



ANNUAL REPORT 2012



Delivering **Results**  
Strengthening **Ties**

# Contents

01	Corporate Profile
03	Our Products
04	Chairman's Statement
08	Competitive Strengths
09	Financial Highlights
12	Operations and Financial Review
16	Board of Directors
18	Senior Management
19	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, Huelpeden, Coles and Metro.

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

Sino Grandness' 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 41.9% in FY2011 to 60.0% in FY2012 due to strong sales growth of the own-branded beverage segment.



# Our Growth

RMB 873.1 million  
in revenue from  
beverage segment  
alone



The Group has seen great potential in its own branded Garden Fresh juices, which are predominantly sold in the cities in China. With stable growth in retail sales, increasing disposable income for modern consumers coupled with rising awareness and demand for healthy products in China, the Group is confident of more good results to come.

# Our Products

Own-Branded Bottled Juice



Own-Branded Canned Fruits



Canned Long Beans



Canned Asparagus



Canned Mushrooms



# Chairman's Statement



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 2012 ("FY2012").

With higher orders across all product segments, the Group registered robust growth in our revenue and net profits. This was achieved against a backdrop of sustained growth in China's consumer spending and persistent weak growth or recession in Europe and the United States.

### STRONG PERFORMANCE ACROSS THE BOARD

In the year in review, our revenue strengthened by approximately RMB 620.6 million or 60.9%, from RMB 1.0 billion in FY2011 to RMB 1.6 billion in FY2012. This increase was attributed to the increase in sales across all of our product segments, with an increase of RMB 471.5 million from sales of beverage, and an increase of RMB 64.0 million and RMB 85.1 million from the sales of canned products in overseas and domestic markets respectively.

The increase in the volume of sales of canned products over the year was mainly due to the increase in production capacities and also the increase in orders secured from our existing major customers located overseas and in the PRC. As for our beverage segment, the increase in sales volume was mainly due to the growth of our distribution network in the PRC.

In tandem with our increase in sales, the Group's gross profit increased by approximately RMB288.1 million, or 83.0%, from RMB 347.3 million in FY2011 to RMB 635.4

million in FY2012. Sino Grandness' overall gross profit margin (GPM) improved by 4.6 percentage points, from 34.1% in FY2011 to 38.7% in FY2012. The improved GPM was largely attributable to the increase in the average selling price and the lower cost of raw materials from FY2011 to FY2012.

The Group's own branded beverage products 鲜绿园® ("Garden Fresh") and canned fruit products 振鹏达 ("Grandness") achieved an increase in profits on the back of strong order demand. The net profit attributable to equity holders surged 91.3% to a historic high of RMB 289.7 million in FY2012 from RMB 151.5 million in the same period last year ("FY2011").

### OUTLOOK

#### STRONG BRAND PRESENCE IN THE PRC

Looking ahead, despite the unfavourable economic climate faced by Western countries, the PRC economy seems likely to remain on a growth path in the new year, fuelled by the government's domestic demand stimulus. Social trends also augur well for the Group. As urbanisation increases, city dwellers tend to become more affluent and make more health-conscious lifestyle changes. The rise in disposal income per capita, as well as increasing awareness of nutritional products in the PRC creates opportunities for growth in the food and beverage industry.

Leveraging on this trend, Sino Grandness is confident that its products, such as its Garden Fresh house brand juices and house brand canned products, are well-positioned to meet the demands of the market. In this respect, the Group has been focusing on advertising and promotional activities to further develop the brand

**Sino Grandness has produced superior results for FY2012 with record revenue and net profit.**

identity of Garden Fresh juices, as well as sales and marketing initiatives to extend its distribution network in the PRC market.

Over the year in review, concentrated brand-building efforts through advertising and promotion events as well as media sponsorships (for example, the 2012 Youth Idol Chinese Presenter Competition) have increased the brand presence of our Garden Fresh juices. In fact, our Garden Fresh juice has achieved a breakthrough in sales performance in FY2012.

Not resting on our laurels, we have plans to expand the Group's production capacity so as to enable us to meet and secure larger orders. We also plan to engage in research and development efforts to expand our range of juices in order to widen its appeal among consumers.

#### **FORTIFYING OUR CAPITAL BASE**

In September 2012, the Group's wholly-owned subsidiary Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited successfully completed a fund-raising exercise with the issuance of convertible bonds of RMB 270 million in principal amount to Goldman Sachs Investments Holdings (Asia) Limited and its co-investors.

With this new funding in place, the Group is well-positioned to maintain sustained investments in the key areas of our beverage business. Correspondingly, the new funding will play a pivotal role in steering further expansion of our beverage output capacity in the new plant in Hubei Province, PRC.

#### **AWARD-WINNING GARDEN FRESH JUICES**

In January 2013, our brand Garden Fresh was bestowed the prestigious "Top 100 Brand in China" award by the

joint agency of Global Times, Asia Brand Association and the China Economic Herald. We are truly honoured to receive the award which reflects the successful branding of Garden Fresh juices, increasing brand awareness beyond provincial levels to national levels in the PRC. We will continue to participate in trade exhibitions within China and overseas in order to widen our distribution network and boost our brand recognition.

#### **ROBUST RESULT**

Sino Grandness has produced superior results for FY2012 with record revenue and net profit. Additionally, our expanded gross profit margin in FY2012 was achieved with higher margins from sales of our house brands as well as the lowered cost of production for the beverage segment, with manufacturing from Sino Grandness' own production facilities.

#### **ACKNOWLEDGEMENTS**

It has been a fruitful year and I would like to take this opportunity, on behalf of the Board, to express my sincere gratitude and appreciation to our fellow directors, management team as well as business partners for their hard work, commitment and contribution to augment the growth of Sino Grandness. To our shareholders, thank you for your confidence and trust in the Group. We look forward to more profitable years ahead.

**Huang Yupeng**  
Chairman and CEO

# 主席献词

本集团在2012财政年里呈现了卓越的业绩，营业额及净利润都创下新高，刷新了我们的纪录。

黄育鹏

主席兼首席执行官

## 各位尊敬的股东，

我谨代表董事会，欣然在此向大家提呈中华食品工业集团有限公司截至2012年12月31日（“2012财政年”）的年度报告。

虽然面对欧洲与美国经济增长步伐持续疲软甚至衰退的局面、中国强劲增长的消费能力继续推动本集团的产品订单，促使本集团营业额和净利润都双双取得强劲增长。

## 整体业务的强劲表现

回顾过去一年，本集团2012财政年的总营业额同比2011财政年的10亿元人民币，增长了约6亿2060万元人民币或60.9%，达16亿元人民币。此增幅是由于我们所有业务的销量都取得显著增长所致，其中饮料业的销量就上升了4亿7150万元人民币，而罐头食品业在海外及国内市场的销量也取得佳绩，分别上升了6400万元人民币及8510万元人民币。

罐头食品业在过去一年的销量增加主要是因为产能提高以及海外与国内现有的主要客户订单有所增加。饮料业销量的增幅则是由于本集团扩大了国内分销网络所致。

随着销量的提升，本集团的毛利润也上升了约2亿8810万元人民币或83.0%，从2011财政年的3亿4730万元人民币增长至2012财政年的6亿3540万元人民币。从2011财政年至2012财政年平均销售价的上涨及较低的原材料成本是主要推动本集团毛利率增长的原因，促使毛利率在2012财政年上升至38.7%，同比2011财政年的34.1%上涨了4.6%。

在强劲的订购需求下，本集团的自主品牌产品皆报捷，“鲜绿园”果蔬饮料及“振鹏达”罐头水果都取得显著的利润增长。在2012财政年里，集团可归权益持有人净利较去年同

期（“2011财政年”）激增了91.3%，从1亿5150万元人民币提升至2亿8970万元人民币，创下历史新高。

## 展望未来

### 在中国市场的广大品牌知名度

展望未来，尽管欧美国家正面临不利的经济前景，中国的经济在政府刺激国内需求的政策下，仍能在新的一年里保持增长趋势。

近年来的社会动向也为本集团带来良好的发展前景。随着城市化的进程日益增大，都市人逐渐富裕导致健康意识的提高，并在饮食生活上做出适当调整。中国的均可支配收入的提升以及对健康产品的意识有所提高，将为食品及饮料行业创造更多的发展空间。

借助此趋势，集团有信心，我们的自主品牌产品如“鲜绿园”果蔬饮料及“振鹏达”罐头产品的定位将能应付市场需求。本集团一直致力于广告和促销活动，以进一步发展“鲜绿园”果蔬饮料的品牌识别，并同时推行许多销售和营销活动来扩充在国内的分销网络。

在本年度中，我们集中精力于品牌建设，通过广告和促销活动及媒体赞助（如2012年度青春之星华语主持人大赛）等活动，提升了“鲜绿园”果蔬饮料的知名度，销售成绩更是在2012财政年里创下了佳绩。

我们并不满足于现有的成绩，为了能应付较大的订单，本集团有计划扩充我们的产能、并有意进行研究与开发、扩大果蔬饮料产品系列，以加强对消费者的吸引力。

### 巩固我们的资本基础

在2012年9月，集团的全资附属子公司鲜绿园（香港）果蔬饮料有限公司成功完成了一项融资活动，向高盛（亚洲）投资控股有限公司及共同投资者发行了本金额达2亿7000万元人民币的可换股债券。

拥有了这些新注入的资金，本集团已做好准备，为我们主要的饮料业领域进行持续性的投资。同时，新入资金也将对于我们进一步扩大在中国湖北省新厂的饮料产能扮演着举足轻重的角色。

### 获奖的鲜绿园®果蔬饮料

2013年1月，本集团旗下的“鲜绿园”果蔬饮料获得由《环球时报》、亚洲品牌协会及《中国经济导报》的联合机构所颁发的“中国排名前100品牌”大奖的殊荣。我们为能获颁此大奖感到非常荣幸，因为这体现了我们在品牌建设方面的成功，把鲜绿园果蔬饮料的品牌知名度从省份级提升至国家级。我们会继续参与中国及海外的贸易展览会以扩展我们的分销网络和促进品牌知名度。

### 强劲的业绩

本集团在2012财政年里呈现了卓越的业绩，营业额及净利润都创下新高，刷新了我们的纪录。此外，来自自主品牌所取得的较高利率以及通过本集团的生产设施所生产的饮料承担较低制作成本，也促使本集团在本财政年度取得更高的毛利率增长。

### 致谢

总的来说，2012财政年对于本集团是个成果丰硕的一年。我想借此机会代表董事会对各位董事，管理团队及合作伙伴为本集团持续增长所付出的努力、支持和贡献表达由衷的谢意；同时也深切感谢股东们对本集团给予的信心与信任。我们将期待能够创造业绩更优异的未来。

### 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



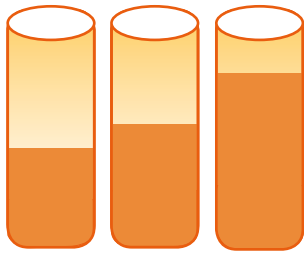
Experienced and dedicated management team



