124,446,610	77,183,428
Current					
Trade and other payables	20	6,175,210	3,363,248	53,537,659	38,908,094
Notes payable	21	–	–	17,010,000	4,090,000
Current tax payable		3,438,491	–	19,027,294	15,922,108
Bank borrowings	17	–	–	75,700,000	8,000,000
Amount owing to related parties	22	–	–	534,864	534,864
		9,613,701	3,363,248	165,809,817	67,455,066
Total equity and liabilities		153,452,138	158,865,644	849,511,160	565,319,016

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 FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Year ended 31 December 2011	Year ended 31 December 2010
	Note	RMB	RMB
Revenue	4	1,019,681,050	645,064,111
Cost of sales		(672,422,048)	(435,438,475)
Gross profit		347,259,002	209,625,636
Other operating income	23(a)	9,904,920	9,523,425
Distribution costs	23(b)	(82,510,453)	(26,594,459)
Administrative expenses	23(c)	(53,617,865)	(33,934,137)
Other operating expenses		(11,923)	(26,546)
Finance costs	23(d)	(6,047,243)	(2,719,464)
Profit before taxation	23(f)	214,976,438	155,874,455
Taxation	24	(64,711,327)	(38,965,508)
Profit for the year		150,265,111	116,908,947
Other comprehensive income	25	–	–
Total comprehensive income		150,265,111	116,908,947
Attributable to:			
Equity holders of the parent		151,462,992	117,240,491
Non-controlling interests		(1,197,881)	(331,544)
		150,265,111	116,908,947
		Cents	Cents
Earnings per share:	26		
– Basic		57.1	46.9
– Diluted		57.1	46.9

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 FINANCIAL YEAR ENDED 31 DECEMBER 2011

	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 2010	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	–	(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
Total comprehensive income for the year	–	151,462,992	–	–	151,462,992	(1,197,881)	150,265,111
Dividend distribution (Note 27)	–	(11,690,900)	–	–	(11,690,900)	–	(11,690,900)
Transfer to statutory reserve	–	(11,769,578)	–	11,769,578	–	–	–
Balance as at 31 December 2011	167,896,912	373,867,873	(31,413,600)	44,410,941	554,762,126	4,492,607	559,254,733

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Year ended 31 December 2011	Year ended 31 December 2010
	RMB	RMB
Cash Flows from Operating Activities		
Profit before taxation	214,976,438	155,874,455
Adjustments for:		
Depreciation of property, plant and equipment	10,174,604	7,636,062
Amortisation of land use rights	554,553	323,352
Amortisation of subsidy	134,016	134,016
Loss on disposal of property, plant and equipment	88,879	9,939
Property, plant and equipment written off	80,514	43,256
Interest expense	6,047,243	2,719,464
Interest income	(273,274)	(481,606)
Operating cash flows before working capital changes	231,782,973	166,258,938
(Increase)/decrease in deposits pledged with banks	(8,880,000)	38,560,000
(Increase)/decrease in inventories	(6,120,681)	848,342
Increase in operating receivables	(85,076,657)	(27,477,277)
Increase/(decrease) in operating payables	25,546,461	(65,205,282)
Cash generated from operations	157,252,096	112,984,721
Income tax paid	(58,845,933)	(32,421,841)
Interest paid	(4,244,195)	(2,719,464)
Net cash generated from operating activities	94,161,968	77,843,416
Cash Flows from Investing Activities		
Additions to land use rights	(70,133)	–
Acquisition of property, plant and equipment	(153,665,242)	(90,442,903)
Deposit for land use rights	–	(46,240,000)
Proceeds from disposal of property, plant and equipment	79,528	36,194
Interest received	273,274	481,606
Net cash used in investing activities	(153,382,573)	(136,165,103)
Cash Flows from Financing Activities		
Net proceeds from issue of convertible bonds	80,988,121	–
Share proceeds from issue	–	35,576,800
Share issue costs	–	(1,332,352)
Dividend paid	(11,690,900)	(13,239,310)
Bank loans obtained	47,700,000	10,000,000
Bank loans repaid	(8,000,000)	(48,730,000)
Amount owing to related parties	–	(133,617)
Amount owing by third parties	(340,411)	1,078,328
Amounts owing to:		
– the then shareholders	(9,319,883)	(337,575)
– third parties	(5,000)	(13,040)
Net cash generated from/(used in) financing activities	99,331,927	(17,130,766)
Net increase/(decrease) in cash and cash equivalents	40,111,322	(75,452,453)
Cash and cash equivalents at beginning of year	29,035,095	104,487,548
Cash and cash equivalents at end of year (Note 14)	69,146,417	29,035,095

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2011 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 Company was listed on the SGX-ST on 23 November 2009.

The registered office is located at Six Battery Road, #10-00, 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(a) Basis of preparation

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

The financial statements are presented in Renminbi ("RMB") which is the Company's functional currency. All financial information is presented in RMB, unless otherwise stated.

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 (Note 5)

Land use rights are amortised on a straight-line basis over their estimated useful lives. The Group has been granted rights of use of land of 50 years. The carrying amount of the Group's land use rights as at 31 December 2011 is RMB60,757,360. 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.

Depreciation of property, plant and equipment (Note 6)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 50 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2011 are RMB371,292,370. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

Significant accounting estimates and judgements (cont'd)

Useful lives of plant and machinery (Note 6)

Plant and machinery are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these assets to be 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the end of reporting period is disclosed in Note 6 to the financial statements. A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.3% increase/decrease in the Group's result for the financial year.

Income taxes (Note 24)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The extent of deferred taxation provided on the undistributed profits of the Company's PRC subsidiaries is disclosed in Note 24 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, 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 (Note 12)

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.

Allowance for inventory obsolescence (Note 11)

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

If the net realisable value of the inventories decrease by 10% from management's estimates, the Group's results will decrease by RMB3,608,000.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2(b) Interpretations and amendments to published standards effective in 2011

On 1 January 2011, the Company adopted the new or amended FRS and INT FRS that are mandatory for application from that date. Changes to the company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS:

FRS 24	Related Party Disclosures
Amendments to FRS 32	Classification of Rights Issues
Amendments to FRS 101	Additional Exemptions for First-time Adopters Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters
Amendments to INT FRS 114	Prepayments of a Minimum Funding Requirement
Amendments to INT FRS 115	Agreements for the Construction of Real Estate (Accompanying Note)
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments
General amendments	Improvements to FRSs 2010

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

2(c) FRS issued but not yet effective

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

		Effective date – Annual periods commencing on or after
Framework	The Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)	1.3.2011
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1.7.2012
FRS 12	Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1.1.2012
FRS 19	Employee Benefits	1.1.2013
FRS 27	Separate Financial Statements	1.1.2013
FRS 28	Investments in Associates and Joint Ventures	1.1.2013
FRS 101	Amendments to FRS 101 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1.7.2011
FRS 107	Amendments to FRS 107 Disclosure – Transfers of Financial Assets	1.7.2011
FRS 110	Consolidated Financial Statements	1.1.2013
FRS 111	Joint Arrangements	1.1.2013
FRS 112	Disclosure of Interests in Other Entities	1.1.2013
FRS 113	Fair Value Measurements	1.1.2013

The directors do not anticipate that the adoption of these FRS, where relevant to the Company and the Group, in future periods will have a material impact on the financial statements of the Company and the Group in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 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 are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Business combination

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. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

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

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

The carrying amounts are included as if such consolidated financial statements of the Group 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.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 Summary of significant accounting policies (cont'd)

Acquisition of businesses

From 1 January 2010, the acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

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

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

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

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to the consolidated income statement or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in the consolidated income statement.

Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Details of its subsidiaries are given in Note 8.

Land use rights

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 Summary of significant accounting policies (cont'd)

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

Government grant/subsidy

Government grant/subsidy is recognised at its fair value where there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with. Where the grant/subsidy relates to an asset, the fair value is recognised as deferred capital grant on the 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 assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable unless in rare circumstance as specified in the amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

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

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the 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 party 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 consolidated income statement.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 Summary of significant accounting policies (cont'd)

Financial liabilities

The Group's financial liabilities include borrowings, trade payables, accruals and other payables, and related party 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.

Financial guarantees

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

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

Provisions

Provisions are recognised when the Company and the Group have 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. Present obligations arising from onerous contracts are recognised as provisions.

The directors 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 Summary of significant accounting policies (cont'd)

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.

Borrowing costs

Borrowing costs are recognised in the consolidated income statement in the period they are incurred.

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.

Convertible bonds

Convertible bonds are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

Deferred income tax is measured:

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

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

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution 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

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 Summary of significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

An impairment loss is charged to the consolidated income statement unless it reverses a previous revaluation in which case it is charged to equity.

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

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

A reversal of an impairment loss 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.

Rental income from the rental of office units is recognised upon acceptance of tenancy.

Functional currency

Functional and presentation currency

Items included in the consolidated financial statements of the Company and 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 its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3 Summary of significant accounting policies (cont'd)

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the translations.

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 management purposes, operating segments are organised based on their products which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

4 Revenue

The Group	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Sale of		
– canned asparagus	273,155,128	204,244,548
– canned long beans	102,845,092	73,596,378
– canned mushrooms	165,018,836	125,276,544
– beverage	401,658,991	179,592,112
– canned fruits	77,003,003	62,354,529
	1,019,681,050	645,064,111

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

5 Land use rights

The Group	Note	31 December 2011 RMB	31 December 2010 RMB
Cost			
Balance at beginning of year		16,221,691	16,221,691
Additions		70,133	–
Transfer from deposit for land use rights	13	46,240,000	–
Balance at end of year		<u>62,531,824</u>	<u>16,221,691</u>
Accumulated amortisation			
Balance at beginning of year		1,219,911	896,559
Amortisation for the year	23(c)	554,553	323,352
Balance at end of year		<u>1,774,464</u>	<u>1,219,911</u>
Net book value		<u>60,757,360</u>	<u>15,001,780</u>

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	31 December 2011 RMB	31 December 2010 RMB
At Cost			
Land use rights	17(b)	<u>3,757,250</u>	–
Net book value		<u>3,350,250</u>	–

Land use rights relate to the following parcel of lands:

Location	Period	Land area (square metres) ["sq m"]
#1 Land at Qiongxin Road side, Linqiong Town, Qionglai City People's Republic of China (邛崃市临邛镇邛新路侧)	50 years (expiring on 2 March 2055)	134,289.91
#2 Danfeng Town, Shizong County, Yunnan Province People's Republic of China (云南省师宗县单凤镇)	50 years (expiring on 9 April 2055)	66,366.30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

5 Land use rights (cont'd)

Location	Period	Land area (square metres) ["sq m"]
#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
#4 Land at Jing Xiu Jiang Nan East Side, Guangzhou Road, Dang Yang City People's Republic of China (当阳市广州路(锦绣江南东侧))	50 years (expiring on 30 Sept 2061)	101,720.20

These land use rights are acquired from:

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

6. Property, plant and equipment

The Company	Office equipment RMB
Cost	
At 1 January 2010	10,154
Additions	12,474
At 31 December 2010	22,628
Additions	14,712
At 31 December 2011	37,340
Accumulated depreciation	
At 1 January 2010	3,055
Depreciation for the year At 31 December 2010	3,114
At 31 December 2010	6,169
Depreciation for the year At 31 December 2011	4,532
At 31 December 2011	10,701
Net book value	
At 31 December 2011	26,639
At 31 December 2010	16,459

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6 Property, plant and equipment (cont'd)

The Group	Factory and warehouse premises RMB	Office units RMB	Renovation RMB	Plant and machinery RMB	Motor vehicles RMB	Office equipment RMB	Construction- in-progress RMB	Total RMB
Cost								
At 1 January 2010	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
Additions	17,316,382	-	199,011	2,416,145	121,824	185,509	133,426,371	153,665,242
Disposals	(66,688)	-	-	(74,920)	(51,233)	(88,261)	-	(281,102)
Write off	-	-	-	-	-	-	(80,514)	(80,514)
Reclassifications	1,549,111	-	-	-	-	-	(1,549,111)	-
At 31 December 2011	131,678,961	2,728,907	3,715,358	47,036,318	3,642,981	1,494,455	213,172,286	403,469,266
Accumulated depreciation								
At 1 January 2010	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
Depreciation for the year	5,315,645	51,850	217,840	4,153,191	241,442	194,636	-	10,174,604
Disposals	-	-	-	-	(34,768)	(77,927)	-	(112,695)
At 31 December 2011	13,717,309	324,059	3,208,792	11,329,786	2,664,964	931,986	-	32,176,896
Net book value								
At 31 December 2011	117,961,652	2,404,848	506,566	35,706,532	978,017	562,469	213,172,286	371,292,370
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

(a) Depreciation is charged to:

The Group	Note	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Cost of sales		3,399,531	2,057,857
Distribution costs	23(b)	678,877	681,474
Administrative expenses	23(c)	6,096,196	4,896,731
		10,174,604	7,636,062

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6 Property, plant and equipment (cont'd)

(b) Factory and warehouse premises are located at:

The Group	31 December 2011	31 December 2010
	RMB	RMB
At cost		
Factory and warehouse premises		
– #1 [Note 5]	13,251,645	12,723,587
– #2 [Note 5]	7,195,194	7,142,195
– #3 [Note 5]	50,992,992	48,546,455
– #4 [Note 5]	15,680,000	–
– #5*	44,559,130	44,467,919
	131,678,961	112,880,156

* 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 Industry Groups Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6 Property, plant and equipment (cont'd)

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

The Group	Note	31 December 2011 RMB	31 December 2010 RMB
At cost			
Factory and warehouse premises	17(a)	62,358,227	48,546,455
Office units	17(a)	2,728,907	2,728,907
		<u>65,087,134</u>	<u>51,275,362</u>
Net book value		<u>60,593,034</u>	<u>46,867,930</u>