# Financial Highlights

## REVENUE (RMB'000)

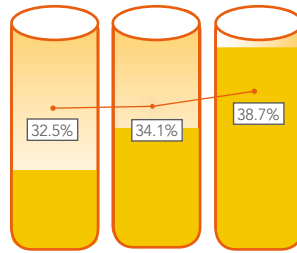
645.1 1,019.7 **1,640.3**



FY'10 FY'11 FY'12

## GROSS PROFIT & PROFIT MARGIN (RMB'000)

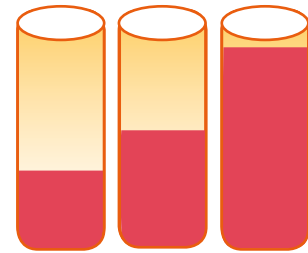
209.6 347.3 **635.4**



FY'10 FY'11 FY'12

## NET PROFIT AFTER TAX (RMB'000)

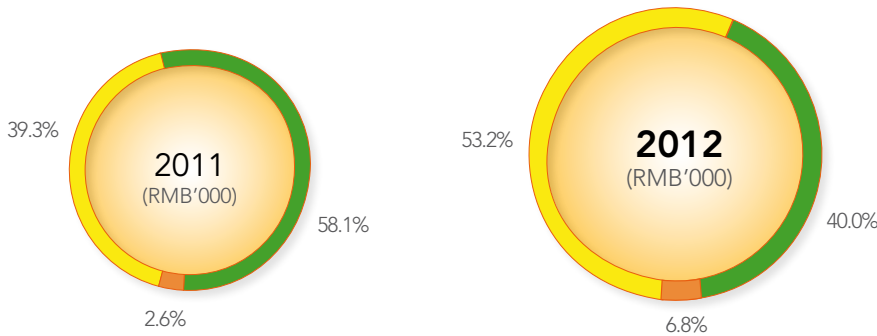
116.9 150.3 **290.1**



FY'10 FY'11 FY'12

Gross profit margin →

## REVENUE BREAKDOWN BY SEGMENTS

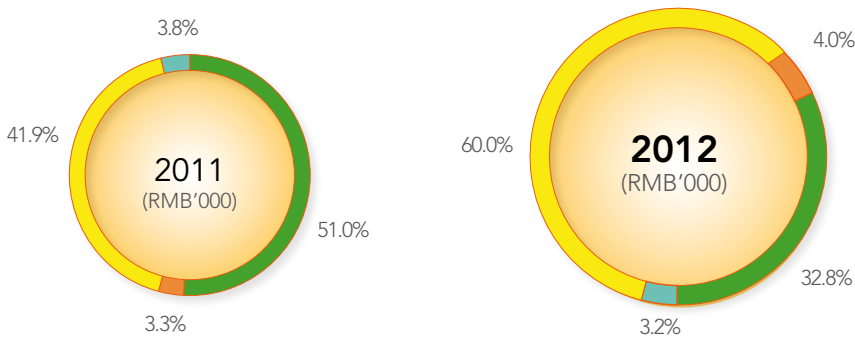


Canned Products - Overseas ■ Canned Products - Domestic ■ Beverages ■

CHANGE  
(%)

**+60.9%**

## REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATIONS



Europe<sup>1</sup> ■ North America<sup>2</sup> ■ China ■ Others<sup>3</sup> ■

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



# Our Footprints

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





The Group has successfully implemented plans to increase its output capacity during the second quarter of 2012 to leverage on the growing demand for Garden Fresh bottled juices. With the increase in capacity, the Group is ready to meet any potential surge in demand through the new juice production line in the Sichuan province.



# Operations and Financial Review

## REVENUE

The Group's revenue has increased by approximately RMB 620.6 million or 60.9% from RMB 1.0 billion in FY2011 to RMB 1.6 billion in FY 2012. The increase was attributable to the increased sales from all of our product segments, with an increase of RMB 471.5 million from the sales of beverages, and an increase of RMB 64.0 million and RMB 85.1 million from the sales of canned products in overseas and domestic markets respectively.

The increase in sales volume of canned products from FY 2011 to FY 2012 is mainly due to the increase in production capacities and increase in orders secured from our existing major overseas and domestic customers. The increase in the sales volume from our beverage segment is mainly due to the widening of our distribution network in the PRC.

## GROUP REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATIONS OF OUR CUSTOMERS:

GEOGRAPHICAL LOCATIONS	FY2012 RMB'000	FY2011 RMB'000	Increase %
Europe <sup>(1)</sup>	537,705	520,441	3.3
North America <sup>(2)</sup>	65,150	33,627	93.7
China	984,320	427,709	130.1
Others <sup>(3)</sup>	53,084	37,904	40.0
<b>Total</b>	<b>1,640,259</b>	<b>1,019,681</b>	<b>60.9</b>

<sup>(1)</sup> Includes sales to countries such as Germany, France, Spain, the Netherlands, the Czech Republic and Russia

<sup>(2)</sup> Relates mainly to sales to Mexico

<sup>(3)</sup> Relates to sales to countries such as Singapore, Australia and Turkey

## GROUP REVENUE BREAKDOWN BY SEGMENTS

PRODUCT SEGMENTS	FY2012 RMB'000	FY2011 RMB'000	Increase %
Canned products			
- Overseas	655,939	591,972	10.8
- Domestic	111,171	26,061	326.7
Beverages	873,149	401,648	117.4
<b>Total</b>	<b>1,640,259</b>	<b>1,019,681</b>	<b>60.9</b>

## SEGMENTAL REVIEW

Revenue from the Group's overseas canned product segment increased by 10.8%, from approximately RMB 592.0 million in FY 2011 to RMB 655.9 million in FY 2012. Meanwhile, revenue from the Group's domestic canned product segment has increased by 326.7%, from approximately RMB 26.0 million in FY 2011 to RMB 111.1 million in FY 2012. Among all product segments, this segment recorded the highest revenue increase as compared to FY 2011. Additionally, the Group's beverage segment registered an increase of 117.4% in revenue from RMB 401.7 million in FY 2011 to RMB 873.1 million in FY 2012.

## GROSS PROFIT AND GROSS PROFIT MARGINS

Together with the increase in sales, the Group is pleased to report that the gross profit surged by approximately RMB 288.1 million or 83.0%, from RMB 347.3 million in FY2011 to RMB 635.4 million in FY2012. The Group's overall gross profit margin (GPM) has improved by 4.6 percentage points, from 34.1% in FY2011 to 38.7% in FY2012. The improvement of our overall GPM was a result of an increase in the GPM of all of our product segments. These improvements in GPM were largely attributable to the increase in the average selling price and lower cost of raw materials from FY2011 to FY2012.



#### GROSS PROFITS

PRODUCT SEGMENTS	FY2012 RMB'000	FY2011 RMB'000	Increase %
Canned products			
- Overseas	212,618	173,305	22.7
- Domestic	48,772	9,753	400.1
Beverages	374,010	164,201	127.8
Total	635,400	347,259	83.0

#### OPERATING EXPENSES

The Group's distribution and selling expenses increased by approximately RMB 91.6 million or 111.0%, from RMB 82.5 million in FY 2011 to RMB 174.1 million in FY 2012. The increase was mainly due to an increase of RMB 1.3 million in employee benefit costs, RMB 59.4 million in transportation costs, RMB 1.3 million in packaging costs and RMB 34.6 million in advertising, promotion, rebate and bar code expenses. The increase in transportation cost is mainly attributed to the increase in the domestic sales of beverage products and canned products in PRC in FY 2012. The advertising, promotion, rebate and bar code expenses were mainly attributed to the domestic sales of beverage and canned products in the PRC market.

The Group's administrative expenses increased by approximately RMB 0.1 million or 0.2%, from RMB 53.6 million in FY 2011 to RMB 53.7 million in FY 2012. This was mainly due to an increase of RMB 3.5 million in depreciation and RMB 4.2 million in employee benefit costs partially offset by the decrease of RMB 4.5 million in the taxation of land use rights, RMB 0.4 million in exchange loss due to the appreciation of RMB during the period under review, RMB 0.5 million in professional and RMB 1.9 million in rental.

#### FINANCE COSTS

Finance costs increased by approximately RMB 10.7 million or 176.7%, from RMB 6.0 million in FY 2011 to RMB 16.7 million in FY 2012. The increase was mainly due to the interest on convertible bonds in FY 2012 compared to FY 2011.

#### PROFIT BEFORE INCOME TAX

The Group's profit before income tax increased by approximately RMB 183.2 million or 85.2%, from RMB 215.0 million in FY 2011 to RMB 398.2 million in FY 2012. The increase was mainly due to an increase in revenue which was offset by an increase in operating expenses and finance costs.

# Operations and Financial Review



## NET PROFIT

Net profit for the year has risen by 93.1%, from RMB 150.3 million in FY 2011 to RMB 290.1 million in FY 2012.

## REVIEW OF STATEMENT OF FINANCIAL POSITION

Property, plant and equipment increased by approximately RMB 158.0 million from RMB 371.3 million in FY 2011 to RMB 529.3 million in FY 2012. The increase was a result of the construction in progress of both the Sichuan and Hubei plants.

Our inventories increased by approximately RMB 16.3 million from RMB 36.1 million in FY 2011 to RMB 52.4 million in FY 2012. The increase in inventories over the period under review was in line with our increased business activities.

The Group's trade and other receivables increased by approximately RMB 258.7 million from RMB 297.5 million in FY 2011 to RMB 556.2 million in FY 2012. The increase was mainly attributable to our increased domestic canned products and beverage business activities in the period under review.

Cash and cash equivalents stood at RMB 138.3 million as at 31 December 2012. The increase in cash and cash equivalents was mainly due to the issuance of convertible bonds and bank loans obtained during the period under review, which was partially offset by the acquisition of property, plant and equipment, bank loan repayments and net cash used in operations.

The Group's current liabilities decreased by RMB 14.0 million from RMB 165.8 million in FY 2011 to RMB 151.8 million in FY 2012. The decrease was mainly attributable to a decrease of RMB 8.3 million in notes payable, RMB 31.7 million in bank borrowings and RMB 2.4 million in tax payable, which was partially offset by an increase in trade and other payables of RMB 28.9 million.

Non-current liabilities increased by RMB 228.2 million from RMB 124.4 million in FY 2011 to RMB 352.6 million in FY 2012. The increase was mainly attributable to the issuance of convertible bonds of RMB 249.8 million and deferred tax liability of RMB 15.8 million partially offset by a repayment to the then shareholders of RMB 36.0 million.



Equity holders' interest increased by RMB 273.9 million from RMB 554.8 million as at 31 December 2011 to RMB 828.7 million as at 31 December 2012. The increase was mainly attributable to net profit in FY 2012.

#### REVIEW OF CASH FLOW STATEMENT

In FY 2012, operating cash flows before working capital changes amounted to RMB 431.1 million. Net cash of RMB 248.7 million was used in the Group's operating activities. Working capital changes comprised of a decrease in deposit pledged with the bank of RMB 6.8 million and operating payables of RMB 18.9 million, as well as an increase in inventories of RMB 16.4 million and operating receivables of RMB 258.0 million. Net cash used in investing activities amounted to RMB 172.8 million in FY 2012, which was due mainly to construction in progress of both the Sichuan and Hubei plants.

In addition, net cash generated from financing activities amounted to RMB 170.6 million in FY 2012. This was mainly due to the issuance of convertible bonds and bank loan obtained of RMB 238.6 million and RMB 86.0 million respectively. This was partially offset by the repayment of bank loans of RMB 117.7 million and the then shareholders of RMB 36.0 million.

# Board of Directors



Huang Yupeng



Huang Yushan



Zeng Ming



Soh Beng Keng

## HUANG YUPENG (黄育鹏)

### Chairman and CEO

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

## HUANG YUSHAN (黄育珊)

### Executive Director

Ms Huang Yushan (黄育珊) is our Executive Director and is responsible for all human resource and administrative matters of our Group. She began her career in 1989 with state-owned Shenzhen Yuehai Hotel Enterprise Co., Ltd

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

## ZENG MING (曾明)

### Executive Director

Mr Zeng Ming (曾明) is our Executive 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.

## 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



Lin Song



Zhu Jun



Liu Ling

companies currently. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management. In 1996, Mr Soh became the director of finance of Heeton Management Pte Ltd and subsequently upon listing, he became the executive director of Heeton Holdings Limited. In 2005, he joined Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in marine and oil related industries, and served as their financial controller. In 2006, he joined Miclyn Offshore Pte Ltd, a Singapore company involved in the business of owning and chartering of ships, and served as their financial controller. From 2007 to 2009, he was the Chief Financial Officer of China Fashion Holdings Limited, a public listed company in Singapore. Mr Soh is a full member of the Singapore Institute of Directors and a fellow member of the Institute of 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.

#### LIU LING (刘凌)

##### Independent Director

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

# 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 obligation, and company secretarial matters. Goh Cze Khiang has been a Certified Chartered Accountant (FCCA) and a Chartered Accountant (CA) since 1998 and 1999, respectively. He has also been a Certified Financial Planner (CFP) since 2001. 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) Ltd, a company listed on the SGS-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. He admitted as member of Institute of Certified Public Accountants of Singapore (ICPAS) in 2012.