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

		Estimated date of completion
(i)	the construction of 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);	October 2012
(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);	October 2012
(iii)	The construction of administration building and warehouse, at Qiongxin Road Side, Linqiong Town, Qionglai City (邳州市临邳镇邳新路侧); and	March 2012
(iv)	the administration building and warehouse (厂房), at Jing Xiu Jiang Nan East Side, Guangzhou Road, Dang Yang City [当阳市广州路(锦绣江南东侧)].	September 2012

7 Subsidy

The Group	Note	31 December 2011 RMB	31 December 2010 RMB
Subsidy		1,236,102	1,236,102
Less: Amortisation			
Balance at beginning of year		700,080	566,064
Amortisation for the year	23(f)	134,016	134,016
Balance at end of year		<u>834,096</u>	<u>700,080</u>
		<u>402,006</u>	<u>536,022</u>

The subsidy relates to money paid to farmers to provide financial assistance and support of vegetables farming. The governmental related agency, 邳州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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

8 Subsidiaries

The Company	31 December 2011 RMB	31 December 2010 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
		2011 RMB	2010 RMB	2011 %	2010 %	
<i>Held by the Company</i>						
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
<i>Held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)</i>						
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	58.3	Sale of canned vegetables and fruits
Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited *+ (鲜绿园(香港)果蔬饮料有限公司)	Hong Kong	–	–	100	100	Investment holding
<i>Held by Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司)</i>						
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	41.7	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	–	–	20.77#	20.77#	Production and sale of canned vegetables and fruits
Balance carried forward		1,847,996	1,847,996			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

8 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of equity held		Principal activities
		2011	2010	2011	2010	
		RMB	RMB	%	%	
Balance brought forward		1,847,996	1,847,996			
<i>Held by Shenzhen Grandness Industry Groups Co., Ltd.</i> (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	–	–	51#	51#	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	Inactive
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
<i>Held by Grandness (Shanxian) Food Co., Ltd</i> (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#	4.78#	Production and sale of canned vegetables and fruits
<i>Held by Dongpeng (Chengdu) Agricultural Development Co., Ltd</i> (成都东鹏农业发展有限公司)						
Grandness (Sichuan) Foods Co., Ltd. * (四川振鹏达食品有限公司)	People's Republic of China	–	–	4.78#	4.78#	Production and sale of canned vegetables and fruits
<i>Held by Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited</i> (鲜绿园(香港)果蔬饮料有限公司)						
Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited * + (鲜绿园(深圳)果蔬饮料有限公司)	People's Republic of China	–	–	100	–	Production and sale of fruits and vegetable juices
Garden Fresh (Hubei) Food & Beverage Co., Limited *+ (鲜绿园(湖北)食品饮料有限公司)	People's Republic of China	–	–	100	–	Production and sale of fruits and vegetable juices
Balance carried forward		1,847,996	1,847,996			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

8 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of of equity held		Principal activities
		2011	2010	2011	2010	
		RMB	RMB	%	%	
Balance brought forward		1,847,996	1,847,996			
<i>Held by Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited</i> (鲜绿园(深圳)果蔬饮料有限公司)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited ** (四川鲜绿园果蔬饮料有限公司)	People's Republic of China	–	–	90	–	Production and sale of fruits and vegetable juices
<i>Held by Garden Fresh (Hubei) Food & Beverage Co., Limited</i> (鲜绿园(湖北)食品饮料有限公司)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited ** (四川鲜绿园果蔬饮料有限公司)	People's Republic of China	–	–	10	–	Production and sale of fruits and vegetable juices
		<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) Foods Co., Ltd. remained at 81.33%.

+ These subsidiaries were newly incorporated during the financial year by way of injection of cash for capital contribution of RMB14,710,656. The fair value at the date of acquisition of the acquired subsidiaries was RMB14,710,656 representing bank balances for initial working capital.

9 Amount owing by subsidiaries

The Company	31 December 2011 RMB	31 December 2010 RMB
Non-trade		
– Grandness (HK) Industry Co., Limited	129,421,854	133,356,000
– Shenzhen Grandness Industry Groups Co., Ltd.	21,831,027	9,968,702
– Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited	165,788	–
	<u>151,418,669</u>	<u>143,324,702</u>

(a) The non-trade amounts owing by subsidiaries, which 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 FINANCIAL YEAR ENDED 31 DECEMBER 2011

9 Amount owing by subsidiaries (cont'd)

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

The Company	31 December 2011 RMB	31 December 2010 RMB
Non-trade		
– Singapore dollar	113,225,522	123,215,756
– United States dollar	123,002	129,284
– Renminbi	38,070,145	19,979,662
	151,418,669	143,324,702

10 Deferred taxation

10(a) Deferred tax assets

	The Company		The Group	
	31 December 2011 RMB	31 December 2010 RMB	31 December 2011 RMB	31 December 2010 RMB
Balance at beginning of year	–	–	903,460	592,000
Transfer from income statement (Note 24)	–	–	1,039,792	311,460
Balance at end of year	–	–	1,943,252	903,460
The balance comprises tax on				
– excess of tax written down value of property, plant and equipment over net book value	–	–	903,460	903,460
– provision	–	–	1,039,792	–
To be recovered after one year	–	–	1,943,252	903,460

10(b) Deferred tax liabilities

	The Company		The Group	
	31 December 2011 RMB	31 December 2010 RMB	31 December 2011 RMB	31 December 2010 RMB
Balance at beginning of year	669,000	669,000	669,000	669,000
Transfer to income statement (Note 24)	3,800,000	–	3,800,000	–
Balance at end of year	4,469,000	669,000	4,469,000	669,000
The balance comprises tax on				
- undistributed earnings of subsidiaries	3,469,000	669,000	3,469,000	669,000
- unremitted income	1,000,000	–	1,000,000	–
To be settle after one year	4,469,000	669,000	4,469,000	669,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

11 Inventories

The Group	31 December 2011	31 December 2010
	RMB	RMB
Finished goods, at cost	31,772,784	25,960,959
Packaging materials, at cost	3,722,838	3,229,673
Raw materials, at cost	580,775	765,084
	36,076,397	29,955,716
Included in cost of sales are inventories charged of:	663,776,005	427,542,248
Inventories written off	388,577	–

The ageing of the inventories turnover approximates 29 (2010 – 25) days.

The write-off of inventories relates to normal loss which is the course of normal business operations where certain goods were discarded due to quality control purpose. There is no allowance made to the inventories at the financial year end.