## 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.

## ZHANG GUOMING (张国明)

### Deputy Chief Production Officer

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

# Corporate Information

## BOARD OF DIRECTORS

Huang Yupeng (Chairman and CEO)  
Huang Yushan (Executive Director)  
Xu Xihua (Executive Director)  
– resigned on 1 January 2013  
Zeng Ming (Executive Director)  
– re-designated from Independent Director to  
Executive Director on 18 March 2013  
Zhu Jun (Executive Director)  
Soh Beng Keng (Lead Independent Director)  
Lin Song (Independent Director)  
Liu Ling (Independent Director)  
– appointed on 18 March 2013

## AUDIT COMMITTEE

Soh Beng Keng (Chairman)  
Lin Song  
Liu Ling

## NOMINATING COMMITTEE

Lin Song (Chairman)  
Soh Beng Keng  
Liu Ling

## REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)  
Lin Song  
Liu Ling

## 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: Chang Fook Kay  
(appointed since financial year ended 2012)  
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

DBS Bank (China) Limited  
18/F Resource Building  
5001 Shennan Dong Road  
Shenzhen City  
518001 The People's Republic of China

# Financial Contents



21	Corporate Governance Report
35	Directors' Report
38	Statement by Directors
39	Independent Auditor's Report
40	Statements of Financial Position
41	Consolidated Statement of Comprehensive Income
42	Consolidated Statement of Changes in Equity
43	Consolidated Statement of Cash Flows
44	Notes to the Financial Statements
99	Statistics of Shareholdings
100	Notice of Annual General Meeting 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. The Code continues to apply to annual reports relating to financial years commencing before 1 November 2012.

This report sets out the Group’s main corporate governance practices which were in place for the financial year ended 31 December 2012 (“FY2012”) or which will be implemented and where appropriate, explanations are provided for deviation from the Code.

## BOARD MATTERS

### Principle 1: Board’s Conduct of its Affairs

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

The principal functions of the Board include the following: -

- provides entrepreneurial leadership, sets strategic 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, which would make recommendations to the Board. These Board committees have their own defined terms of references and operating procedures, and play an important role in ensuring good corporate governance in the Company and within the Group.

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

# Corporate Governance Report

As at the date of this report, the number of Board and Board committee meetings held and attended by each Board member for the financial year ended 31 December 2012 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	6	6	4*	4*	2*	2*	2*	2*
Huang Yushan	6	5	4*	4*	2*	2*	2*	2*
Xu Xihua <sup>(1)</sup>	5	4	3*	3*	1*	1*	1*	1*
Soh Beng Keng	6	5	4	3	2	2	2	2
Lin Song	6	6	4	4	2	2	2	2
Zhu Jun	6	6	4*	4*	2*	2*	2*	2*
Zeng Ming	6	6	4	4	2	2	2	2
Liu Ling <sup>(2)</sup>	–	–	–	–	–	–	–	–

(1) Resigned on 1 January 2013

(2) Appointed on 18 March 2013

\* By invitation

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 to facilitate Board participation.

The Directors are encouraged to attend seminars which are aimed at providing them with the latest updates in the relevant regulations, accounting standards and corporate governance practices and guidelines from Singapore Exchange Securities Trading Limited ("SGX-ST") that affect the Company and/or the directors so as to enable them to better discharge their duties and responsibilities. Some of the directors attended seminars and conferences, conducted by the Singapore Institute of Directors ("SID") and SGX-ST.

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, corporate governance practices, regulations and guidelines from SGX-ST.

## Matters Requiring Board Approval

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

- Approval of quarterly and full year result announcements for release to the SGX-ST;
- Approval of the annual reports and audited financial statements;
- Convening of shareholders' meetings;

# Corporate Governance Report

- 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 of whom are Independent Directors. The Directors of the Company are:-

### Executive Directors

Huang Yupeng (Chairman and Chief Executive Officer)  
 Huang Yushan  
 Zhu Jun  
 Zeng Ming (re-designated from Independent Director to Executive Director on 18 March 2013)

### Independent Directors

Soh Beng Keng (Lead Independent Director)  
 Lin Song  
 Liu Ling (appointed on 18 March 2013)

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.

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

The Nominating Committee is of the view that the Board comprises Directors who have the appropriate mix of expertise and experience, and collectively possess the necessary core competencies to function effectively and make informed decisions overseeing the Company’s business. The Company will continue to review its Board composition with a view to enhance corporate governance practices taking into account changes to the Code.

# Corporate Governance Report

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

The Chairman and CEO is Huang Yupeng. As the CEO, he is responsible for the effective management and supervision of daily business operations of the Group. He plays an instrumental role in charting the direction and strategic development of the Group and formulates business strategies, merger and acquisition initiatives and promoting high standards of corporate governance. As the Chairman, he exercises control over the quality, quantity and timeliness of information flow between Management and the Board. He 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. The Chairman also encourages constructive relations between the Board and Management; facilitates the effective contribution of Non-Executive Directors in particular; and encourages constructive relations between Executive Directors and Non-Executive Independent Directors.

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	(Cease to be a member of NC on 18 March 2013 due to re-designation as Executive Director)
Liu Ling	(appointed as a member of NC on 18 March 2013)

Following the retirement of Lin Song at the forthcoming AGM, the Company will endeavour to fill the vacancy within 2 months.

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.

# Corporate Governance Report

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

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

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

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

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

The NC has reviewed and recommended the re-election of Soh Beng Keng and Liu Ling who are retiring at the forthcoming Annual General Meeting to be held on 23 April 2013 (the "forthcoming AGM"). Soh Beng Keng will, upon re-election as a Director, remain as the Chairman of Audit and Remuneration Committees and a member of Nominating Committee; and Liu Ling will, upon re-election as a Director, remain as a member of Audit, Nominating and Remuneration Committees. The Board has accepted the recommendations and the retiring directors who will be offering themselves for re-election. Lin Song, who is retiring at the forthcoming AGM, will not be seeking re-election.

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

# Corporate Governance Report

Key information regarding the Directors are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies and Major Appointments	Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments
Huang Yupeng	20 April 2007	25 April 2012	Nil	Nil
Huang Yushan	29 August 2008	18 April 2011	Nil	Nil
Soh Beng Keng	11 November 2009	27 April 2010 (to be re-elected at the forthcoming AGM)	<u>Listed Companies</u> 1. China Haida Ltd. 2. ISDN Holdings Limited 3. Resources Limited 4. Yamada Green 5. Ziwo Holdings Ltd.	Nil
Lin Song	11 November 2009	27 April 2010 (to retire at the forthcoming AGM)	<u>Listed Companies</u> 1. China Environment Ltd. 2. Sincap Group Limited	Nil
Zhu Jun	19 January 2012	25 April 2012	Nil	Nil
Zeng Ming	19 January 2012	25 April 2012	Nil	Nil
Liu Ling <sup>(1)</sup>	18 March 2013	(to retire at the forthcoming AGM)	Nil	Nil

(1) Appointed on 18 March 2013

Note:

The profile and relevant information of the members of the Board are set on pages 16 to 17 of the Annual Report. The Directors' interests in shares are as disclosed in paragraph 35 of the Report of the Directors.

## Principle 5: Board Performance

In line with the principles of good corporate governance, the NC had implemented and continued with an annual performance evaluation process to assess the effectiveness of the Board as a whole. Each Director completes an evaluation form 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 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. The results of the evaluation are used constructively by the NC to identify areas of improvements and recommend to the Board the appropriate action.

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

# Corporate Governance Report

## 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.

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

The Company Secretaries 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	(Cease to be the member of RC on 18 March 2013 due to re-designation as Executive Director)
Liu Ling	(appointed as the member of RC on 18 March 2013)

Following the retirement of Lin Song at the forthcoming AGM, the Company will endeavour to fill the vacancy within 2 months.

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 on 23 April 2013.

# Corporate Governance Report

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.

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 renewable automatically for a further period of 3 years unless terminated by either party by not less than six months' notice in writing. There is no change in the terms of the said agreement.

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

The Company's Directors and key executive officers receiving remuneration from the Group for the financial year ended 31 December 2012 are as follows:

Remuneration Band	Number of Directors	
	2012	2011
<b>Executive Directors</b>		
S\$750,000 to below S\$1,500,000	1	1
S\$250,000 to below S\$750,000	–	–
Below S\$250,000	3	2
Total	4	3
<b>Key Executive Officers</b>		
Below S\$250,000	6	6
Total	6	6

# Corporate Governance Report

A breakdown of each individual Director's and key executive officers' remuneration, in percentage terms showing the level and mix for the financial year ended 31 December 2012, is as follows:

	Fees %	Salary %	Bonus %	Others %	Total %
<b>Directors</b>					
<b>S\$750,000 to S\$1,500,000</b>					
Huang Yupeng	–	22	78	–	100
<b>Below S\$250,000</b>					
Huang Yushan	–	100	–	–	100
Xu Xihua <sup>(1)</sup>	–	100	–	–	100
Zhu Jun	–	100	–	–	100
Soh Beng Keng	100	–	–	–	100
Lin Song	100	–	–	–	100
Zeng Ming	100	–	–	–	100
Liu Ling <sup>(2)</sup>	–	–	–	–	–
<b>Key Executive Officers</b>					
<b>Below S\$250,000</b>					
Goh Cze Khiang	–	92	8	–	100
Cheng Shuicheng	–	100	–	–	100
Shi Jianyong	–	100	–	–	100
Qiang Xinlu	–	100	–	–	100
Zhang Guoming	–	100	–	–	100
Zeng Linghu	–	100	–	–	100

(1) Resigned on 1 January 2013

(2) Appointed on 18 March 2013

Other than the Chairman and CEO, Huang Yupeng, who is the brother of Huang Yushan, an Executive Director, there is no employee of the Group who is an immediate family member of a Director or substantial shareholder whose remuneration exceeds S\$150,000 for the financial year ended 31 December 2012.

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.

# Corporate Governance Report

## 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	(Cease to be the member of AC on 18 March 2013 due to re-designation as Executive Director)
Liu Ling	(appointed as the member of AC on 18 March 2013)

Following the retirement of Lin Song at the forthcoming AGM, the Company will endeavour to fill the vacancy within 2 months.

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

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

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

### (a) Financial Reporting

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

### (b) External Audit

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

### (c) Internal Audit

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

# Corporate Governance Report

## (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 system 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 has confirmed that they are Public Accounting Firm 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 of the Listing Manual of the SGX-ST is complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM.

The Company has paid the following aggregate amount of fees to Messrs Foo Kon Tan Grant Thornton LLP, the external auditors, for services rendered for FY2012:-

<b>Services</b>	<b>Amount (S\$)</b>
Audit service	296,000
Non-audit service – Tax fees	2,700
Total	<u>298,700</u>

Except the professional fees and miscellaneous expenses incurred for audit services, the Company has paid a total amount of S\$2,700 for non-audit fee (tax fee) to the external auditors during financial year ended 31 December 2012 of which would not affect their independence.

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 2012.

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.

# Corporate Governance Report

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

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

The AC has reviewed and noted that there were no interested person transactions entered into by the Group for the financial year ended 31 December 2012.

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.

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. The AC will also follow-up on the actions taken by the Management on the recommendations from the internal and external auditors. In addition, a copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

Based on the reports submitted by the external and internal auditors, including the reviews by the Management and the various management controls put in place, the Board with the concurrence of the AC is of the opinion that Group's internal control are adequate in addressing the financial, operational and compliance risks for the type and volume of business that the Group currently operates.

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

# Corporate Governance Report

## Principle 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 2012 or if not then subsisting, entered into since the end of 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 92 to 96.

## 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 Interested Person Transaction ("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 2012.

## NON-CONFLICT OF INTERESTS

Lin Song, Independent Director of the Company, has declared to the Directors that he is the Partner of RHTLaw Taylor Wessing LLP ("RHTLaw Taylor Wessing"), which is the beneficiary of RHT Corporate Advisory Pte. Ltd. ("RHT Corporate Advisory"). The Company is not presently aware of any conflict of interest arising from his aforesaid roles. He abstains from any voting on any resolution where it relates to the appointment of RHTLaw Taylor Wessing LLP or RHT Corporate Advisory and their related companies.

# Directors' Report

For the financial year ended 31 December 2012

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 2012.

## Names of directors

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

Huang Yupeng  
 Huang Yushan  
 Zhu Jun  
 Zeng Ming\*  
 Xu Xihua (resigned on 1 January 2013)  
 Soh Beng Keng (Lead Independent director)  
 Lin Song (Independent director)  
 Liu Ling (appointed on 18 March 2013) (Independent director)

\* With effect from 18 March 2013, Zeng Ming has been re-designated from independent non-executive director to an executive director of the company. Upon re-designation, Zeng Ming has ceased to be the member of the audit, nominating and remuneration committees.