12 Trade and other receivables

	The Company		The Group	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	RMB	RMB	RMB	RMB
Trade receivables				
– External parties	–	–	210,546,818	173,287,627
Less: Impairment loss on trade receivables				
Balance at beginning of year	–	–	(76,750)	–
Allowance for the year	–	–	(76,750)	(76,750)
Balance at end of year	–	–	(153,500)	(76,750)
Net trade receivables	–	–	210,393,318	173,210,877
<u>Other receivables</u>				
Advances to				
– contractors	–	–	17,540	537,878
– suppliers of property, plant and equipment	–	–	17,079,998	1,540
– suppliers	–	–	315,842	4,886,396
– employees	–	–	589,980	324,340
– third parties	12,726	6,153	1,255,555	1,595,966
– 深圳市诚兴旺进出口有限公司	–	–	1,120,370	1,120,370
– farmers	–	–	270,927	250,594
Prepayments	–	–	348,685	74,855
VAT receivable	–	–	27,680,869	19,162,088
Export tax refunds	–	–	36,810,488	8,452,697
Tax recoverable	–	–	1,172	315,616
Deposits	4,886	4,886	1,499,200	1,388,739
Amount due from customers	–	–	–	782,645
Others	–	10	139,414	1,689
	17,612	11,049	87,130,040	38,895,413
	17,612	11,049	297,523,358	212,106,290

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

12 Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	RMB	RMB	RMB	RMB
Trade				
United States dollar	–	–	95,674,680	90,531,494
Renminbi	–	–	114,707,127	82,679,383
Singapore dollar	–	–	11,511	–
	–	–	210,393,318	173,210,877
Non-trade				
Renminbi	–	–	87,110,478	38,884,364
Singapore dollar	17,612	11,049	19,562	11,049
	17,612	11,049	87,130,040	38,895,413
	17,612	11,049	297,523,358	212,106,290

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. No allowance for impairment has been considered necessary.

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

	The Group	
	31 December 2011	31 December 2010
	RMB	RMB
Within 1 month	88,776,404	88,646,291
Past due over 1 month but not over 2 months	83,811,373	63,628,480
Past due over 2 months but not over 3 months	37,753,721	20,793,129
Past due over 3 months but not over 4 months	–	66,227
Past due over 4 months	51,820	76,750
	210,393,318	173,210,877

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

	The Group	
	31 December 2011	31 December 2010
	RMB	RMB
Within 1 month	–	–
Past due over 1 month but not over 2 months	–	–
Past due over 2 months but not over 3 months	–	–
Past due over 3 months but not over 4 months	–	–
Past due over 4 months	153,500	76,750
	153,500	76,750

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

12 Trade and other receivables (cont'd)

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

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

The advances made to employees are for business purpose.

Export tax refunds relate to tax refunds which is calculated at 2-4% (2010 - 2-4%) on overseas sales.

Amount due from customers relate to sales made from packaging materials.

13 Deposit for land use rights

The amount of RMB46,240,000 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 was completed in 2011 (Note 5).

14 Cash and cash equivalents

	The Company		The Group	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	RMB	RMB	RMB	RMB
Cash on hand	-	-	307,542	112,686
Bank balances	141,222	13,665,438	81,208,875	32,412,409
	141,222	13,665,438	81,516,417	32,525,095
Less: Deposits placed in banks for notes payable	-	-	(12,370,000)	(3,490,000)
	141,222	13,665,438	69,146,417	29,035,095

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	RMB	RMB	RMB	RMB
United States dollar	-	-	355,288	907,098
Renminbi	-	-	80,969,039	6,864,662
Singapore dollar	141,222	13,665,438	171,203	24,737,508
Others	-	-	20,887	15,827
	141,222	13,665,438	81,516,417	32,525,095

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

15 Share capital

	Number of shares		The Company and The Group	
	2011	2010	31 December 2011	31 December 2010
	RMB	RMB	RMB	RMB
Issued and fully paid ordinary shares:				
Balance at beginning of year	265,172,414	245,172,414	167,896,912	133,652,464
New placement of 20,000,000 ordinary share of S\$0.35 each on 18 October 2011	–	20,000,000	–	35,576,800
Share issue costs	–	–	–	(1,332,352)
Balance at end of year	265,172,414	265,172,414	167,896,912	167,896,912

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	31 December 2011	31 December 2010
	RMB	RMB
Statutory common reserve		
Balance at beginning of year	32,641,363	22,522,427
Movement during the year	11,769,578	10,118,936
Balance at end of year	44,410,941	32,641,363
Merger reserve		
Balance at beginning and end of year	(31,413,600)	(31,413,600)
Grand total	12,997,341	1,227,763

Statutory common reserve

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

17 Bank borrowings

The Group	Note	31 December 2011 RMB	31 December 2010 RMB
Bank loans			
– 江苏银行股份有限公司深圳分行		5,000,000	–
– 星展银行(中国)有限公司深圳分行		14,000,000	–
– 上海浦东发展银行股份有限公司深圳分行		15,000,000	–
– 宁波银行股份有限公司深圳分行		7,000,000	–
– 深圳平安银行		6,700,000	–
– 交通银行股份有限公司深圳海连分行		28,000,000	36,000,000
		75,700,000	36,000,000
Comprises			
Bank loans (secured)			
– #1	(a)	28,000,000	36,000,000
– #2	(b)	6,700,000	–
	A	34,700,000	36,000,000
Bank loans (unsecured)			
– #3	(c)	5,000,000	–
– #4	(d)	14,000,000	–
– #5	(e)	15,000,000	–
– #6	(f)	7,000,000	–
	B	41,000,000	–
	A + B	75,700,000	36,000,000
Amount repayable:			
Not later than one year		75,700,000	8,000,000
Later than one year and not later than five years		–	28,000,000
		75,700,000	36,000,000

- (a) The secured bank loan facility #1 of RMB40,000,000 granted to the Group is repayable on or before 10 June 2012. This loan is secured by a mortgage over the Group's office units RMB2,728,907 [Note 6(d)] and factory and warehouse premises costing RMB 62,358,227 belonging to a subsidiary, Grandness (Shanxian) Foods Co., Ltd.

Interest is charged between 6.720% and 6.983% per annum.

- (b) The secured bank loan #2 of RMB10,000,000 granted to the Group, of which RMB3,300,000 had been duly repaid by way of monthly installment of RMB300,000 with effective from 24 January 2011. The balance of RMB 6,700,000 has been fully repaid on 29 January 2012. This loan is secured by, inter-alia;

(i) a pledge over the Group's land use rights RMB3,757,250 belonging to a subsidiary, Yunnan Shizong Zhenhua Food Co., Ltd (Note 5);

(ii) a personal guarantee by a director of the Company, Huang Yupeng; and

(iii) corporate guarantee provided by Shanxi Yongji Huaxin Food Co., Ltd.

Interest is charged at 6.3910% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

17 Bank borrowings (cont'd)

(c) The unsecured bank loan facility #3 of RMB14,000,000 granted to the Group and is repayable on or before 21 April 2012. This loan is secured by, inter-alia;

(i) a personal guarantee by a director of the Company, Huang Yupeng; and

(ii) corporate guarantee provided by Shanxi Yongji Huaxin Food Co., Ltd.

Interest is charged at 8.5280% per annum.

(d) The unsecured bank loan #4 of RMB14,000,000 comprises five tranches of RMB3,000,000, RMB1,000,000, RMB5,000,000, RMB2,500,000 and RMB2,500,000 and is repayable on 13 January 2012 and 20 January 2012 respectively. This loan is secured by, inter-alia;

(i) a personal guarantee by a director of the Company, Huang Yupeng; and

(ii) corporate guarantee provided by the Company and a wholly-owned subsidiary, Shanxi Yongji Huaxin Food Co., Ltd.;

Interest is charged at 7.9300% per annum.