## 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:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 01.01.2012	As at 31.12.2012 and 21.01.2013	As at 01.01.2012	As at 31.12.2012 and 21.01.2013
The Company - <u>Sino Grandness Food Industry Group Limited</u>				
Huang Yupeng	117,448,280	<b>117,748,280</b>	-	-

## Directors' benefits

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

# Directors' Report

For the financial year ended 31 December 2012

## Share options

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

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 subsidiaries.

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

Zeng Ming (Cease to be the member of AC on 18 March 2013 due to re-designation as Executive Director)

Liu Ling (appointed on 18 March 2013)

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 2012 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.

# Directors' Report

For the financial year ended 31 December 2012

## Independent auditor

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

## Other information required by the SGX-ST

### Material information

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

### Interested person transactions

There 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 "Corporate Governance".

On behalf of the Directors

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HUANG YUPENG

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ZENG MING

Dated: 22 March 2013

# Statement by Directors

For the financial year ended 31 December 2012

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 2012 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

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HUANG YUPENG

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ZENG MING

Dated: 22 March 2013

# 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 2012, 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 2012 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, 22 March 2013

# Statements of Financial Position

As at 31 December 2012

	Note	The Company		The Group	
		31 December 2012 RMB	31 December 2011 RMB	31 December 2012 RMB	31 December 2011 RMB
<b>ASSETS</b>					
<b>Non-Current</b>					
Land use rights	5	–	–	59,521,871	60,757,360
Property, plant and equipment	6	19,544	26,639	529,302,335	371,292,370
Subsidy	7	–	–	267,990	402,006
Subsidiaries	8	1,847,996	1,847,996	–	–
Amount owing by subsidiaries	9	145,503,048	151,418,669	–	–
Deferred tax assets	10(a)	–	–	1,943,252	1,943,252
		<b>147,370,588</b>	153,293,304	<b>591,035,448</b>	434,394,988
<b>Current</b>					
Inventories	11	–	–	52,442,307	36,076,397
Trade and other receivables	12	10,481	17,612	556,166,331	297,523,358
Cash and cash equivalents	13	474,153	141,222	138,341,543	81,516,417
		<b>484,634</b>	158,834	<b>746,950,181</b>	415,116,172
<b>Total assets</b>		<b>147,855,222</b>	153,452,138	<b>1,337,985,629</b>	849,511,160
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	14	167,896,912	167,896,912	167,896,912	167,896,912
(Accumulated losses)/retained profits		(50,237,261)	(28,527,475)	620,492,056	373,867,873
Other reserves	15	–	–	40,294,721	12,997,341
		<b>117,659,651</b>	139,369,437	<b>828,683,689</b>	554,762,126
<b>Non-controlling interests</b>		–	–	4,924,479	4,492,607
<b>Total Equity</b>		<b>117,659,651</b>	139,369,437	<b>833,608,168</b>	559,254,733
<b>Liabilities</b>					
<b>Non-Current</b>					
Amount owing to the then shareholders	17	–	–	–	35,819,545
Convertible bonds	18	–	–	332,318,481	82,471,065
Other payables	19	–	–	–	1,687,000
Deferred tax liabilities	10(b)	20,240,920	4,469,000	20,240,920	4,469,000
		<b>20,240,920</b>	4,469,000	<b>352,559,401</b>	124,446,610
<b>Current</b>					
Trade and other payables	19	8,163,618	6,175,210	82,392,771	53,537,659
Notes payable	20	–	–	8,700,000	17,010,000
Current tax payable		1,509,856	3,438,491	16,651,289	19,027,294
Bank borrowings	16	–	–	44,000,000	75,700,000
Amount owing to subsidiary	9	281,177	–	–	–
Amount owing to related parties	21	–	–	74,000	534,864
		<b>9,954,651</b>	9,613,701	<b>151,818,060</b>	165,809,817
<b>Total equity and liabilities</b>		<b>147,855,222</b>	153,452,138	<b>1,337,985,629</b>	849,511,160

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 2012

	Note	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
Revenue	4	1,640,258,626	1,019,681,050
Cost of sales		(1,004,859,715)	(672,422,048)
Gross profit		635,398,911	347,259,002
Other operating income	22(a)	7,506,914	9,904,920
Distribution costs	22(b)	(174,136,290)	(82,510,453)
Administrative expenses	22(c)	(53,720,320)	(53,617,865)
Other operating expenses		(122,115)	(11,923)
Finance costs	22(d)	(16,730,085)	(6,047,243)
Profit before taxation	22(f)	398,197,015	214,976,438
Taxation	23	(108,071,660)	(64,711,327)
Profit for the year		290,125,355	150,265,111
Other comprehensive income	24	(15,771,920)	-
Total comprehensive income		274,353,435	150,265,111
Profit Attributable to :			
Equity holders of the parent		289,693,483	151,462,992
Non-controlling interests		431,872	(1,197,881)
		290,125,355	150,265,111
Total Comprehensive Income Attributable to :			
Equity holders of the parent		273,921,563	151,462,992
Non-controlling interests		431,872	(1,197,881)
		274,353,435	150,265,111
		Cents	Cents
Earnings per share :	25		
- Basic		109.2	57.1
- Diluted		109.2	57.1

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

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

	Note	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 2011		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 26)		-	(11,690,900)	-	-	(11,690,900)	-	(11,690,900)
Transfer to statutory reserve		-	(11,769,578)	-	11,769,578	-	-	-
<b>Balance as at 31 December 2011</b>		<b>167,896,912</b>	<b>373,867,873</b>	<b>(31,413,600)</b>	<b>44,410,941</b>	<b>554,762,126</b>	<b>4,492,607</b>	<b>559,254,733</b>
Profit for the year		-	289,693,483	-	-	289,693,483	431,872	290,125,355
Other comprehensive income	24	-	(15,771,920)	-	-	(15,771,920)	-	(15,771,920)
Total comprehensive income for the year		-	273,921,563	-	-	273,921,563	431,872	274,353,435
Transfer to statutory reserve		-	(27,297,380)	-	27,297,380	-	-	-
<b>Balance as at 31 December 2012</b>		<b>167,896,912</b>	<b>620,492,056</b>	<b>(31,413,600)</b>	<b>71,708,321</b>	<b>828,683,689</b>	<b>4,924,479</b>	<b>833,608,168</b>

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 2012

	Year ended 31 December 2012	Year ended 31 December 2011
	RMB	RMB
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	398,197,015	214,976,438
Adjustments for:		
Depreciation of property, plant and equipment	15,608,848	10,174,604
Amortisation of land use rights	1,235,489	554,553
Amortisation of subsidy	134,016	134,016
Loss on disposal of property, plant and equipment	-	88,879
Property, plant and equipment written off	27,563	80,514
Interest expense	16,730,085	6,047,243
Interest income	(821,542)	(273,274)
Operating cash flows before working capital changes	431,111,474	231,782,973
Decrease/(Increase) in deposits pledged with banks	6,769,163	(8,880,000)
Increase in inventories	(16,365,910)	(6,120,681)
Increase in operating receivables	(257,997,185)	(85,076,657)
Increase in operating payables	18,858,112	25,546,461
Cash generated from operations	182,375,654	157,252,096
Income tax paid	(111,093,453)	(58,845,933)
Interest paid	(5,453,873)	(4,244,195)
Net cash generated from operating activities	65,828,328	94,161,968
<b>Cash Flows from Investing Activities</b>		
Additions to land use rights	-	(70,133)
Acquisition of property, plant and equipment	(173,646,376)	(153,665,242)
Proceeds from disposal of property, plant and equipment	-	79,528
Interest received	821,542	273,274
Net cash used in investing activities	(172,824,834)	(153,382,573)
<b>Cash Flows from Financing Activities</b>		
Net proceeds from issue of convertible bonds	238,571,204	80,988,121
Dividend paid	-	(11,690,900)
Bank loans obtained	86,000,000	47,700,000
Bank loans repaid	(117,700,000)	(8,000,000)
Amount owing to related parties	(460,864)	-
Amount owing by third parties	-	(340,411)
Amounts owing to:		
- the then shareholders	(35,819,545)	(9,319,883)
- third parties	-	(5,000)
Net cash generated from financing activities	170,590,795	99,331,927
Net increase in cash and cash equivalents	63,594,289	40,111,322
Cash and cash equivalents at beginning of year	69,146,417	29,035,095
Cash and cash equivalents at end of year (Note 13)	132,740,706	69,146,417

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 2012

## 1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2012 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 2012 is RMB59,521,871. 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 2012 are RMB529,302,335. 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 2012

## 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 0.4% increase/decrease in the Group's result for the financial year.

#### Income taxes (Note 23)

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 23 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 RMB5,244,000.

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 2012

## 2(b) Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended FRS and INT FRS, where relevant to the Group that are mandatory for application from that date are as follows:

Framework	The Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)
FRS 12	Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets
FRS 101	Amendments to FRS 101 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
FRS 107	Amendments to FRS 107: Disclosures – Transfers of Financial Assets

The adoption of the above new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies nor had any significant impact on the amounts reported for the current or prior financial years.

## 2(c) FRS issued but not yet effective

No.	Title	Effective dates - Annual periods commencing
FRS 1	Amendments to FRS 1 - Presentation of Items of Other Comprehensive Income	1.7.2012
FRS 19	Employee Benefits	1.1.2013
FRS 27	Separate Financial Statements	1.1.2014
FRS 28	Investments in Associates and Joint Ventures	1.1.2014
FRS 32	Amendments to FRS 32: Offsetting of Financial Assets and Financial Liabilities	1.1.2014
FRS 101	Amendments to FRS 101 - Government Loans	1.1.2013
FRS 107	Amendments to FRS 107: Disclosures - Offsetting of Financial Assets and Financial Liabilities	1.1.2013
FRS 110	Consolidated Financial Statements	1.1.2014
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1.1.2014
FRS 111	Joint Arrangements	1.1.2014
FRS 112	Disclosure of Interests in Other Entities	1.1.2014
FRS 113	Fair Value Measurement	1.1.2013
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine	1.1.2013
General amendments	Improvements to FRSs 2012	1.1.2013

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

Except for the amendments to FRS 1, the directors do not anticipate that the adoption of the above FRS 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.

The nature of the impending changes in accounting policy on adoption of the amendments to FRS 1 is described below.

### Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 Presentation of Items of Other Comprehensive Income (“OCI”) are effective for financial periods beginning on or after 1 July 2012.

The amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be classified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentations of items that are already recognised in OCI, the Company and the Group do not expect any impact on its financial position or performance upon adoption of this standard.

## 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 to the financial statements.

Subsidiaries are 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, if any, 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.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by 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, consolidated statement of changes in equity and consolidated statements of financial position. 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### 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.

#### Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group apart from business combination arising from common control described above.

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Business combination (cont'd)

#### Acquisition of businesses (cont'd)

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 statement of comprehensive income 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 statement of comprehensive income.

#### 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 2012

## 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### 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.

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 profit or loss 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 profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

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

### Cash and cash equivalents

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

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.

### 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 statement of comprehensive income. 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 the consolidated statement of comprehensive income 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 statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are considered as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Financial guarantees

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

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

### 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.

### 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 statement of comprehensive income in the period they are incurred.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Operating leases

Rentals on operating leases are charged to the consolidated statement of comprehensive income 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 statement of comprehensive income 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.

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 profit or loss, except to the extent that the tax arises from a transaction which is recognised either in other comprehensive income or directly in equity.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Employee benefits

#### Pension obligations

The Company and the Group participate in the defined contribution/pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated company in the Group contributes to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. The contributions to national pension schemes are charged to the consolidated statement of comprehensive income 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.

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Impairment of non-financial assets (cont'd)

An impairment loss is charged to the consolidated statement of comprehensive income 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 statement of comprehensive income.

### 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 2012

## 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 statement of comprehensive income.

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 29.

### 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

	Year ended 31 December 2012	Year ended 31 December 2011
	RMB	RMB
The Group		
Sale of		
- canned asparagus	308,471,910	273,155,128
- canned long beans	120,153,863	102,845,092
- canned mushrooms	191,585,103	165,018,836
- beverage	873,172,597	401,658,991
- canned fruits	146,875,153	77,003,003
	<b>1,640,258,626</b>	<b>1,019,681,050</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 5 Land use rights

	Note	31 December 2012 RMB	31 December 2011 RMB
The Group			
Cost			
Balance at beginning of year		62,531,824	16,221,691
Additions		-	70,133
Transfer from deposit for land use rights		-	46,240,000
Balance at end of year		<b>62,531,824</b>	62,531,824
Accumulated amortisation			
Balance at beginning of year		1,774,464	1,219,911
Amortisation for the year	22(c) & 22(f)	1,235,489	554,553
Balance at end of year		<b>3,009,953</b>	1,774,464
Net book value		<b>59,521,871</b>	60,757,360

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 2012.

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:

	Note	31 December 2012 RMB	31 December 2011 RMB
The Group			
At Cost			
Land use rights	16(a) & 16(c)	8,435,741	3,757,250
Net book value		<b>7,695,354</b>	3,350,250

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 2012

## 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 were 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 2011	22,628
Additions	14,712
At 31 December 2011	37,340
Additions	-
<b>At 31 December 2012</b>	<b>37,340</b>
Accumulated depreciation	
At 1 January 2011	6,169
Depreciation for the year	4,532
At 31 December 2011	10,701
Depreciation for the year	7,095
<b>At 31 December 2012</b>	<b>17,796</b>
Net book value	
<b>At 31 December 2012</b>	<b>19,544</b>
At 31 December 2011	26,639

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 6 Property, plant and equipment (cont'd)

	Factory and warehouse premises	Office units	Renovation	Plant and machinery	Motor vehicles	Office equipment	Construction- in-progress	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>The Group</b>								
Cost								
At 1 January 2011	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	<b>131,678,961</b>	<b>2,728,907</b>	<b>3,715,358</b>	<b>47,036,318</b>	<b>3,642,981</b>	<b>1,494,455</b>	<b>213,172,286</b>	<b>403,469,266</b>
Additions	292,639	-	-	107,833,629	1,651,620	463,759	63,404,729	173,646,376
Write off	-	-	-	(53,726)	(4,455)	(24,628)	-	(82,809)
Reclassifications	122,654,000	-	-	57,295,732	-	-	(179,949,732)	-
<b>At 31 December 2012</b>	<b>254,625,600</b>	<b>2,728,907</b>	<b>3,715,358</b>	<b>212,111,953</b>	<b>5,290,146</b>	<b>1,933,586</b>	<b>96,627,283</b>	<b>577,032,833</b>
Accumulated depreciation								
At 1 January 2011	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	<b>13,717,309</b>	<b>324,059</b>	<b>3,208,792</b>	<b>11,329,786</b>	<b>2,664,964</b>	<b>931,986</b>	-	<b>32,176,896</b>
Depreciation for the year	8,397,602	51,850	103,798	6,642,760	188,856	223,982	-	15,608,848
Write off	-	-	-	(29,071)	(4,010)	(22,165)	-	(55,246)
<b>At 31 December 2012</b>	<b>22,114,911</b>	<b>375,909</b>	<b>3,312,590</b>	<b>17,943,475</b>	<b>2,849,810</b>	<b>1,133,803</b>	-	<b>47,730,498</b>
Net book value								
<b>At 31 December 2012</b>	<b>232,510,689</b>	<b>2,352,998</b>	<b>402,768</b>	<b>194,168,478</b>	<b>2,440,336</b>	<b>799,783</b>	<b>96,627,283</b>	<b>529,302,335</b>
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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 6 Property, plant and equipment (cont'd)

(a) Depreciation is charged to:

		<b>31 December 2012</b>	31 December 2011
	Note	<b>RMB</b>	RMB
The Group			
Cost of sales		<b>5,384,035</b>	3,399,531
Distribution costs	22(b)	<b>616,489</b>	678,877
Administrative expenses	22(c)	<b>9,608,324</b>	6,096,196
	22(f)	<b>15,608,848</b>	10,174,604

(b) Factory and warehouse premises are located at:

		<b>31 December 2012</b>	31 December 2011
		<b>RMB</b>	RMB
The Group			
At cost			
Factory and warehouse premises			
- #1 [Note 5]		<b>50,569,936</b>	13,251,645
- #2 [Note 5]		<b>7,328,008</b>	7,195,194
- #3 [Note 5]		<b>51,151,766</b>	50,992,992
- #4 [Note 5]		<b>101,016,760</b>	15,680,000
- #5*		<b>44,559,130</b>	44,559,130
		<b>254,625,600</b>	131,678,961

\* relate to the following lands:

<b>Location</b>	<b>Land area (sq m)</b>	<b>Ownership</b>	<b>Effective date</b>	<b>Expiry date</b>
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 27.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 6 Property, plant and equipment (cont'd)

- (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.

- (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:

	Note	31 December 2012 RMB	31 December 2011 RMB
The Group			
At cost			
Factory and warehouse premises	16(a)	51,151,766	62,358,227
Office units	16(a)	2,728,907	2,728,907
		<b>53,880,673</b>	<b>65,087,134</b>
Net book value		<b>43,451,193</b>	60,593,034

- (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);	December 2013
(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);	December 2013
(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	December 2013
(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)].	March 2014

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 7 Subsidy

	Note	31 December 2012 RMB	31 December 2011 RMB
The Group			
Subsidy		1,236,102	1,236,102
Less: Amortisation			
Balance at beginning of year		834,096	700,080
Amortisation for the year	22(f)	134,016	134,016
Balance at end of year		968,112	834,096
		<b>267,990</b>	<b>402,006</b>

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

## 8 Subsidiaries

	31 December 2012 RMB	31 December 2011 RMB
The Company		
Unquoted equity investments, at cost	1,847,996	1,847,996

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of equity held		Principal activities
		2012 RMB	2011 RMB	2012 %	2011 %	
<u>Held by the Company</u>						
Grandness (HK) Industry Co., Limited *	Hong Kong	1,847,996	1,847,996	100	100	Investment holding
(振鹏达(香港)实业有限公司)						
<u>Held by Grandness (HK) Industry Co., Limited</u>						
(振鹏达(香港)实业有限公司)						
Yunnan Shizong Zhenhua Food Co., Ltd. *	People's Republic of China	-	-	51	51	Production and sale of canned vegetables and fruits
(云南师宗振华食品有限公司)						
Balance carried forward		1,847,996	1,847,996			

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 8 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of equity held		Principal activities
		2012 RMB	2011 RMB	2012 %	2011 %	
Balance brought forward		<b>1,847,996</b>	1,847,996			
<u>Held by Grandness (HK) Industry Co., Limited (cont'd)</u>						
Shanxi Yongji Huaxin Food Co., Ltd. * (山西永济华鑫食品有限公司)	People's Republic of China	-	-	<b>100</b>	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	-	-	<b>58.3</b>	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	-	-	<b>100</b>	100	Investment holding
<u>Held by Shanxi Yongji Huaxin Food Co., Ltd.</u> (山西永济华鑫食品有限公司)						
Shenzhen Grandness Industry Groups Co., Ltd. * (深圳振鹏达实业集团有限公司)	People's Republic of China	-	-	<b>41.7</b>	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	-	-	<b>20.77#</b>	20.77#	Production and sale of canned vegetables and fruits
<u>Held by Shenzhen Grandness Industry Groups Co., Ltd.</u> (深圳振鹏达实业集团有限公司)						
Grandness (Sichuan) Foods Co., Ltd. * (四川振鹏达食品有限公司)	People's Republic of China	-	-	<b>51#</b>	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	-	-	<b>100</b>	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	-	-	<b>100</b>	100	Production and sale of canned vegetables and fruits
Grandness (Hubei) Foods Co., Ltd *+ (湖北振鹏达食品有限公司)	People's Republic of China	-	-	<b>100</b>	-	Production and sale of canned vegetables and fruits
Balance carried forward		<b>1,847,996</b>	1,847,996			

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 8 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investments		Effective percentage of equity held		Principal activities
		2012 RMB	2011 RMB	2012 %	2011 %	
Balance brought forward		1,847,996	1,847,996			
<u>Held by Grandness (Shanxian) Food Co., Ltd</u> (单县振鹏达食品有限公司)						
Grandness (Sichuan) Foods Co., Ltd. *	People's Republic of China (四川振鹏达食品有限公司)	-	-	4.78#	4.78#	Production and sale of canned vegetables and fruits
<u>Held by Dongpeng (Chengdu) Agricultural Development Co., Ltd</u> (成都东鹏农业发展有限公司)						
Grandness (Sichuan) Foods Co., Ltd. *	People's Republic of China (四川振鹏达食品有限公司)	-	-	4.78#	4.78#	Production and sale of canned vegetables and fruits
<u>Held by Garden Fresh (HK) Fruit &amp; Vegetable Beverage Co., Limited</u> (鲜绿园(香港)果蔬饮料有限公司)						
Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited *	People's Republic of China (鲜绿园(深圳)果蔬饮料有限公司)	-	-	100	100	Production and sale of fruits and vegetable juices
Garden Fresh (Hubei) Food & Beverage Co., Limited *	People's Republic of China (鲜绿园(湖北)食品饮料有限公司)	-	-	100	100	Production and sale of fruits and vegetable juices
<u>Held by Garden Fresh (Shenzhen) Fruit &amp; Vegetable Beverage Co., Limited</u> (鲜绿园(深圳)果蔬饮料有限公司)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited *	People's Republic of China (四川鲜绿园果蔬饮料有限公司)	-	-	90	90	Production and sale of fruits and vegetable juices
<u>Held by Garden Fresh (Hubei) Food &amp; Beverage Co., Limited</u> (鲜绿园(湖北)食品饮料有限公司)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited *	People's Republic of China (四川鲜绿园果蔬饮料有限公司)	-	-	10	10	Production and sale of fruits and vegetable juices
		<b>1,847,996</b>	<b>1,847,996</b>			

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 8 Subsidiaries (cont'd)

- \* Audited by Foo Kon Tan Grant Thornton LLP for consolidation purposes.
- # 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%.
- + The subsidiary was newly incorporated during the financial year by way of injection of cash for capital contribution of RMB3,000,000.

## 9 Amount owing by/(to) subsidiaries

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
The Company		
<u>Non-current</u>		
<u>Non-trade – Amount owing by subsidiaries</u>		
- Grandness (HK) Industry Co., Limited	<b>128,694,272</b>	129,421,854
- Shenzhen Grandness Industry Groups Co., Ltd.	<b>16,808,776</b>	21,831,027
- Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited	–	165,788
(a) & (b)	<b>145,503,048</b>	151,418,669
<u>Current</u>		
<u>Non-trade – Amount owing to a subsidiary</u>		
- Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited	<b>281,177</b>	–
(b)	<b>281,177</b>	–

- (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.
- (b) The non-trade amount owing to a subsidiary is unsecured, non-interest bearing and is repayable on demand.
- (c) The non-trade amounts owing by/(to) subsidiaries are denominated in the following currencies:

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
The Company		
<u>Non-trade</u>		
- Singapore dollar	<b>112,509,074</b>	113,225,522
- United States dollar	<b>122,701</b>	123,002
- Renminbi	<b>32,590,096</b>	38,070,145
	<b>145,221,871</b>	151,418,669

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 10 Deferred taxation

### 10(a) Deferred tax assets

	The Company		The Group	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RMB	RMB	RMB	RMB
Balance at beginning of year	–	–	<b>1,943,252</b>	903,460
Transfer from profit or loss (Note 23)	–	–	–	1,039,792
Balance at end of year	–	–	<b>1,943,252</b>	1,943,252

The balance comprises tax on

- excess of tax written down value  
of property, plant and equipment  
over net book value

- provision

To be recovered after one year

	–	–	<b>903,460</b>	903,460
	–	–	<b>1,039,792</b>	1,039,792
	–	–	<b>1,943,252</b>	1,943,252

### 10(b) Deferred tax liabilities

	The Company		The Group	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RMB	RMB	RMB	RMB
Balance at beginning of year	<b>4,469,000</b>	669,000	<b>4,469,000</b>	669,000
Transfer to profit or loss (Note 23)	–	3,800,000	–	3,800,000
Transfer from other comprehensive income (Note 24)	<b>15,771,920</b>	–	<b>15,771,920</b>	–
Balance at end of year	<b>20,240,920</b>	4,469,000	<b>20,240,920</b>	4,469,000

The balance comprises tax on

- undistributed earnings of  
subsidiaries

- unremitted income

To be settled after one year

	<b>19,240,920</b>	3,469,000	<b>19,240,920</b>	3,469,000
	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
	<b>20,240,920</b>	4,469,000	<b>20,240,920</b>	4,469,000