(e) The unsecured bank loan #5 of RMB15,000,000 is repayable on or before 24 August 2012. This loan is secured by a personal guarantee by a director of the Company, Huang Yupeng.

Interest is charged at 6.5600% per annum.

(f) The unsecured bank loan #6 of RMB7,000,000 is repayable on or before 1 September 2012. This loan is secured by, inter-alia;

(i) a personal guarantee by a director of the Company, Huang Yupeng; and

(ii) corporate guarantee provided by Shanxi Yongji Huaxin Food Co., Ltd.

Interest is charged at 6.3910% per annum.

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

The Group	31 December 2011	31 December 2011	31 December 2010	31 December 2010
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	RMB	RMB	RMB	RMB
Variable interest rate loans				
Less than one year	75,700,000	78,085,837	8,000,000	8,283,500
Between one to five years	–	–	28,000,000	30,249,100
	75,700,000	78,085,837	36,000,000	38,532,600

As at the reporting date, the Group has unutilised bank facilities approximately RMB42,000,000 (2010 – Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

18 Amount owing to the then shareholders

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

The Group	2011	2010
	RMB	RMB
Huang Yupeng (黄育鹏)	28,470,051	37,789,934
Huang Zhoupeng (黄周鹏)	7,349,494	7,349,494
	35,819,545	45,139,428

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. On 7 January 2011 and 14 January 2011, a sum of RMB13,000,000 was paid to Huang Yupeng. As the repayment is not determined with certainty, it is impracticable to determine the fair value of these amount owing accordingly.

19 Convertible bonds

In financial year 2011, a wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited ("Garden Fresh (HK)") entered into a Subscription Agreement with Sun Hung Kai Investment Services Limited to issue RMB100,000,000 zero coupon convertible bonds. The maturity date is 19 October 2014 with an option to extend to 30 June 2015.

The bonds are convertible at the election of the Bondholders into conversion shares of Garden Fresh (HK) at any time during the conversion period from 8 September 2014 to 3 October 2014. The convertible bonds do not have the characteristics of equity conversion option.

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

- (i) a cap that limits the number of shares that the entity is required to deliver no more than 19.9% of the total issued share capital of Garden Fresh (HK) in order to prevent excessive dilution of the existing shareholders through the issue of new shares; and
- (ii) a floor (ie, a collar) that requires the entity to deliver to Bondholders in accordance to Revised Redemption Amounts as listed below:

In the event that the Initial Public Offering ("IPO") of Garden Fresh (HK) does not occur prior to the Maturity Date, the Subscription Agreement triggers the Revised Redemption Clause. Dependent on the phase of the IPO Garden Fresh (HK) is at, the corresponding Revised Redemption Amount will be granted to the Bondholders at the Maturity Date is:

Revised Redemption Amount 1

IPO process is either incomplete prior to one month of Maturity Date (unless it is not completed due to the occurrence, on or after Issuance Date, of changes in the rules and regulations of the relevant Approved Exchange applicable to the Garden Fresh (HK) and Sino Grandness Food Industry Group Limited) or the Garden Fresh (HK) does not list its shares on an Approved Exchange on or before the Maturity Date (unless such listing is impossible due to regulatory reasons beyond the control of the Garden Fresh (HK) and Sino Grandness Food Industry Group Limited);

Principal Amount multiplied by 1.25x

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

19 Convertible bonds (cont'd)

Revised Redemption Amount 2

IPO process is completed on or before the date falling one month prior to the Maturity Date and Garden Fresh (HK) is unable to complete a Qualifying IPO on or one month before the Maturity Date due to regulatory restrictions beyond the control of Garden Fresh (HK) and Sino Grandness Food Industry Group Limited; or

Principal Amount multiplied by 1.15 x

Revised Redemption Amount 3

Garden Fresh (HK) completes a Qualifying IPO on or before the Maturity Date at a Qualifying IPO price that is less than 9 times the Reference Net Profit;

Principal Amount multiplied by 1.10 x

Where x = number of calendar days from and including issue date, but excluding Redemption Date, divided by 365

The carrying amount and fair value of the non-current convertible bonds are as follows:

The Group	Carrying amount	Fair value
	31 December 2011	31 December 2011
	RMB	RMB
Convertible bonds	82,471,065	83,826,653

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 6.5%.

The fair value of this liability bond, included in non-current, was calculated using a market interest rate for an equivalent non-convertible bond.

The convertible bonds recognised in the statements of financial position is calculated as follows:

The Group	31 December 2011 RMB
Face value of convertible bonds drawdown on 19 October 2011	100,000,000
Less: - discount on convertible bonds	(13,000,000)
- transaction costs	(6,011,879)
	(19,011,879)
Net proceeds of issue	80,988,121
Add:	
effective interest expense	1,482,944
Carrying amount as at 31 December 2011	82,471,065

Effective interest expense on the bonds, including the effect of allocated issue expense of RMB6,011,879, is calculated using the effective interest method by applying the effective interest rate of 7.28% per annum to this liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

20 Trade and other payables

	The Company		The Group	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	RMB	RMB	RMB	RMB
Trade payables	–	–	14,222,166	19,089,366
Accruals	5,191,013	2,384,436	13,012,801	4,749,574
	5,191,013	2,384,436	27,234,967	23,838,940
Other payables				
Amount owing to (non-trade)				
– contractors	–	–	7,496,435	908,277
– suppliers of property, plant and equipment	–	–	414,183	470,357
– suppliers	–	–	45,693	64,842
– employees	–	–	233,758	858,883
– third parties	412,659	412,659	2,124,253	431,253
– farmers	–	–	280	280
Accrual of directors' fees	360,143	341,438	360,143	341,438
Liability owing for land premium	–	–	2,757,250	2,757,250
VAT payable	–	–	10,505,110	8,283,582
Withholding tax payable	211,395	224,715	299,286	224,715
Advance from customers	–	–	13,734	–
Deposits	–	–	86,670	–
Others	–	–	1,965,897	728,277
	984,197	978,812	26,302,692	15,069,154
Current portion	6,175,210	3,363,248	53,537,659	38,908,094
Other payables	–	–	1,687,000	3,375,000
Non-current portion	–	–	1,687,000	3,375,000
	6,175,210	3,363,248	55,224,659	42,283,094

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 statements of financial position to be reasonable approximation of their fair values.