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 11 Inventories

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
The Group		
Finished goods, at cost	<b>46,113,432</b>	31,772,784
Packaging materials, at cost	<b>4,339,044</b>	3,722,838
Raw materials, at cost	<b>1,989,831</b>	580,775
	<b>52,442,307</b>	36,076,397
Included in cost of sales are inventories charged of:	<b>995,385,891</b>	663,776,005
Inventories written off	-	388,577
Reversal of inventories written down	<b>36,038</b>	-

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.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 12 Trade and other receivables

	The Company		The Group	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RMB	RMB	RMB	RMB
Trade receivables				
- External parties	-	-	<b>427,479,126</b>	210,546,818
Less: Impairment loss on trade receivables				
Balance at beginning of year	-	-	<b>(153,500)</b>	(76,750)
Allowance for the year	-	-	-	(76,750)
Balance at end of year	-	-	<b>(153,500)</b>	(153,500)
Net trade receivables	-	-	<b>427,325,626</b>	210,393,318
<u>Other receivables</u>				
Advances to				
- contractors	-	-	<b>24,900,000</b>	17,540
- suppliers of property, plant and equipment	-	-	<b>6,754,905</b>	17,079,998
- suppliers	-	-	<b>138,808</b>	315,842
- employees	-	-	<b>367,212</b>	589,980
- third parties	<b>5,595</b>	12,726	<b>1,149,647</b>	1,255,555
- 深圳市诚兴旺进出口有限公司	-	-	<b>1,120,340</b>	1,120,370
- farmers	-	-	<b>273,527</b>	270,927
Prepayments	-	-	<b>274,000</b>	348,685
VAT receivable	-	-	<b>35,387,775</b>	27,680,869
Export tax refunds	-	-	<b>57,668,258</b>	36,810,488
Tax recoverable	-	-	<b>646,960</b>	1,172
Deposits	<b>4,886</b>	4,886	<b>71,386</b>	1,499,200
Others	-	-	<b>87,887</b>	139,414
	<b>10,481</b>	17,612	<b>128,840,705</b>	87,130,040
	<b>10,481</b>	17,612	<b>556,166,331</b>	297,523,358

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 12 Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RMB	RMB	RMB	RMB
<u>Trade</u>				
United States dollar	-	-	134,988,540	95,674,680
Renminbi	-	-	292,337,086	114,707,127
Singapore dollar	-	-	-	11,511
	-	-	427,325,626	210,393,318
<u>Non-trade</u>				
Renminbi	-	-	128,828,792	87,110,478
Singapore dollar	10,481	17,612	11,913	19,562
	10,481	17,612	128,840,705	87,130,040
	10,481	17,612	556,166,331	297,523,358

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 additional allowance for impairment has been considered necessary.

(i) The age analysis of trade receivables neither past due nor impaired is as follows:

	The Group	
	31 December 2012	31 December 2011
	RMB	RMB
Current	147,722,011	88,776,404

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

	The Group	
	31 December 2012	31 December 2011
	RMB	RMB
Past due over 1 month but not over 2 months	142,935,930	83,811,373
Past due over 2 months but not over 3 months	127,492,797	37,753,721
Past due over 3 months but not over 4 months	9,174,888	-
Past due over 4 months	-	51,820
	279,603,615	121,616,914

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 12 Trade and other receivables (cont'd)

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

	The Group	
	31 December 2012	31 December 2011
	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	<b>153,500</b>	153,500
	<b>153,500</b>	153,500

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 15% (2011 : 15%) on overseas sales.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 13 Cash and cash equivalents

	The Company		The Group	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RMB	RMB	RMB	RMB
Cash on hand	–	–	119,907	307,542
Bank balances	474,153	141,222	138,221,636	81,208,875
	<b>474,153</b>	<b>141,222</b>	<b>138,341,543</b>	<b>81,516,417</b>
Amount as shown above			138,341,543	81,516,417
Less: Deposits placed in banks for notes payable			(5,600,837)	(12,370,000)
Cash and cash equivalents for statement of cash flows purposes at the end of the year			<b>132,740,706</b>	<b>69,146,417</b>

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RMB	RMB	RMB	RMB
United States dollar	–	–	113,979,788	355,288
Renminbi	–	–	23,864,729	80,969,039
Singapore dollar	474,153	141,222	475,112	171,203
Others	–	–	21,914	20,887
	<b>474,153</b>	<b>141,222</b>	<b>138,341,543</b>	<b>81,516,417</b>

## 14 Share capital

	Number of shares		The Company	
	2012	2011	31 December 2012	31 December 2011
	RMB	RMB	RMB	RMB
Issued and fully paid ordinary shares with no par value:				
Balance at beginning of year	265,172,414	265,172,414	167,896,912	167,896,912
Balance at end of year	<b>265,172,414</b>	<b>265,172,414</b>	<b>167,896,912</b>	<b>167,896,912</b>

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 15 Other reserves

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
The Group		
Statutory common reserve		
Balance at beginning of year	<b>44,410,941</b>	32,641,363
Movement during the year	<b>27,297,380</b>	11,769,578
Balance at end of year	<b>71,708,321</b>	44,410,941
Merger reserve		
Balance at beginning and end of year	<b>(31,413,600)</b>	(31,413,600)
Grand total	<b>40,294,721</b>	12,997,341

### 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 2012

## 16 Bank borrowings

	Note	31 December 2012 RMB	31 December 2011 RMB
The Group			
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		42,000,000	15,000,000
- 宁波银行股份有限公司深圳分行		2,000,000	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
		<b>44,000,000</b>	<b>75,700,000</b>
<u>Comprises</u>			
Bank loans (secured)			
- #1	(a)	42,000,000	-
- #2	(b)	-	28,000,000
- #3	(c)	-	6,700,000
	A	42,000,000	34,700,000
Bank loans (unsecured)			
- #4	(d)	-	5,000,000
- #5	(e)	-	14,000,000
- #6	(f)	-	15,000,000
- #7	(g)	2,000,000	7,000,000
	B	2,000,000	41,000,000
	A + B	44,000,000	75,700,000
Amount repayable:			
Not later than one year		44,000,000	75,700,000
Later than one year and not later than five years		-	-
		<b>44,000,000</b>	<b>75,700,000</b>

(a) The secured bank loan facility #1 of RMB42,000,000 comprises two tranches of RMB27,000,000 and RMB15,000,000 and is repayable on 17 August 2013 and 6 September 2013 respectively. The loan is secured by inter-alia;

- (i) a mortgage over the Group's office units RMB2,728,907 (Note 6(d)), land use rights costing RMB8,435,741 and factory and warehouse premises costing RMB51,151,766 belonging to a subsidiary, Grandness (Shanxian) Foods Co., Ltd.;
- (ii) a personal guarantee by a director of the company, Huang Yupeng; and
- (iii) a corporate guarantee provided by a wholly-owned subsidiary, Grandness (Shanxian) Foods Co., Ltd.

Interest is charged between 6.3000% and 6.9000% per annum.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 16 Bank borrowings (cont'd)

- (b) The secured bank loan facility #2 of RMB40,000,000 granted to the Group has been repaid during the financial year. This loan was 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 was charged between 6.720% and 6.983% per annum.

- (c) The secured bank loan #3 of RMB10,000,000 granted to the Group has been repaid during the financial year. The loan was 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 was charged at 6.3910% per annum.

- (d) The unsecured bank loan facility #4 of RMB14,000,000 granted to the Group and has been repaid during the financial year. 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 was charged at 8.5280% per annum.

- (e) The unsecured bank loan #5 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 has been repaid during the financial year. This loan was 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 was charged at 7.9300% per annum.

- (f) The unsecured bank loan #6 of RMB15,000,000 and has been repaid during the financial year. This loan is secured by a personal guarantee by a director of the Company, Huang Yupeng.

Interest was charged at 6.5600% per annum.

- (g) The unsecured bank loan #7 of RMB2,000,000 (2011:RMB7,000,000) is repayable on or before 12 December 2013 (2011: 1 September 2012). During the financial year, outstanding loan of RMB5,000,000 has been repaid. 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 7.5000% (2011:6.3910%) per annum.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 16 Bank borrowings (cont'd)

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

	<b>31 December 2012 Carrying amount RMB</b>	<b>31 December 2012 Contractual cash flows RMB</b>	31 December 2011 Carrying amount RMB	31 December 2011 Contractual cash flows RMB
The Group				
<u>Variable interest rate loans</u>				
Less than one year	44,000,000	45,953,160	75,700,000	78,085,837
Between one to five years	-	-	-	-
	<b>44,000,000</b>	<b>45,953,160</b>	75,700,000	78,085,837

As at the reporting date, the Group has unutilised bank facilities approximately RMB37,294,740 (2011 - RMB42,000,000).

## 17 Amount owing to the then shareholders

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

	<b>2012 RMB</b>	2011 RMB
The Group		
Huang Yupeng (黄育鹏)	-	28,470,051
Huang Zhoupeng (黄周鹏)	-	7,349,494
	-	<b>35,819,545</b>

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. During the financial year, the amount owing has been repaid.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 18 Convertible bonds

In financial year 2012, a wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (“Garden Fresh (HK)”) entered into a Subscription Agreement with Goldman Sachs Investments Holdings (Asia) Limited to issue RMB270,000,000 zero coupon convertible bonds (convertible bonds (a)). The maturity date is 3 September 2015.

The bonds are convertible at the election of the Bondholders into conversion shares of Garden Fresh (HK) at 3 September 2015. 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 30% of the total issued share capital of Garden Fresh (HK) in order to prevent excessive dilution of the existing shareholders through the issue of new shares; and
- (ii) a floor (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 Garden Fresh (HK) and Sino Grandness Food Industry Group Limited) or 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 1.20 x*

### 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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 18 Convertible bonds (cont'd)

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 (convertible bonds (b)). 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:

- (iii) 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
- (iv) 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 Garden Fresh (HK) and Sino Grandness Food Industry Group Limited) or 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 1.25 x*

### 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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 18 Convertible bonds (cont'd)

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

	Carrying amount 31 December 2012 RMB	Fair Value 31 December 2012 RMB	Carrying amount 31 December 2011 RMB	Fair value 31 December 2011 RMB
The Group				
Convertible bonds (a)	243,639,086	222,990,130	–	–
Convertible bonds (b)	88,679,395	87,695,108	82,471,065	83,826,653
	<b>332,318,481</b>	<b>310,685,238</b>	82,471,065	83,826,653

The fair value is based on cash flows discounted using a rate based on the borrowing rate of:

	31 December 2012 %	31 December 2011 %
The Group		
Convertible bonds (a)	7.34	–
Convertible bonds (b)	7.86	6.50

The fair value of the above bonds, 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 are calculated as follows:

### Convertible bonds (a)

	31 December 2012 RMB	31 December 2011 RMB
The Group		
Face value of convertible bonds drawdown on 4 July 2012	270,000,000	–
Less:		
- discount on convertible bonds	(27,000,000)	–
- transaction costs	(4,428,794)	–
	(31,428,794)	–
Net proceeds of issue	238,571,206	–
Add:		
effective interest expense	5,067,880	–
<b>Carrying amount as at 31 December</b>	<b>243,639,086</b>	<b>–</b>

Effective interest expense on the bonds, including the effect of allocated issue expense of RMB4,428,794, is calculated using the effective interest method by applying the effective interest rate of 4.21% per annum to this liability.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 18 Convertible bonds (cont'd)

### Convertible bonds (b)

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
The Group		
Face value of convertible bonds drawdown on 19 October 2011	<b>100,000,000</b>	100,000,000
Less:		
- discount on convertible bonds	<b>(13,000,000)</b>	(13,000,000)
- transaction costs	<b>(6,011,879)</b>	(6,011,879)
	<b>(19,011,879)</b>	(19,011,879)
Net proceeds of issue	<b>80,988,121</b>	80,988,121
Add:		
- effective interest expense	<b>7,691,274</b>	1,482,944
Carrying amount as at 31 December	<b>88,679,395</b>	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% (2011: 7.28%) per annum to this liability.