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 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 FINANCIAL YEAR ENDED 31 DECEMBER 2011

20 Trade and other payables (cont'd)

The non-trade amount owing to a third party includes an amount of RMB3,375,000 (2010 – 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 sq m), 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 2011 RMB	31 December 2010 RMB	31 December 2011 RMB	31 December 2010 RMB
Trade				
Renminbi	3,925,359	1,387,249	25,969,313	22,841,753
Singapore dollar	1,265,654	997,187	1,265,654	997,187
	<u>5,191,013</u>	<u>2,384,436</u>	<u>27,234,967</u>	<u>23,838,940</u>
Non-trade				
Renminbi	–	–	27,019,404	17,465,342
Singapore dollar	984,197	978,812	970,288	978,812
	<u>984,197</u>	<u>978,812</u>	<u>27,989,692</u>	<u>18,444,154</u>
	<u>6,175,210</u>	<u>3,363,248</u>	<u>55,224,659</u>	<u>42,283,094</u>

21 Notes payable

The notes payable, which are interest-free, mature at varying dates between 7 January 2012, the earliest date and 27 April 2012, the latest date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

22 Amount owing to related parties

The Group	31 December 2011	31 December 2010
	RMB	RMB
Non-trade		
– related parties		
– 福建省成功果蔬食品有限公司	217	217
– 中鹏成都农业发展有限公司	534,647	534,647
	<u>534,864</u>	<u>534,864</u>

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.

23(a) Other operating income

The Group	Note	Year ended 31 December 2011	Year ended 31 December 2010
		RMB	RMB
Sale of scrap		257,414	65,275
Sale of packaging materials		159,900	96,940
Cost of scrap		(53,683)	(96,688)
Cost of packaging materials		(107,212)	(113,528)
		<u>256,419</u>	<u>(48,001)</u>
Government subsidy		126,404	1,072,943
Government grant		3,584,610	2,100,000
Interest income – banks		185,076	481,606
– others		88,198	–
Gain on disposal on property, plant and equipment		–	2,103
Exchange gain	23(f)	5,400,261	5,819,718
Rental income		200,600	9,000
Miscellaneous income		63,352	86,056
		<u>9,904,920</u>	<u>9,523,425</u>

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

The government grant relates to money received from authorities for overseas marketing and industrial development in Qiong Lai, Sichuan Province.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

23(b) Distribution costs

The Group	Note	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Employee benefit costs	23(e)	4,078,360	1,708,925
Transportation		48,924,616	18,949,399
Entertainment		47,894	31,461
Travelling		535,962	404,436
Consumable expenses		169,724	125,714
Packaging		9,926,197	3,190,394
Inspection and custom		122,721	167,057
Depreciation expense	6(a)	678,877	681,474
Advertisement and promotion		10,438,618	399,292
Bar number expenses		1,311,459	–
Conference expense		476,800	–
Others		5,799,225	936,307
		82,510,453	26,594,459

23(c) Administrative expenses

The Group	Note	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Employee benefit costs	23(e)	8,591,012	6,673,352
Motor vehicle expenses		310,690	318,525
Entertainment		576,248	861,366
Travelling expenses		785,745	837,546
Consumable expenses		47,918	239,045
Depreciation expense	6(a)	6,096,196	4,896,731
Amortisation of land use rights	5	554,553	323,352
Professional and legal fees		2,102,107	352,882
Exchange loss	23(f)	12,166,773	8,903,596
Rental expenses	23(f)	6,032,811	366,914
Property, plant and equipment written off		80,514	43,256
Loss on disposal of property, plant and equipment	23(f)	88,879	12,042
Bank charges		880,800	470,579
Utilities		331,502	231,133
Repair and maintenance		84,370	54,309
IPO expenses		377,268	224,450
Government tax expenses		5,334,016	87,914
Extension fee		–	2,750,208
Withholding tax		1,359,249	–
Audit fee of the Company		1,716,341	1,262,480
Others		6,100,873	5,024,457
		53,617,865	33,934,137

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

23(d) Finance costs

The Group	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Interest expenses:		
– bank borrowings	4,062,303	2,418,789
– notes payable	501,996	300,675
Convertible bonds at amortised costs	1,482,944	–
	6,047,243	2,719,464
The effective interest rate per annum:		
– bank borrowings	6.39 – 8.53%	4.37 – 6.98%
– notes payable	0.47 – 0.80%	5.31%
– convertible bonds	7.28%	–

23(e) Employee benefit costs

The Group	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Director's remuneration		
– salaries and related costs	3,593,716	2,723,986
– defined contributions	74,561	11,887
Other than directors and key management personnel		
– salaries and related costs	33,912,954	24,491,713
– defined contributions	5,333,435	201,037
	42,914,666	27,428,623

Employee benefit costs are charged to:

The Group	Note	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Cost of sales		30,245,294	19,046,346
Distribution costs	23(b)	4,078,360	1,708,925
Administrative expenses	23(c)	8,591,012	6,673,352
		42,914,666	27,428,623

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

23(f) Profit before taxation

The Group	Note	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Profit before taxation has been arrived at after charging:			
Amortisation of subsidy	7	134,016	134,016
Depreciation of property, plant and equipment	6	10,174,604	7,636,062
Amortisation of land use rights	5	554,553	323,352
Directors' fee		950,661	815,938
Exchange loss	23(a) & 23(c)	6,766,512	3,083,878
Property, plant and equipment written off		80,514	43,256
Loss on disposal of property, plant and equipment	23(c)	88,879	9,939
Rental expense – factory and warehouse		5,012,215	170,880
– others		1,020,596	196,034
	23(c)	6,032,811	366,914
Audit fee of the Company	23(c)	1,716,341	1,262,480

The Company did not incur non-audit fee from the Company's auditor for financial year 2011.

24 Taxation

The Group	Note	Year ended 31 December 2011 RMB	Year ended 31 December 2010 RMB
Current taxation		60,467,042	38,772,171
Transfer from deferred tax	10(a) & (b)	2,760,208	(311,460)
Under-provision in respect of prior year		1,484,077	504,797
		<u>64,711,327</u>	<u>38,965,508</u>

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 31 December 2011 RMB	Year ended 31 December 2010 RMB
Profit before taxation	214,976,438	155,874,455
Tax at statutory rate of 25%	5,625,462	8,650,075
Tax at statutory rate of 24%	51,183,401	–
Tax at statutory rate of 22%	–	28,567,096
Tax at statutory rate of 17%	589,000	–
Tax at statutory rate of 16.5%	3,240,484	–
Tax effect on non-taxable income	(5,739,364)	–
Tax effect on non-deductible expenses	4,382,042	–
Utilisation of deferred tax asset previously not recognised	–	(444,386)
Withholding tax	2,800,000	1,262,340
Deferred tax asset not recognised	1,192,467	446,825
Under-provision of corporate tax in respect of prior year	1,484,077	504,797
Tax exemption	(174,879)	–
Others	(46,242)	(21,239)
	<u>64,711,327</u>	<u>38,965,508</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

24 Taxation (cont'd)

The domestic tax rates applicable to the profit of the following companies are as follows:

	Rate	Basis
– Grandness (HK) Industry Co., Limited	16.5%	Full tax
– Shenzhen Grandness Industry Groups Co., Ltd.	24%	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
– Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited	16.5%	Full tax
– Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited	24%	Concessionary
– Garden Fresh (Hubei) Fruit & Vegetable Beverage Co., Limited	25%	Full tax
– Garden Fresh (Sichuan) Food & Beverage Co., Limited	25%	Full tax
– Sino Grandness Food Industry Group Limited	17%	Full tax

Shenzhen Grandness Industry Groups Co., Ltd. and Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited are taxed at a preferential tax rate of 22% now revised to 24% for financial year beginning 1 January 2011 as it is located in Special Economic Zones (“SEZ”) in PRC as designated by the Chinese government.

The tax on Singapore company relates to the dividend received in Singapore.

As at the reporting date, the deferred tax liability is recognised to the sum of RMB3.5 million for financial years 2008 and 2009 on the unremitted earnings of the PRC subsidiaries. As the Company is expecting to apply for tax exemption for foreign sourced dividend to the financial year 2010 onwards, no further deferred tax is provided thereon.

The Group has unabsorbed tax losses amounting to approximately RMB14,250,000 (2010 – RMB10,361,000), 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 RMB3,562,500 (2010 – RMB2,590,000) 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 2011 and 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

26 Earnings per share

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

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the consolidated income statement and share data used in the computation of basic earnings per share for the financial years ended 31 December:

The Group	2011	2010
	RMB	RMB
Earnings for the purposes of basic earnings per share	151,462,992	117,240,491

The Group	2011	2010
	No. of shares	
Weighted average number of ordinary shares outstanding for		
– basic earnings per share	265,172,414	249,446,000
– diluted earnings per share	265,172,414	249,446,000
Basic earnings per share (cents)	57.1	46.9
Diluted earnings per share (cents)	57.1	46.9

The convertible term loan has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2011 and is ignored in the calculation of diluted earnings per share.

Accordingly, diluted earnings per share is the same as basic earnings per share.

27 Dividend distribution

During the financial year, the Company paid a final tax-exempt (one-tier) dividend of RMB4.4088 cents per share which amounted to RMB11,690,900 in respect of the financial year ended 31 December 2010. No final dividend has been proposed for the financial year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

28 Commitments

(i) Operating lease commitment (non-cancellable)

(A) Where Group is the lessee

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

The Group	31 December 2011	31 December 2010
	RMB	RMB
Not later than one year	3,255,888	170,165
Later than one year and not later than five years	5,766,184	685,609
Later than five years	–	1,848,000

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

Location	Land area (sq m)	Effective date	Expiry date	Rental per annum (RMB)
Factory and warehouse premises				
山西省永济市南郊粮库内	1,909.41	1 January 2008	31 December 2026	168,000
永济市于乡镇	13,049	1 August 2011	31 July 2014	2,325,000
Office premises				
深圳福田区滨河路与彩田路 交汇处联合广场A栋塔楼	A5607 – 09	18 April 2011	27 April 2014	77,574

(B) Where Group is the lessor

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

	31 December 2011	31 December 2010
	RMB	RMB
Not later than one year	175,000	–

The current rents receivable on the leases on the Company's office per month are as follows:

Location	Unit	Effective date	Expiry date	RMB
深圳市福田区石厦北三街东南 方国际广场B栋	2115–20	11 July 2011	10 July 2012	25,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

28 Commitments (cont'd)

(ii) Capital commitments

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

The Group	31 December 2011 RMB	31 December 2010 RMB
Expenditure contracted for the construction of:		
– factory plant	1,431,836	7,101,779
– equipment	29,148,493	–
	30,580,329	7,101,779

(iii) Purchase commitments

The Group	31 December 2011 RMB	31 December 2010 RMB
Contracted purchase but not provided for in the financial statements	18,330,513	9,861,077

(iv) Sales commitments

The Group	31 December 2011 RMB	31 December 2010 RMB
Contracted sales but not provided for in the financial statements	35,018,359	16,608,872

29 Statement of operations by segments

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

- (i) Manufacturing and sale of canned vegetables and fruits; and
- (ii) Sales of fruit beverages.

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

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated statement of comprehensive income. Group income taxes and non-controlling interests are managed on a group basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

29 Statement of operations by segments (cont'd)

Allocation basis and transfer pricing

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

In financial year 2010, the Group commenced business in fruit beverages. The revenue derived from this new segment is about 17% of the total revenue. The allocation of the Group assets and liabilities as well as the revenues and profits and other material segmental items thereon attributable to the fruit beverage segment is not presented as the information is not provided to the chief operating decision maker. There are no other operating segments that have been aggregated to form the above reportable operating segments.

All non-current assets are located in the PRC.

(a) Business segments

	Canned vegetable and fruits		Fruit beverages	Total	
	2011	2010		2011	2010
	RMB	RMB	RMB	RMB	RMB
REVENUE					
Total sales	618,033,264	645,064,111	401,647,786	*1,019,681,050	645,064,111
RESULTS					
Segment result	102,642,768	158,593,919	118,380,913	221,023,681	158,593,919
Finance costs	(4,385,936)	(2,719,464)	(1,661,307)	(6,047,243)	(2,719,464)
Profit before taxation	98,256,832	155,874,455	116,719,606	214,976,438	155,874,455
Taxation				(64,711,327)	(38,965,508)
Non-controlling interests				1,197,881	331,544
Net profit				151,462,992	117,240,491
OTHER INFORMATION					
Segment assets (excluding taxation)	491,609,197	564,415,556	355,958,711	847,567,908	564,415,556
Segment liabilities (excluding taxation)	128,752,384	82,907,958	19,717,139	148,469,523	82,907,958
Capital expenditure					
- Land use rights additions	-	-	46,310,133	46,310,133	-
- Property, plant and equipment	10,120,966	90,442,903	143,544,276	153,665,242	90,442,903
Amortisation of land use rights	323,353	323,352	231,200	554,553	323,352
Depreciation of property, plant and equipment	9,754,443	7,654,443	420,161	10,174,604	7,636,062

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

29 Statement of operations by segments (cont'd)

(b) Geographical segments

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

The Group	2011	2010
	RMB	RMB
Revenue		
– Europe	520,441,421	363,668,437
– America	33,626,688	48,228,362
– China	427,708,726	208,623,203
– Others	37,904,215	24,544,109
	1,019,681,050	645,064,111

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

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

	Year ended 31 December 2011	Year ended 31 December 2010
	RMB	RMB
Reportable segments' assets are reconciled to total assets:		
Segment assets	847,567,908	564,415,556
Deferred tax assets	1,943,252	903,460
	849,511,160	565,319,016
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	148,469,523	82,907,958
Amount owing to the then shareholders	35,819,545	45,139,428
Convertible bonds	82,471,065	–
Deferred tax liabilities	4,469,000	669,000
Current tax payables	19,027,294	15,922,108
	290,256,427	144,638,494

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 2011 and 2010, the Group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

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 2011 would have had the following impact on the net profit by the amounts shown below.

	Gain/(loss)
	RMB'000
31 December 2011	
United States dollar	4,932
Singapore dollar	120
31 December 2010	
United States dollar	4,572
Singapore dollar	1,139

A 5% weakening of the above currencies against the Renminbi at 31 December 2011 would have the equal but opposite effect on the Renminbi of the amounts shown above.