## 19 Trade and other payables

	<b>The Company</b>		<b>The Group</b>	
	<b>31 December 2012</b>	31 December 2011	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB	<b>RMB</b>	RMB
Trade payables	-	-	<b>14,501,017</b>	14,222,166
Accruals	<b>6,956,858</b>	5,191,013	<b>32,139,361</b>	13,012,801
	<b>6,956,858</b>	5,191,013	<b>46,640,378</b>	27,234,967
<u>Other payables</u>				
Amount owing to (non-trade)				
- contractors	-	-	<b>7,981,547</b>	7,496,435
- suppliers of property, plant and equipment	-	-	<b>2,381,338</b>	414,183
- suppliers	-	-	<b>60,693</b>	45,693
- employees	<b>165,574</b>	-	<b>546,874</b>	233,758
- third parties	<b>412,659</b>	412,659	<b>2,111,031</b>	2,124,253
- farmers	-	-	-	280
Accrual of directors' fees	<b>346,790</b>	360,143	<b>346,790</b>	360,143
Liability owing for land premium	-	-	<b>2,757,250</b>	2,757,250
VAT payable	-	-	<b>9,395,474</b>	10,505,110
Withholding tax payable	<b>166,140</b>	211,395	<b>166,142</b>	299,286
Advance from customers	-	-	<b>111,667</b>	13,734
Deposits	-	-	<b>203,000</b>	86,670
Director	<b>115,597</b>	-	<b>6,456,479</b>	-
Others	-	-	<b>3,234,108</b>	1,965,897
	<b>1,206,760</b>	984,197	<b>35,752,393</b>	26,302,692
Current portion	<b>8,163,618</b>	6,175,210	<b>82,392,771</b>	53,537,659
Other payables	-	-	-	1,687,000
Non-current portion	-	-	-	1,687,000
	<b>8,163,618</b>	6,175,210	<b>82,392,771</b>	55,224,659

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 19 Trade and other payables (cont'd)

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.

The non-trade amount owing to a third party includes an amount of RMB1,687,000 (2011 - 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:

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
Repayable on or before		
- 30 October 2012	-	1,688,000
- 30 October 2013	<b>1,687,000</b>	1,687,000
	<b>1,687,000</b>	<b>3,375,000</b>

Trade and other payables are denominated in the following currencies:

	<b>The Company</b>		<b>The Group</b>	
	<b>31 December 2012</b>	31 December 2011	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB	<b>RMB</b>	RMB
<u>Trade</u>				
Renminbi	<b>5,048,420</b>	3,925,359	<b>39,985,429</b>	25,969,313
Singapore dollar	<b>1,636,334</b>	1,265,654	<b>1,636,334</b>	1,265,654
	<b>6,684,754</b>	5,191,013	<b>41,621,763</b>	27,234,967
<u>Non-trade</u>				
Renminbi	-	-	<b>36,736,190</b>	27,019,404
Singapore dollar	<b>1,478,864</b>	984,197	<b>1,429,086</b>	970,288
United States dollar	-	-	<b>2,605,732</b>	-
	<b>1,478,864</b>	984,197	<b>40,771,008</b>	27,989,692
	<b>8,163,618</b>	6,175,210	<b>82,392,771</b>	55,224,659

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 20 Notes payable

The notes payable, which are interest-free, mature at varying dates between 6 January 2013, the earliest date and 25 June 2013, the latest date.

## 21 Amount owing to related parties

	31 December 2012	31 December 2011
	RMB	RMB
The Group		
<u>Non-trade</u>		
- related parties		
- 福建省成功果蔬食品有限公司	-	217
- 中鹏成都农业发展有限公司	-	534,647
- 师宗大同盛宏面粉厂	<b>74,000</b>	-
	<b>74,000</b>	<b>534,864</b>

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 中鹏成都农业发展有限公司 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.

师宗大同盛宏面粉厂 is regarded as a related party by virtue of interests held by a minority shareholder, of a subsidiary.

## 22(a) Other operating income

		Year ended 31 December 2012	Year ended 31 December 2011
	Note	RMB	RMB
The Group			
Sale of scrap		424,813	257,414
Sale of packaging materials		40,253	159,900
Cost of scrap		(272,983)	(53,683)
Cost of packaging materials		(41,754)	(107,212)
		<b>150,329</b>	256,419
Government subsidy		51,000	126,404
Government grant		1,259,600	3,584,610
Interest income - banks		821,542	185,076
- others		-	88,198
Exchange gain	22(f)	5,023,854	5,400,261
Rental income		150,288	200,600
Miscellaneous income		50,301	63,352
		<b>7,506,914</b>	<b>9,904,920</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 22(a) Other operating income (cont'd)

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.

## 22(b) Distribution costs

	Note	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
The Group			
Employee benefit costs	22(e)	5,373,246	4,078,360
Transportation		108,370,395	48,924,616
Entertainment		56,150	47,894
Travelling		787,360	535,962
Consumable expenses		123,680	169,724
Packaging		11,176,807	9,926,197
Inspection and custom		71,945	122,721
Depreciation expense	6(a)	616,489	678,877
Advertisement and promotion		27,053,127	10,438,618
Bar number expenses		1,087,390	1,311,459
Conference expense		24,988	476,800
Sales rebate		7,871,473	–
Promotion expense		10,332,285	–
Others		1,190,955	5,799,225
		<b>174,136,290</b>	<b>82,510,453</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 22(c) Administrative expenses

		Year ended 31 December 2012	Year ended 31 December 2011
	Note	RMB	RMB
The Group			
Employee benefit costs	22(e)	12,771,341	8,591,012
Motor vehicle expenses		357,991	310,690
Entertainment		975,332	576,248
Travelling expenses		1,372,965	785,745
Consumable expenses		197,784	47,918
Depreciation expense	6(a)	9,608,324	6,096,196
Amortisation of land use rights	5	1,235,489	554,553
Professional and legal fees		1,646,605	2,102,107
Exchange loss	22(f)	11,773,540	12,166,773
Rental expenses	22(f)	4,097,903	6,032,811
Property, plant and equipment written off	22(f)	27,563	80,514
Loss on disposal of property, plant and equipment	22(f)	-	88,879
Bank charges		887,420	880,800
Utilities		626,493	331,502
Repair and maintenance		19,576	84,370
IPO expenses		-	377,268
Government tax expenses		2,202,813	5,334,016
Withholding tax		-	1,359,249
Audit fee of the Company	22(f)	1,957,108	1,716,341
Others		3,962,073	6,100,873
		<b>53,720,320</b>	<b>53,617,865</b>

## 22(d) Finance costs

	Year ended 31 December 2012	Year ended 31 December 2011
	RMB	RMB
The Group		
Interest expenses:		
- bank borrowings	4,758,362	4,062,303
- notes payable	695,511	501,996
Convertible bonds at amortised costs	11,276,212	1,482,944
	<b>16,730,085</b>	<b>6,047,243</b>
The effective interest rate per annum:		
- bank borrowings	6.30 - 8.53%	6.39 - 8.53 %
- notes payable	0.42 - 0.50%	0.47 - 0.80 %
- convertible bonds	4.21 - 7.28%	7.28 %

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 22(e) Employee benefit costs

	Year ended 31 December 2012	Year ended 31 December 2011
	RMB	RMB
The Group		
Director's remuneration		
- salaries and related costs	6,255,515	3,593,716
- defined contributions	95,174	74,561
Other than directors and key management personnel		
- salaries and related costs	34,743,493	33,912,954
- defined contributions	488,478	5,333,435
	<b>41,582,660</b>	<b>42,914,666</b>

Employee benefit costs are charged to:

	Year ended 31 December 2012	Year ended 31 December 2011
	RMB	RMB
The Group		
Cost of sales	23,438,073	30,245,294
Distribution costs	5,373,246	4,078,360
Administrative expenses	12,771,341	8,591,012
	<b>41,582,660</b>	<b>42,914,666</b>

## 22(f) Profit before taxation

	Year ended 31 December 2012	Year ended 31 December 2011
	RMB	RMB
The Group		
Profit before taxation has been arrived at after charging:		
Amortisation of subsidy	134,016	134,016
Depreciation of property, plant and equipment	15,608,848	10,174,604
Amortisation of land use rights	1,235,489	554,553
Directors' fee	687,839	950,661
Exchange loss	6,749,686	6,766,512
Property, plant and equipment written off	27,563	80,514
Loss on disposal of property, plant and equipment	-	88,879
Rental expense - factory and warehouse	2,335,295	5,012,215
- others	1,762,608	1,020,596
	<b>4,097,903</b>	<b>6,032,811</b>
Audit fee of the Company	1,957,108	1,716,341

The Company did not incur non-audit fee from the Company's auditor for financial year 2012.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 23 Taxation

	Note	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
The Group			
Current taxation		<b>108,340,246</b>	60,467,042
Transfer from deferred tax	10(a) & 10(b)	–	2,760,208
(Over)/Under-provision in respect of prior year		<b>(268,586)</b>	1,484,077
		<b>108,071,660</b>	<b>64,711,327</b>

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

	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
The Group		
Profit before taxation	<b>398,197,015</b>	214,976,438
Tax at statutory rate of 25%	<b>106,052,628</b>	5,625,462
Tax at statutory rate of 24%	–	51,183,401
Tax at statutory rate of 17%	<b>(1,055,000)</b>	589,000
Tax at statutory rate of 16.5%	<b>(3,268,163)</b>	3,240,484
Tax effect on non-taxable income	<b>(487,886)</b>	(5,739,364)
Tax effect on non-deductible expenses	<b>5,466,502</b>	4,382,042
Withholding tax	–	2,800,000
Deferred tax asset not recognised	<b>1,632,165</b>	1,192,467
(Over)/Under-provision of corporate tax in respect of prior year	<b>(268,586)</b>	1,484,077
Others	–	(46,242)
	<b>108,071,660</b>	<b>64,711,327</b>

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.	25%	Full tax
- 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	25%	Full tax
- 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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 23 Taxation (cont'd)

As at the reporting date, the deferred tax liability is recognised to the sum of RMB15.8 million for financial years 2012 on the undistributed earnings of the PRC subsidiaries.

The Group has unabsorbed tax losses amounting to approximately RMB17,167,000 (2011 - RMB14,250,000), 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 RMB 4,291,750 (2011 - RMB3,562,500) 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.

## 24 Other comprehensive income

	Note	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
The Group			
Withholding tax on undistributed earnings of subsidiaries	10(b)	<b>15,771,920</b>	-

Other comprehensive income for the financial year ended 31 December 2012 relates to the withholding tax on undistributed earnings of subsidiaries. The applicable withholding tax is 5%.

## 25 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 statement of comprehensive income and share data used in the computation of basic earnings per share for the financial years ended 31 December:

	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
The Group		
Earnings for the purposes of basic earnings per share	<b>289,693,483</b>	151,462,992

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 25 Earnings per share (cont'd)

	Year ended 31 December 2012	Year ended 31 December 2011
	No. of shares	
The Group		
Weighted average number of ordinary shares outstanding for		
- basic earnings per share	<b>265,172,414</b>	265,172,414
- diluted earnings per share	<b>265,172,414</b>	265,172,414
Basic earnings per share (cents)	<b>109.2</b>	57.1
Diluted earnings per share (cents)	<b>109.2</b>	57.1

The convertible loans have an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2012 and 2011. It is ignored in the calculation of diluted earnings per share.

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

## 26 Dividend distribution

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 2011.

No final dividend has been proposed for the financial year ended 31 December 2012.

## 27 Commitments

### (i) Operating lease commitment (non-cancellable)

#### (A) Where Group is the lessee

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

	31 December 2012	31 December 2011
	RMB	RMB
The Group		
Not later than one year	<b>3,255,888</b>	3,255,888
Later than one year and not later than five years	<b>2,510,296</b>	5,766,184
Later than five years	-	-

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 27 Commitments (cont'd)

### (i) Operating lease commitment (non-cancellable) (cont'd)

#### (A) Where Group is the lessee (cont'd)

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

Location	Land area (sq m)	Effective date	Expiry date	Rental per annum (RMB)
<u>Factory and warehouse premises</u>				
山西省永济市南郊粮库内	1,909.41	1 January 2008	31 December 2026	168,000
永济市于乡镇	13,049	1 August 2012	31 July 2014	2,325,000
<u>Office premises</u>				
深圳福田区滨河路与彩田路交汇处联合广场A栋塔楼 A5607 - 09		18 April 2012	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 2012	31 December 2011
	RMB	RMB
The Group		
Not later than one year	300,000	175,000
Later than one year and later than 5 years	200,000	-

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 2012	August 2014	25,000

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 27 Commitments (cont'd)

### (ii) Capital commitments

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

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
The Group		
Expenditure contracted for the construction of:		
- factory plant	<b>480,300</b>	1,431,836
- equipment	<b>2,515,151</b>	29,148,493
	<b>2,995,451</b>	30,580,329

### (iii) Purchase commitments

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
The Group		
Contracted purchase but not provided for in the financial statements	<b>26,130,923</b>	18,330,513

### (iv) Sales commitments

	<b>31 December 2012</b>	31 December 2011
	<b>RMB</b>	RMB
The Group		
Contracted sales but not provided for in the financial statements	<b>46,290,933</b>	35,018,359

## 28 Statement of operations by segments

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

- (1) Manufacturing and sale of canned vegetables and fruits; and
- (2) 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 28 Statement of operations by segments (cont'd)

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.