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

30.2 Cash flow and fair value interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

30.2 Cash flow and fair value interest rate risk (cont'd)

The following tables set out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year	1–2 years	2–3 years	More than 3 years	Total
	RMB	RMB	RMB	RMB	RMB
The Group					
2011					
Fixed rate					
Bank borrowings	(75,700,000)	–	–	–	(75,700,000)
Convertible bonds	–	–	(82,471,065)	–	(82,471,065)
Notes payable	(17,010,000)	–	–	–	(17,010,000)
Floating rate					
Cash assets	81,516,417	–	–	–	81,516,417
2010					
Fixed rate					
Bank borrowings	(8,000,000)	(28,000,000)	–	–	(36,000,000)
Notes payable	(4,090,000)	–	–	–	(4,090,000)
Floating rate					
Cash assets	32,525,095	–	–	–	32,525,095
The Company					
2011					
Floating rate					
Cash assets	141,222	–	–	–	141,222
2010					
Floating rate					
Cash assets	13,665,438	–	–	–	13,665,438

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

Sensitivity analysis for interest rate risk

At the end of reporting period, if RMB interest rates had been 20 (2010 – 20) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been RMB198,000 (2010 – RMB171,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, lower/higher interest income from bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

30.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Company's and the Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Company and the Group adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The five largest debtors accounted about 28% of the total receivables at year end. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

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

Exposure to credit risk

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

The Group	2011		2010	
	RMB	% of total	RMB	% of total
By product sectors:				
Canned foods	95,694,181	45%	114,764,777	66%
Beverages	114,699,137	55%	58,446,100	34%
	210,393,318	100%	173,210,877	100%

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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 that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

30.4 Liquidity risk (cont'd)

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

The Group	Less than 1 year RMB	Between 1 to 5 years RMB	Total RMB
As at 31 December 2011			
Bank borrowings	78,085,837	–	78,085,837
Amount owing to the then shareholders	–	35,819,545	35,819,545
Trade and other payables	53,537,659	1,687,000	55,224,659
Convertibles bonds	–	100,000,000	100,000,000
Notes payable	17,010,000	–	17,010,000
Amount owing to related parties	534,864	–	534,864
	149,168,360	137,506,545	286,674,905
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
Notes payable	4,090,000	–	4,090,000
Amount owing to related parties	534,864	–	534,864
	51,816,458	78,763,528	130,579,986
The Company			
As at 31 December 2011			
Trade and other payables	6,175,210	–	6,175,210
As at 31 December 2010			
Trade and other payables	3,363,248	–	3,363,248

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

32 Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loan. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within trade and other payables, bank borrowings, amount owing to the then shareholders, convertible bonds and notes payable and less cash and cash equivalents.

The Group	2011	2010
	RMB	RMB
Trade and other payables	55,224,659	42,283,094
Bank borrowings (Note 17)	75,700,000	36,000,000
Amount owing to the then shareholders (Note 18)	35,819,545	45,139,428
Convertible bonds (Note 19)	82,471,065	–
Notes payable (Note 21)	17,010,000	4,090,000
Less: Cash and cash equivalents (Note 14)	(81,516,417)	(32,525,095)
Net assets	184,708,852	94,987,427
Equity attributable to the equity holders of the Company	554,762,126	414,990,034
Capital and net debt	684,246,319	509,977,461
Gearing ratio	25%	19%

33 Financial instruments

Fair values

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

However, the Company and the Group do not anticipate that the carrying amounts recorded at end of reporting period would be significantly different from the values that would eventually be received or settled.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2012

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 AS AT 16 MARCH 2012

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	1	0.08	634	0.00
1,000 - 10,000	457	36.33	3,234,000	1.22
10,001 - 1,000,000	776	61.68	46,651,000	17.59
1,000,001 and above	24	1.91	215,286,780	81.19
Total	1,258	100.00	265,172,414	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2012

	SHAREHOLDER'S NAME	NO OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	90,951,699	34.30
2	CITIBANK NOMINEES SINGAPORE PTE LTD	54,258,000	20.46
3	PHILLIP VENTURES ENTERPRISE FUND LTD	12,493,000	4.71
4	UOB KAY HIAN PTE LTD	10,150,000	3.83
5	ASDEW ACQUISITIONS PTE LTD	5,151,000	1.94
6	MAYBANK KIM ENG SECURITIES PTE LTD	4,608,000	1.74
7	KIM SENG HOLDINGS PTE LTD	4,385,000	1.65
8	OCBC SECURITIES PRIVATE LTD	4,139,000	1.56
9	PHILLIP SECURITIES PTE LTD	4,028,000	1.52
10	DBS NOMINEES PTE LTD	3,890,000	1.47
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,265,000	0.85
12	TEE MAY BUAN OR ONG ENG JOO	2,222,000	0.84
13	BANK OF SINGAPORE NOMINEES PTE LTD	2,000,000	0.75
14	DBSN SERVICES PTE LTD	1,821,581	0.69
15	TAN BEE HONG KATRINE	1,800,000	0.68
16	LIM JOO BOON	1,568,500	0.59
17	CHAN KONG HON	1,412,000	0.53
18	HONG LEONG FINANCE NOMINEES PTE LTD	1,340,000	0.51
19	SINGAPORE NOMINEES PTE LTD	1,200,000	0.45
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,198,000	0.45
	Total	210,880,780	79.52

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2012

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Huang Yupeng	117,748,280	44.40	–	–

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 16 March 2012, approximately 53.33% 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 320 Level 3, 1 Raffles Boulevard Suntec City Singapore 039593 on 25 April 2012 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 2011 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to the Articles of Association of the Company:

Mr Huang Yupeng	(Retiring under Article 91)	(Resolution 2)
Ms Xu Xihua	(Retiring under Article 91)	(Resolution 3)
Mr Zhu Jun	(Retiring under Article 97)	(Resolution 4)
Mr Zeng Ming	(Retiring under Article 97)	(Resolution 5)

[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$115,000 for the financial year ending 31 December 2012 to be paid half-yearly in arrears. (2011: S\$140,000) **(Resolution 6)**
4. 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 7)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

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

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

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

(the “Share Issue Mandate”)

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) 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 8)**

By Order of the Board

Wong Chee Meng Lawrence / Chew Kok Liang
Company Secretaries
Singapore, 10 April 2012

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Zeng Ming will, upon re-election as a Director of the Company, remain as a Member of the Audit, Nominating and Remuneration Committees. Mr Zeng Ming will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.
- (ii) Resolution 8, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, 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 80 Robinson Road #02-00 Singapore 068898 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

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

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

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

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

and/or (delete as appropriate)

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

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 320 Level 3, 1 Raffles Boulevard Suntec City Singapore 039593 on 25 April 2012 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 2011		
2	Re-election of Mr Huang Yupeng as a Director		
3	Re-election of Ms Xu Xihua as a Director		
4	Re-election of Mr Zhu Jun as a Director		
5	Re-election of Mr Zeng Ming as a Director		
6	Approval of Directors' fees amounting to S\$115,000 for the financial year ending 31 December 2012 (2011: S\$140,000)		
7	Re-appointment of Messrs Foo Kon Tan Grant Thornton LLP as Auditors		
8	Authority to allot and issue new shares		

Dated this _____ day of _____ 2012

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 80 Robinson Road #02-00 Singapore 068898 not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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