### 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.

All non-current assets are located in the PRC.

### (a) Business segments

	Canned vegetable and fruits		Fruit beverages		Total	
	2012	2011	2012	2011	2012	2011
	RMB	RMB	RMB	RMB	RMB	RMB
<b>REVENUE</b>						
Total sales	<b>767,109,190</b>	618,033,264	<b>873,149,436</b>	401,647,786	<b>*1,640,258,626</b>	1,019,681,050
<b>RESULTS</b>						
Segment result	<b>180,787,018</b>	102,642,768	<b>234,140,082</b>	118,380,913	<b>414,927,100</b>	221,023,681
Finance costs	<b>(5,453,873)</b>	(4,385,936)	<b>(11,276,212)</b>	(1,661,307)	<b>(16,730,085)</b>	(6,047,243)
Profit before taxation	<b>175,333,145</b>	98,256,832	<b>222,863,870</b>	116,719,606	<b>398,197,015</b>	214,976,438
Taxation					<b>(108,071,660)</b>	(64,711,327)
Non-controlling interests					<b>(431,872)</b>	1,197,881
Net profit					<b>289,693,483</b>	151,462,992
<b>OTHER INFORMATION</b>						
Segment assets (excluding taxation)	<b>649,545,995</b>	491,609,197	<b>686,496,382</b>	355,958,711	<b>1,336,042,377</b>	847,567,908
Segment liabilities (excluding taxation)	<b>95,383,097</b>	128,752,384	<b>372,102,155</b>	102,188,206	<b>467,485,252</b>	230,940,588
Capital expenditure						
- Land use rights additions	-	-	-	46,310,133	-	46,310,133
- Property, plant and equipment	<b>94,140,655</b>	10,120,966	<b>79,505,721</b>	143,544,276	<b>173,646,376</b>	153,665,242
Amortisation of land use rights	<b>309,287</b>	323,353	<b>926,202</b>	231,200	<b>1,235,489</b>	554,553
Depreciation of property, plant and equipment	<b>9,754,443</b>	9,754,443	<b>3,329,610</b>	420,161	<b>15,608,848</b>	10,174,604

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 28 Statement of operations by segments (cont'd)

### (b) Geographical segments

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

	Year ended 31 December 2012 RMB	Year ended 31 December 2011 RMB
The Group		
Revenue		
- Europe	537,704,932	520,441,421
- America	65,150,058	33,626,688
- China	984,319,140	427,708,726
- Others	53,084,496	37,904,215
	<b>1,640,258,626</b>	<b>1,019,681,050</b>

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 2012 RMB	Year ended 31 December 2011 RMB
Reportable segments' assets are reconciled to total assets:		
Segment assets	1,336,042,377	847,567,908
Deferred tax assets	1,943,252	1,943,252
	<b>1,337,985,629</b>	<b>849,511,160</b>
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	467,485,252	230,940,588
Amount owing to the then shareholders	-	35,819,545
Deferred tax liabilities	20,240,920	4,469,000
Current tax payables	16,651,289	19,027,294
	<b>504,377,461</b>	<b>290,256,427</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 29 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 2012 and 2011, the Group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

### 29.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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

A 5% strengthening of the United States dollar and Singapore dollar against the Renminbi as at 31 December 2012 would have had the following impact on the net profit by the amounts shown below.

	<b>Gain/(loss)</b> <b>RMB'000</b>
<b>31 December 2012</b>	
United States dollar	<b>12,579</b>
Singapore dollar	<b>95</b>
<b>31 December 2011</b>	
United States dollar	4,932
Singapore dollar	120

A 5% weakening of the above currencies against the Renminbi at 31 December 2012 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.

### 29.2 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 2012

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

### 29.2 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
<b>The Group</b>					
<b>2012</b>					
<b>Fixed rate</b>					
Bank borrowings	(44,000,000)	-	-	-	(44,000,000)
Convertible bonds	-	-	(332,318,481)	-	(332,318,481)
Notes payable	(8,700,000)	-	-	-	(8,700,000)
<b>Floating rate</b>					
Cash assets	138,341,543	-	-	-	138,341,543
<b>2011</b>					
<b>Fixed rate</b>					
Bank borrowings	(75,700,000)	-	-	-	(75,700,000)
Convertible bonds	-	-	(82,471,065)	-	(82,471,065)
Notes payable	(17,010,000)	-	-	-	(17,010,000)
<b>Floating rate</b>					
Cash assets	81,516,417	-	-	-	81,516,417
<b>The Company</b>					
<b>2012</b>					
<b>Floating rate</b>					
Cash assets	474,153	-	-	-	474,153
<b>2011</b>					
<b>Floating rate</b>					
Cash assets	141,222	-	-	-	141,222

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 (2011 - 20) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been RMB495,000 (2011 - RMB198,000) lower/higher, 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 2012

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

### 29.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The 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 (2011: five) largest debtors accounted about 39% (2011: 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.

	2012		2011	
	RMB	% of total	RMB	% of total
The Group				
By product sectors:				
Canned foods	154,389,486	36%	95,694,181	45%
Beverages	272,936,140	64%	114,699,137	55%
	<b>427,325,626</b>	<b>100%</b>	<b>210,393,318</b>	<b>100%</b>

#### 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).

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### 29.4 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.

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

	Less than 1 year RMB	Between 1 to 5 years RMB	Total RMB
The Group			
<b>As at 31 December 2012</b>			
Bank borrowings	45,953,100	–	45,953,100
Trade and other payables	82,392,771	–	82,392,771
Convertibles bonds	–	370,000,000	370,000,000
Notes payable	8,700,000	–	8,700,000
Amount owing to related parties	74,000	–	74,000
	<b>137,119,871</b>	<b>370,000,000</b>	<b>507,119,871</b>
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
The Company			
<b>As at 31 December 2012</b>			
Trade and other payables	8,163,618	–	8,163,618
As at 31 December 2011			
Trade and other payables	6,175,210	–	6,175,210

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 30 Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loan. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group's goal in capital management is to maintain a capital to overall financing structure ratio of between 20% - 30%. 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.

	2012	2011
	RMB	RMB
The Group		
Trade and other payables	<b>82,392,771</b>	53,537,659
Other payables	–	1,687,000
Bank borrowings (Note 16)	<b>44,000,000</b>	75,700,000
Amount owing to the then shareholders (Note 17)	–	35,819,545
Convertible bonds (Note 18)	<b>332,318,481</b>	82,471,065
Notes payable (Note 20)	<b>8,700,000</b>	17,010,000
Less: Cash and cash equivalents (Note 13)	<b>(138,341,543)</b>	(81,516,417)
Net debt	<b>329,069,709</b>	184,708,852
Equity attributable to the equity holders of the Company	<b>828,683,689</b>	554,762,126
Capital and net debt	<b>1,157,753,398</b>	684,246,319
Gearing ratio	<b>28%</b>	25%

## 31 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 32 Subsequent events

- (a) On 4 March 2013, the Company entered into a Placement Agreement (the “Placement Agreement”) with UOB Kay Hian Private Limited (the “Placement Agent”) in relation to the Placement. Under the Placement Agreement, the Placement Agent agreed to procure subscriptions for up to an aggregate of 28,500,000 new ordinary shares (“Shares”) in the capital of the Company (the “Placement Shares”) on a best endeavours basis, on the terms and subject to the conditions of the Placement Agreement. The Placement Shares will be issued at an issue price of S\$0.82 per Placement Share (the “Issue Price”). The Issue Price represents a discount of approximately 9.66% to the weighted average price of S\$0.9077 for trades done on the Singapore Exchange Securities Trading Limited for the full market day on 1 March 2013 (being the last full market day prior to the signing of the Placement Agreement). This exercise was completed on 20 March 2013.
- (b) The Company has proposed a bonus issue on the basis of one bonus share for every two existing ordinary shares held by shareholders, subject to all relevant approvals being secured.

# Statistics of Shareholdings

As at 15 March 2013

## 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 15 MARCH 2013

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	1	0.11	634	0.00
1,000 - 10,000	393	45.49	2,489,000	0.94
10,001 - 1,000,000	448	51.85	35,697,500	13.46
1,000,001 and above	22	2.55	226,985,280	85.60
Total	864	100.00	265,172,414	100.00

## TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2013

	SHAREHOLDER'S NAME	NO OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	91,909,699	34.66
2	CITIBANK NOMINEES SINGAPORE PTE LTD	62,508,000	23.57
3	UOB KAY HIAN PTE LTD	12,551,000	4.73
4	MAYBANK KIM ENG SECURITIES PTE LTD	12,250,000	4.62
5	DBS NOMINEES PTE LTD	8,397,000	3.17
6	OCBC SECURITIES PRIVATE LTD	6,357,000	2.40
7	ASDEW ACQUISITIONS PTE LTD	5,151,000	1.94
8	RAFFLES NOMINEES (PTE) LTD	4,191,000	1.58
9	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,547,000	1.34
10	BANK OF SINGAPORE NOMINEES PTE LTD	2,824,000	1.06
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,565,000	0.97
12	TAN CHENG GUAN	1,958,000	0.74
13	CHIA KEE KOON	1,750,000	0.66
14	PHILLIP SECURITIES PTE LTD	1,558,000	0.59
15	DBSN SERVICES PTE LTD	1,453,581	0.55
16	CHAN KONG HON	1,412,000	0.53
17	CLARISSA CHOY SOK PHENG (CLARISSA ZOU SHUPING)	1,205,000	0.45
18	DB NOMINEES (S) PTE LTD	1,135,000	0.43
19	PHILLIP VENTURES ENTERPRISE FUND LTD	1,101,000	0.42
20	CIMB SECURITIES (SINGAPORE) PTE LTD	1,071,000	0.40
	<b>Total</b>	<b>224,894,280</b>	<b>84.81</b>

# Statistics of Shareholdings

As at 15 March 2013

## 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 15 March 2013, 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 Pan Pacific Singapore, Meeting Room Ocean 13 & 14 Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on 23 April 2013 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 2012 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 Soh Beng Keng	(Retiring under Article 91)	<b>(Resolution 2)</b>
Ms Liu Ling	(Retiring under Article 97)	<b>(Resolution 3)</b>

Mr Lin Song who is retiring pursuant to Article 91 of the Articles of Association of the Company, is not seeking for re-election.

[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$115,000 for the financial year ending 31 December 2013 to be paid half-yearly in arrears. (2012: S\$115,000) **(Resolution 4)**
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 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

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

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

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

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

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

# Notice of Annual General Meeting

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

(the “**Share Issue Mandate**”)

provided that:

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

[See Explanatory Note (ii)]

**Resolution 6)**

By Order of the Board

Wong Chee Meng Lawrence / Chew Kok Liang  
Company Secretaries  
Singapore, 8 April 2013

# Notice of Annual General Meeting

## Explanatory Notes:

- (i) Mr Soh Beng Keng will, upon re-election as a Director of the Company, remain as a Chairman of the Audit and Remuneration Committees and member of the Nominating Committee. Mr Soh Beng Keng will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

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

- (ii) Resolution 6, 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.

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# SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

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

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

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

I/We, \_\_\_\_\_ (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 Pan Pacific Singapore, Meeting Room Ocean 13 & 14 Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on 23 April 2013 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 2012		
2	Re-election of Mr Soh Beng Keng as a Director		
3	Re-election of Ms Liu Ling as a Director		
4	Approval of Directors' fees amounting to S\$115,000 for the financial year ending 31 December 2013 (2012: S\$115,000)		
5	Re-appointment of Messrs Foo Kon Tan Grant Thornton LLP as Auditors		
6	Authority to allot and issue new shares		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2013

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.

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.

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.



**SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED**

56th Floor Tower A Union Plaza  
No 5022 Binhe Road  
Futian District Shenzhen  
Guangdong Province  
The People's Republic of China